MerkantiHolding
p.l.c.

Merkanti Holding p.l.c.
Aragon House Business Centre
Dragonara Road
St. Julians, STJ 3140
Malta

COMPANY ANNOUNCEMENT

Reference: (04/2025)

This is a company announcement issued by Merkanti Holding p.l.c. (C 70823) (the "**Company**") pursuant to the Capital Markets Rules of the Malta Financial Services Authority.

Approval of Audited Financial Statements

The Company's Board of Directors has today, the 30 April 2025, considered and approved the audited consolidated financial statements for the year ended 31 December 2024.

Attached to this announcement is a copy of the audited consolidated financial statements and a Directors' Declaration on ESEF Annual Financial Statements. The financial statements attached to this company announcement are also available on the Company's website https://merkantiholding.com/Investor Relations, Sliema, Malta | Merkanti Holding

By order of the Board.

Stephanie Sciberras

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Stephanie Sciberras
For and on behalf of
Ganado Services Limited
Company Secretary
30 April 2025

DIRECTORS' DECLARATION
ON ESEF ANNUAL FINANCIAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2024

We, Mario P Galea and Martin Ware, in our capacity as Directors of Merkanti Holding p.l.c. (Company registration number: C 70823), hereby **certify**:

i. That the Annual Financial Report and Consolidated Financial Statements 2024 ("AFRCFS") for the year ended 31 December 2024 has been approved by the Board of Directors of the Company and is hereby being made available to the public.

ii. That the AFRCFS has been prepared in terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF")[1] and the Capital Markets Rules[2].

iii. That the Audit Report on the ESEF AFRCFS is an exact copy of the original signed by the auditor and that no alterations have been made to the audited elements of the AFRCFS including the annual financial statements.

iv. That the AFRCFS shall serve as the official document for the purposes of the Capital Markets Rules and the Companies Act (Chapter 386 of the Laws of Malta).

Mario P Galea
Director

Martin Ware
Director

30 April 2025
Date

MERKANTI HOLDING p.l.c.

Annual Financial Report and Consolidated Financial Statements 31 December 2024

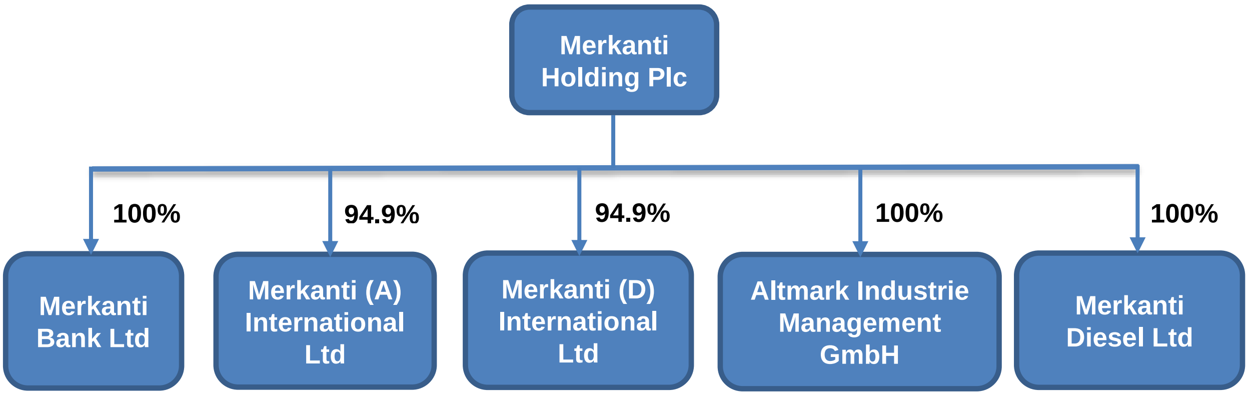
Company Registration Number: C 70823

Directors' report

The board of directors ("the Board") present their report and the audited financial statements of Merkanti Holding p.l.c. (the "Company") and Merkanti Holding p.l.c. Group (the "Group"), for the year ended 31 December 2024. The subsidiaries include Merkanti Bank Limited (the "Bank"), Merkanti (A) International Ltd ("Merkanti A"), Merkanti (D) International Ltd ("Merkanti D"), ("Merkanti A", together with "Merkanti D", the "Property Companies"), Altmark Industrie Management GmbH ("A.I.M.") the "Property Management Company", and Merkanti Diesel Limited ("Merkanti Diesel").

Subsidiaries

The following diagram illustrates the corporate structure (voting shares) of the Group as at 31 December 2024:



Principal activities

Merkanti Holding p.l.c. is a holding and finance company that does not carry on any trading activities apart from the raising of capital and advancing the same to the Group. Accordingly, the Company is economically dependent on the Group. The principal activities of the Group are comprised of the activities of the Bank, the Property Companies and their management Company, explained further in the 'Review of the business' section below.

On 12 August 2019, the Company issued €25,000,000 secured bonds carried at a tenor of 7 years with a coupon of 4%. The proceeds of the issuance were utilised to support the expansion of the business of the Bank and the Property Companies. The bond issuance was listed on the Malta Stock Exchange.

On 3 July 2024, the Company called a Bondholder Meeting to consider and approve proposed changes to the terms and conditions of the Company's secured bond due 2026 (ISIN: MT0002291202) (the "**Bonds**"). Bondholders were being requested "To consider and approve the Proposed Amendments to the terms and conditions of the Bonds as set out in detail in the Notice to the Bondholders Meeting, consisting primarily of (1) an increase in the interest rate payable on the Bonds from 4.00% to 5.70% per annum and (2) a 7-year extension of the term (maturity date) of the Bonds to 12 August 2033" (the "**Resolution"**)."

At the meeting 86.8% of the aggregate nominal value of all outstanding Bonds were represented (in person or by proxy) with an overwhelming majority (94.2%) voting in favour of the resolution.

As a result of this extension, as per the relevant guidance of International Financial Reporting Standards, the Company expensed €434,600 of capitalized costs from the original issuance of the bonds in 2024.

Directors’ report - continued

Review of the business

During the year, the Group managed to achieve its targets driven mainly by the increase occupancy and rental income at our German real-estate, our merchant banking transactions were lower than budget with an increase in expected credit loss (ECL) provisions.

Loss after tax for the year for the Company amounted to €1,041 (2023: profit after tax of €471,825), whilst the Group achieved a profit after tax of €1,096,990 (2023: €1,879,972). The main reason for the drop in profit during the year has to do with the aforementioned €434,600 expense related to the extension of the bonds to 2033.

The profits of the Group in 2024 mainly emanated from the German Real Estate companies due to year-end revaluation, whilst fee and interest income at the Bank declined in the year. The profit contribution from the German Real Estate companies for the year was approximately €1,991,546 (2023: €386,610). During the year, the Company made the fourth full annual coupon payment to its bond holders of €1,000,000 and an additional €200,000 bonus payment (2023: €1,000,000).

Total assets for the Company and the Group stood at €79,776,995 and €106,135,618 (2023: €80,094,529 and €109,641,602), respectively.

The Bank is a credit institution licensed by the MFSA under the Banking Act (Chapter 371) of the laws of Malta, in accordance with the credit institution licence granted by the Malta Financial Services Authority. The Bank does not engage in general retail banking, but provides speciality banking services, focused on merchant banking, to customers and group members located in both domestic and non-domestic markets.

The Property Companies are property holding companies that operate in the industrial real estate sector in Germany, together holding assets recently valued at €41.8 million (€39.1 million), yielding a combined rental income of approximately €1.7 million per annum (2023 1.7 million), the Company held 94.9% of the Ordinary shares of both Merkanti (A) International Ltd and Merkanti (D) International Ltd.

The real estate owned by the Property Companies is currently leased out to a number of tenants. Lease agreements in place between the Property Companies and the respective tenants are either open-ended indefinite term contracts or definite term contracts (with a number of definite term rental agreements catering for the automatic renewal of the lease, and with renewal periods ranging from one to six years).

In most cases the lessee has the option to terminate the contract by giving written notice a number of months prior the expiration of the contract, which notice period ranges between 3 to 18 months. For the year ending 31 December 2024, 93.9% (2023: 95.1%) of the combined rental income of €1.7 million (2023: €1.7 million) was generated from areas leased out to third party tenants, with the remaining 6.1% (2023: 4.9%) generated from leases to related parties.

Directors' report - continued

Principal risks and uncertainties

Continued volatile global financial and geopolitical conditions may negatively impact us or our counterparties

Global financial conditions have been characterized by ongoing volatility. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, civil unrest, changes to energy prices or sovereign defaults. Ongoing geopolitical challenges such as the Ukraine-Russia war, conflict in the Middle East, tensions between the United States and China, imposition of new tariffs by the U.S. government and related countermeasures and other proposed changes to international trade policies have contributed to volatility in global financial conditions.

The United States of America has recently enacted and proposed to enact significant new tariffs on Canada, China and other countries and certain of the countries have enacted countermeasures. These and related developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions, the stability of global financial markets and the price and demand for iron ore. The economic impact of tariffs and countermeasures on the Canadian, American and global economy could result in increased volatility in commodity prices and negatively impact capital markets and the operations of the iron ore mine underlying our parent company's royalty interest, which may negatively impact our business, results of operations, cash flows and financial condition.

The Group's business, by its nature, does not produce predictable earnings and it may be materially affected by conditions in the global financial markets and economic conditions generally. As demand for the Group's products and merchant banking services has historically been determined by general global macro-economic activities, demand and prices for the Group's products and services have historically decreased substantially during economic slowdowns. A significant economic downturn may affect sales and profitability and may adversely affect suppliers and customers. Depending on their severity and duration, the effects and consequences of a global economic downturn could have a material adverse effect on the Group's liquidity and capital resources, including the Group's ability to raise capital, if needed, and otherwise negatively impact our business and financial results.

The Group is subject to strategic and business risk.

Improper strategic choices or the actual implementation of strategic decisions, as well as lack of responsiveness to changes in the economic environment, can have a serious and significant impact on prospective financial results.

As the Group is engaged in German property business, this risk category is intimately connected with the overall performance of the global and German economy. In addition, the Group is engaged in the trade finance and merchant banking business, which is intimately connected with the level of cross-border trade between countries and in markets that are typically in the developing stages of their economic development and political stability.

The Group may increase its debt in the future.

The Group may continue to fund its operations and future growth by incurring additional debt. A substantial deterioration in operating cash flows and profitability could make it difficult for the Group to service interest payments and principal repayments on its borrowings.

Directors' report - continued

Principal risks and uncertainties - continued

Group could be at risk of default on the occurrence of certain unexpected events. Any failure to satisfy debt obligations could result in a default under the terms of current and future financing arrangements

The Group's bank subsidiary is subject to regulatory risk.

In particular, the banking industry is subject to extensive regulation and oversight. The operations of our Bank are subject to the regulations and directives issued by the European Union, as well as any additional Maltese legislation. The Bank is subject to direct supervision by the Malta Financial Services Authority, the Central Bank of Malta and the Financial Intelligence Analysis Unit and indirect supervision by the European Central Bank. There are various regulations and guidelines that the Bank needs to adhere to but the most noticeable ones relate to capital requirements, liquidity and the funding and the Anti-Money Laundering and Anti-Terrorist Financing. As a Maltese credit institution, the Bank is subject to the Capital Requirements Directive and Regulatory Frameworks, referred to as the "CRD and CRR Framework" (as updated from time to time), through which the European Union implements the Basel Capital reforms. The CRD and CRR Framework, among other things, impose minimum statutory capital requirements based on risk adjusted credit exposures and requires extensive regulatory reporting on own funds, large exposures, liquidity requirements and various other regulatory requirements. Large exposures consist of credit exposures to a client or group of connected clients in excess of 10% of the Bank's statutory capital base and such large exposures cannot exceed 25% of the Bank's statutory capital base, after taking into account eligible credit risk mitigation. The main liquidity requirements imposed by the CRD and CRR Framework are the liquidity coverage ratio, referred to as "LCR", which refers to the proportion of highly liquid assets held by the Bank to ensure its ongoing ability to meet short-term liquidity obligations. The Bank must maintain a minimum statutory LCR of 100%. The CRD and CRR Framework also establish a minimum Net Stable Funding Ratio (referred to "NSFR") of 100%. Unlike the LCR, the NSFR is a liquidity standard requiring the Bank to hold enough stable funding to cover the duration of its long-term assets.

The Bank is currently working on the requirements of the revised CRD and CRR Framework, commonly referred to as the CRD6/CRR3 package, which will be wide-ranging, but is expected to include core Basel III components as well as market risk. However, the European Commission also introduces further initiatives in the package, which include: the revision of certain credit risk-weights used to determine the Bank's statutory capital adequacy ratio; new capital calculation requirements relating to operational risk; governance and reporting requirements relating to environmental, social and governance (ESG) risks; and digital operational resilience (DORA).

Merchant banking as a business is competitive, volatile and subject to various risks.

The Bank's merchant banking business could experience significant periodic variations in revenues and results of operations in the future. The merchant banking business is also highly competitive and certain competitors have substantially greater capital and resources, including access to supply, than the Bank. If the Bank is unable to compete effectively, its business and results of operations will be adversely affected.

The Group is subject to systematic risk in the global financial system.

The Group is exposed to systemic risk caused by the ongoing geopolitical challenges such as the Ukraine-Russia war, conflict in the Middle East, tensions between the United States and China, imposition of new tariffs by the U.S. government and related countermeasures and other proposed changes to international trade policies have contributed to volatility in global financial conditions. Due to the high level of interdependence between financial institutions, the Bank is and will continue to be subject to the risk of deterioration of the (actual or perceived) commercial and financial soundness of other financial services institutions, which is also often referred to as systemic risk.

Directors' report - continued

Even the perceived lack of creditworthiness of about a single counterparty may lead to market wide liquidity problems and losses or defaults by other institutions, including the Bank.

The Group is exposed to litigation risks in its business that are often difficult to assess or quantify.

The Group is exposed to various forms of legal risk arising from its trade finance, merchant banking and other activities. Legal risks arise from the possibility that unenforceable contracts, lawsuits, or adverse judgements can disrupt or otherwise negatively affect the operations or condition of the Group. The Group carries on business in various parts of the world and under different legal systems.

The Group is particularly susceptible to legal risks when entering into structured transactions in emerging markets, where its legal rights might be susceptible to non-enforcement because of uncertainties of the local legal and judicial system.

The Group is exposed to the industrial real estate and property market in Germany.

The industrial real estate market in Germany is, among other things, affected by shifts in demand and supply, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. Changes in regulatory requirements and applicable laws (such as taxation and planning permits), political conditions, conditions of the financial markets, inflation, interest rate fluctuations, the availability of financing, yields of alternative investments and other factors may also have an adverse effect on the property market and, in turn, the capital values and income streams of the Group.

Future business developments

The Company continues to execute its business plan whilst diligently adhering to its risk management principles. In 2024, incremental business development contributed to revenues and profits, and the Company is committed to continuing profitable growth into the future.

The Company continues to explore various business opportunities ~ both organic and inorganic ~ with the goal of maximizing profits for its shareholders and prudently safeguarding the interests of its key stakeholders.

Risk management

The Group is considering various additional strategic transactions to further expand its product profile and geographical scope, while at the same time maintaining a strong liquidity profile to be able to capitalize on any opportunities which may arise.

The Group faces a range of business, financial and operational risks. The Group adopts a robust corporate governance framework with a risk management approach to understand what its risks are, how much risk is acceptable, and to be able to manage it to create value for shareholders while meeting regulatory requirements ensuring integrity, ethical and transparent behaviour.

At a strategic level, the Group's financial risk management objectives are:

i. to ensure appropriate identification of the Group's significant risks;
ii. to ensure that the Group's plans are consistent with its risk appetite;
iii. to optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures; and
iv. to help the Group's Management improve the control and co-ordination of risk taking across the business.

Directors' report - continued

A detailed review of the Group's use of financial instruments, its exposure to liquidity risk, credit risk and market risk, and the respective financial risk management objectives and policies is included in Note 2 to the financial statements.

Results and dividends

The income statement is set out on page 13. No dividend is being recommended by the Board. The accumulated profits of the Group amounting to €4,576,993 will be carried forward to the next financial year.

Directors

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

Samuel Morrow (Chief Executive Officer)
Mario P Galea (Chairman)
Benjamin Muscat
Silke Stenger
Rene Randall (appointed 23rd January 2025)
Martin Ware

In accordance with the Company's articles of association, directors are appointed during the Company's annual general meeting until the next following annual general meeting (unless elected for a longer or shorter period or unless they resign or are removed), at the end of which term they may stand again for re-election. No election may be made for a period exceeding three (3) years. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

Responsibilities of Directors for the Financial Statements

The directors are required by the Maltese Companies Act (Cap.386) to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are 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;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern.

Material contracts

Other than the contracts specified for and within the Company's prospectus dated July 18, 2019, for the issuance of €25 million of 4% seven year secured bonds, amended on 3rd July 2024 via a bondholder vote to change the terms and conditions of the bond to €25 million of 5.7% secured bonds maturing on 12th August 2033 there are no material contracts outstanding.

Directors' report - continued

Going concern

The directors, as required by Listing Rule 5.62, have considered the Company's operational performance, the statement of Financial Position as at 31 December 2024, as well as the business plans for the coming year, and that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Statement of Responsibility pursuant to the Listing rules issued by the Listing Authority

The Board declares that to the best of their knowledge, the financial statements included in the Annual Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, and that this director's report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Company's Board of Directors on 30 April 2025 by Mario P Galea (Director) and Martin Ware (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Consolidated Financial Statements 2024.

Statement of Compliance with Corporate Governance Code

The Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the "Code"). Although the adoption of the Code is not obligatory, companies with securities that are listed on a 'regulated market' (and that are subject to the Listing Rules and the Code) are required to include, among other things, in their annual report, a corporate governance statement and a statement by the directors on a company's compliance with the Code, accompanied by a report of the auditors thereon. Companies that do not have any listed equity securities, including the Company, are exempt from certain requirements relating to the contents of this corporate governance statement.

Compliance

The Company's Board believes in the principles espoused by and the adoption of the Code and the Company has endorsed them to the extent that they are considered complementary to the size, nature, and operations of the Company. In particular, the Board believes that, due to the Company's size, operations and particular circumstances – including the fact that it is a holding and finance company and does not have any employees or officers other than the directors and the company secretary – it is not necessary for the Board to establish the remuneration, nomination and board performance evaluation committees (and the related supporting principles and Code Provisions) that are suggested in the Code, and that the function of these committees can efficiently be undertaken by the board itself as necessary. It should also be noted that the Board's performance is subject to ongoing evaluation and scrutiny of the Board itself (the majority of which is composed by independent non-executive directors), the Company's shareholder and the market. The shareholders approve the remuneration paid to the directors at the annual general meeting.

The Board

The Board is responsible for devising a strategy, setting policies and the management of the Company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for ensuring that its operations are in conformity with all relevant rules and regulations. Directors meet regularly, mainly to review the operational and financial performance of the Company, any significant matters arising, and to review internal control processes. Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents, which are circulated in advance of the meeting. All the directors have access to independent professional advice at the Company's expense should they so require and frequently make use of this facility on various issues.

The Company has in place systems whereby the directors obtain timely information from the executive management teams of its subsidiaries, not only at meetings of the Board but at regular intervals or when the need arises.

The Board is currently composed of two executive and four independent non-executive directors, as listed below.

Mario P Galea (Chairman and Independent Non-Executive Director)
Benjamin Muscat (Independent Non-Executive Director)
Silke Stenger (Independent Non-Executive Director)
Rene Randall (Independent Non-Executive Director) (appointed 23 January 2025)
Samuel Morrow (Executive Director)
Martin Ware (Executive Director)

The Company Secretary of the Company is Ganado Services Limited (C 10785)

Statement of Compliance with Corporate Governance Code - continued

Internal Controls & Risk Management Systems in relation to Financial Reporting

The Board is responsible for designing, implementing and maintaining internal controls and risk management systems that it deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for reviewing their effectiveness. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In particular, systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary, and for the Board to be kept informed in a structured and systematic manner on the operational and financial performance of the Company. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis. All financial information and forecasts are reviewed by multiple parties as well as the Board to ensure accuracy.

The monitoring of these controls and systems has been delegated to the Audit Committee (as described below). The Board and Audit Committee are satisfied with the effectiveness of the Company's system of internal controls and risk management systems.

Audit Committee

The Board established an Audit Committee (the "Committee") in 2019 to assist the Board in fulfilling its supervisory and monitoring responsibilities. The Committee operates according to detailed terms of reference established by the Board that reflect the requirements of the Listing Rules as well as current good corporate governance best practices. These terms of reference establish its composition, role, responsibilities and function, the parameters of its remit, as well as the basis for the processes that it is required to comply with. The Committee, which is required to meet at least four times a year, is a sub-committee of the Board and is directly responsible and accountable to the Board.

The primary purpose of the Committee is to assist the directors in conducting their role effectively so that the Company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times. Among other responsibilities, the Committee is responsible for monitoring the financial reporting process and monitoring of the effectiveness of the Company's internal controls and risk management systems in relation to the financial reporting of the Company.

The Audit Committee is composed entirely of independent non-executive directors (each of which satisfies the independence criteria set out in the Listing Rules). All of the members of the Audit Committee are designated as competent in auditing and/or accounting. Mario Galea has been appointed as the Chairman of the Audit Committee.

The Members of the Audit Committee are:

Mario Galea (Chairman)
Benjamin Muscat (Member)
Silke Stenger (Member)
Rene Randall (Member) (appointed 23 January 2025)

Statement of Compliance with Corporate Governance Code - continued

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the directors. The independent directors received €110,500 in aggregate for services rendered during 2024 in their capacity as directors of the company. No part of the remuneration paid to the independent directors is performance based. None of the independent directors, in their capacity as a director of the Company, is entitled to profit sharing, share options or pension benefits.

Signed on behalf of the Company's Board of Directors on 30 April 2025 by Mario P Galea (Director) and Martin Ware (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Consolidated Financial Statements 2024.

Statements of financial position

		Group		Company	
		As at 31 December			
	Notes	**2024**	2023	**2024**	2023
		€	€	**€**	€
ASSETS					
Balances with Central Bank of Malta and cash	4	**20,315,175**	27,980,471	**-**	-
Loans and advances to banks and other financial institutions	5	**8,120,777**	7,713,654	**2,216,768**	7,325,442
Loans and advances to customers	6	**13,018,574**	13,374,699	**-**	-
Financial assets mandatorily measured at fair value through profit or loss	7	**792,601**	1,059,782	**-**	267,181
Financial assets measured at fair value through other comprehensive income	8	**5,145,690**	6,946,560	**-**	-
Investments in subsidiaries	9	**-**	-	**50,559,310**	50,530,850
Investment property	10	**31,927,000**	30,081,000	**-**	-
Property, plant and equipment	11	**97,514**	126,464	**4,068**	28,506
Intangible assets	12	**903,312**	932,744	**-**	-
Right-of-use assets	13	**-**	138,747	**-**	138,747
Other receivables	14	**20,781,744**	16,513,815	**23,305,793**	19,169,845
Current tax assets		**425,493**	243,742	**177,873**	231,232
Deferred tax assets	15	**150,174**	150,174	**-**	-
Accrued income and other assets	16	**4,457,564**	4,379,750	**3,513,183**	2,402,726
Total assets		**106,135,618**	109,641,602	**79,776,995**	80,094,529

Statements of financial position - continued

		Group		Company	
		As at 31 December			
	Notes	**2024**	2023	**2024**	2023
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the parent					
Share capital	17	**1,667,333**	1,667,333	**1,667,333**	1,667,333
Contribution reserve	18	**50,892,669**	50,892,669	**50,892,669**	50,892,669
Fair value reserve	19	**(90,201)**	(314,698)	**-**	-
Retained earnings		**4,576,993**	3,426,778	**2,076,588**	2,077,629
		57,046,794	55,672,082	**54,636,590**	54,637,631
Non-controlling interests	20	**1,016,809**	1,085,334	**-**	-
Total equity		**58,063,603**	56,757,416	**54,636,590**	54,637,631
Liabilities					
Borrowings	21	**24,481,152**	24,686,800	**24,481,152**	24,686,800
Lease liabilities	13	**-**	168,809	**-**	168,809
Amounts owed to banks	22	**4,965,200**	4,965,600	**-**	-
Amounts owed to customers	23	**13,176,014**	19,430,761	**-**	-
Current tax liabilities		**11,317**	308,294	**-**	10,756
Deferred tax liabilities	15	**2,386,691**	2,153,622	**-**	-
Other liabilities	24	**3,051,641**	1,170,300	**659,253**	590,533
Total liabilities		**48,072,015**	52,884,186	**25,140,405**	25,456,898
Total equity and liabilities		**106,135,618**	109,641,602	**79,776,995**	80,094,529

The notes on pages 20 to 109 are an integral part of these consolidated financial statements.

The financial statements on pages 11 to 109 were approved and authorised for issue by the Board of Directors on 30 April 2025. The financial statements were signed on behalf on behalf of the Company's Board of Directors by Mario P Galea (Director) and Martin Ware (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2024.

Income statements

		Group		Company	
		Year ended 31 December			
	Notes	**2024**	2023	**2024**	2023
		€	€	**€**	€
Interest income	26	**3,934,118**	4,139,351	**1,118,255**	1,258,363
Interest expense	27	**(2,012,523)**	(1,326,975)	**(1,663,012)**	(1,115,762)
Net interest income		**1,921,595**	2,812,376	**(544,757)**	142,601
Net fee and commission income	28	**819,940**	941,609	**92,940**	137,794
Rental income from investment property	29	**1,518,171**	1,546,048	**106,525**	101,657
Changes in the fair value of investment property	10	**1,353,056**	(40,080)	**-**	-
Realised gains/(losses) on disposal of investment property and property, plant and equipment		**35,068**	(28,496)	**-**	(545)
Net trading income	30	**(179,957)**	650,834	**17,146**	(537,045)
Dividend income	31	**-**	-	**284,700**	1,233,700
Other operating income	32	**2,607,209**	2,961,408	**1,215,768**	918,910
Operating income		**8,075,082**	8,843,699	**1,172,322**	1,997,072
Changes in expected credit losses	33	**(109,106)**	(91,061)	**-**	38,607
Administrative expenses	34	**(7,080,451)**	(6,657,680)	**(1,311,254)**	(1,553,098)
Profit/(loss) before tax		**885,525**	2,094,958	**(138,932)**	482,581
Tax income/(expense)	35	**211,465**	(214,986)	**137,891**	(10,756)
Profit for the year		**1,096,990**	1,879,972	**(1,041)**	471,825
Profit attributable to:					
Owners of the parent		**1,150,215**	2,394,913		
Non-controlling interests	20	**(53,225)**	(514,941)		
		1,096,990	1,879,972		

The notes on pages 20 to 109 are an integral part of these consolidated financial statements.

Statements of comprehensive income

		Group		Company	
		Year ended 31 December			
	Notes	**2024**	2023	**2024**	2023
		€	€	**€**	€
Profit/(Loss) for the year		**1,096,990**	1,879,972	**(1,041)**	471,825
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Fair valuation of financial assets measured at fair value through other comprehensive income:					
Net changes in fair value arising during the year	8	**223,350**	273,088	**-**	-
Changes in expected credit losses attributable to debt instruments measured at fair value through other comprehensive income	8	**1,147**	144	**-**	-
Other comprehensive income for the year, net of tax		**224,497**	273,232	**-**	-
Total comprehensive income for the year		**1,321,487**	2,153,204	**(1,041)**	471,825
Total comprehensive income attributable to:					
Owners of the parent		**1,374,712**	2,668,145		
Non-controlling interests	20	**(53,225)**	(514,941)		
		1,321,487	2,153,204		

The notes on pages 20 to 109 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group	Notes	Share capital €	Contribution reserve €	Fair value reserve €	Retained earnings €	Total €	Non-controlling interests €	Total equity €
		Attributable to owners of the parent						
Balance at 1 January 2023		1,667,333	50,892,669	(587,930)	1,031,865	53,003,937	1,666,575	54,670,512
Comprehensive income								
Profit for the year		-	-	-	2,394,913	2,394,913	(514,941)	1,879,972
Other comprehensive income:								
Fair valuation of financial assets measured at fair value through other comprehensive income								
Net changes in fair value arising during the year	8	-	-	273,088	-	273,088	-	273,088
Changes in expected credit losses attributable to debt instruments measured at fair value through other comprehensive income	8	-	-	144	-	144	-	144
Total comprehensive income		-	-	273,232	2,394,913	2,668,145	(514,941)	2,153,204
Transactions with owners in their capacity as owners:								
Dividends paid to non-controlling interests in subsidiaries	20	-	-	-	-	-	(66,300)	(66,300)
Transactions with owners in their capacity as owners		-	-	-	-	-	(66,300)	(66,300)
Balance at 31 December 2023		1,667,333	50,892,669	(314,698)	3,426,778	55,672,082	1,085,334	56,757,416

The notes on pages 20 to 109 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Group		**Attributable to owners of the parent**					**Non-**	
	Notes	**Share capital €**	**Contribution reserve €**	**Fair value reserve €**	**Retained earnings €**	**Total €**	**controlling interests €**	**Total equity €**
Balance at 1 January 2024		**1,667,333**	**50,892,669**	**(314,698)**	**3,426,778**	**55,672,082**	**1,085,334**	**56,757,416**
Comprehensive income								
Profit for the year		-	-	-	1,150,215	1,150,215	(53,225)	1,096,990
Other comprehensive income:								
Fair valuation of financial assets measured at fair value through other comprehensive income								
Net changes in fair value arising during the year	8	-	-	223,350	-	223,350	-	223,350
Changes in expected credit losses attributable to debt instruments measured at fair value through other comprehensive income	8	-	-	1,147	-	1,147	-	1,147
Total comprehensive income		**-**	**-**	**224,497**	**1,150,215**	**1,374,712**	**(53,225)**	**1,321,487**
Transactions with owners in their capacity as owners:								
Dividends paid to non-controlling interests in subsidiaries	20	-	-	-	-	-	(15,300)	(15,300)
Transactions with owners in their capacity as owners		**-**	**-**	**-**	**-**	**-**	**(15,300)**	**(15,300)**
Balance at 31 December 2024		**1,667,333**	**50,892,669**	**(90,201)**	**4,576,993**	**57,046,794**	**1,016,809**	**58,063,603**

The notes on pages 20 to 109 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Company

	Note	Share capital €	Contribution reserve €	Retained earnings €	Total €
Balance at 1 January 2023		**1,667,333**	**50,892,669**	**1,605,804**	**54,165,806**
Comprehensive income					
Profit for the year		-	-	471,825	471,825
Balance at 31 December 2023		**1,667,333**	**50,892,669**	**2,077,629**	**54,637,631**
Balance at 1 January 2024		**1,667,333**	**50,892,669**	**2,077,629**	**54,637,631**
Comprehensive income					
Loss for the year		-	-	(1,041)	(1,041)
Balance at 31 December 2024		**1,667,333**	**50,892,669**	**2,076,588**	**54,636,590**

The notes on pages 20 to 109 are an integral part of these consolidated financial statements.

Statements of cash flows

Group		As at 31 December	
	Notes	**2024 €**	2023 €
Interest, commission, rental and other income received		**9,090,763**	7,866,747
Interest and commission expense paid		**(2,072,499)**	(1,210,928)
Cash payments to employees and suppliers		**(6,994,012)**	(6,034,379)
Income taxes paid		**(234,809)**	(261,336)
Income taxes refund		**200,615**	-
Cash flows from operating activities before changes in operating assets and liabilities		**(9,942)**	360,104
Changes in operating assets and liabilities:			
Net decrease/(increase) in Reserve Deposit with Central Bank	4	**141,310**	(19,011)
Net increase in money market placement with Central Bank	4	**(10,588,122)**	-
Net increase in loans and advances to banks and other financial institutions	5	**(5,415)**	(22,666)
Net decrease/(increase) in loans and advances to customers	6	**253,708**	(458,830)
Net decrease in dispute resolution funding assets measured at fair value through profit or loss	7	**-**	18,303
Net (increase)/decrease in other receivables	14	**(3,984,189)**	1,770,690
Net (increase)/decrease in other assets	16	**(288,403)**	275,963
Net decrease in amounts owed to banks	22	**(400)**	(400)
Net decrease in amounts owed to customers	23	**(6,254,747)**	(1,718,756)
Net increase/(decrease) in other liabilities	24	**1,722,805**	(117,832)
Net cash (used in)/generated from operating activities		**(19,013,395)**	87,565
Cash flows from investing activities			
Proceeds from maturity or redemption of financial assets measured at fair value through other comprehensive income	8	**2,000,000**	11,500,000
Purchase of investment properties	10	**(547,552)**	-
Proceeds from disposal of investment properties	10	**86,998**	815,971
Proceeds from disposal of property, plant and equipment		**37,757**	531
Purchase of property, plant and equipment	11	**(82,788)**	(66,450)
Purchase of intangible assets	12	**(14,929)**	(50,466)
Net cash generated from investing activities		**1,479,486**	12,199,586
Cash flows from financing activities			
Principal element of lease payments	13	**(171,245)**	(170,940)
Net cash used in financing activities		**(171,245)**	(170,940)
Net movement in cash and cash equivalents		**(17,705,154)**	12,116,211
Effect of exchange rate changes on cash and cash equivalents		**130,136**	(117,282)
Cash and cash equivalents at beginning of year	36	**30,451,180**	18,452,251
Cash and cash equivalents at end of year	36	**12,876,162**	30,451,180

The notes on pages 20 to 109 are an integral part of these consolidated financial statements.

Statements of cash flows - continued

Company		**As at 31 December**	
	Notes	**2024** **€**	2023 €
Interest, commission, rental and other income received		**1,543,258**	1,190,505
Interest and commission expense paid		**(1,866,224)**	(999,715)
Cash payments to suppliers		**(1,147,779)**	(1,383,406)
Income taxes paid		**(10,756)**	(1,626)
Income taxes refund		**191,250**	-
Cash flows used in operating activities before changes in operating assets and liabilities		**(1,290,251)**	(1,194,242)
Changes in operating assets and liabilities:			
Net decrease/(increase) in loans and advances to banks and other financial institutions	5	**900,000**	(1,800,000)
Net (increase)/decrease in other receivables	14	**(3,567,211)**	4,421,289
Net (increase)/decrease in accrued income and other assets	16	**(120,227)**	404,576
Net increase in other liabilities	24	**40,260**	35,615
Net cash (used in)/generated from operating activities		**(4,037,429)**	1,867,238
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**-**	(3,104)
Dividends received		**-**	1,050,807
Net cash generated from investing activities		**-**	1,047,703
Cash flows from financing activities			
Principal element of lease payments	13	**(171,245)**	(170,940)
Net cash used in financing activities		**(171,245)**	(170,940)
Net movement in cash and cash equivalents		**(4,208,674)**	2,744,001
Cash and cash equivalents at beginning of year	36	**5,525,442**	2,781,441
Cash and cash equivalents at end of year	36	**1,316,768**	5,525,442

The notes on pages 20 to 109 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Summary of material accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Merkanti Holding p.l.c. ("the Company") and its subsidiary undertakings (together referred to as "the Group"). These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and with the requirements of the Companies Act (Cap. 386) and the Banking Act (Cap. 371) enacted in Malta. They have been prepared under the historical cost convention, as modified by the fair valuation of financial assets and financial liabilities measured at fair value through profit or loss including derivative financial instruments, financial assets measured at fair value through other comprehensive income, and investment property.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Assessment of going concern assumption

Having satisfied themselves on the financial position and performance of the Group, the directors have a reasonable expectation that the Company and the Group will continue in operational existence for the foreseeable future.

In determining the appropriateness of the going concern assumption in the preparation of the financial statements, the directors have considered the effects of the global macroeconomic uncertainties driven by the ongoing geo-political conflicts in eastern Europe and Middle East, tensions between the United States and China, imposition of new tariffs by the United States government and related countermeasures and other proposed changes to international trade policies to the Group's operations. The Group do not see any direct impact but is actively monitoring the situation and has taken necessary measures to ensure that negative impacts on overall business is mitigated to the extent possible.

Accordingly, the directors consider the going concern assumption in the preparation of the Group's financial statements as appropriate as at the date of authorisation for issue of these financial statements.

Standards, interpretations and amendments to published standards effective in 2024

In 2024, the Group adopted amendments to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 January 2024. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting the financial performance and position.

1. Summary of material accounting policies - continued

1.1 Basis of preparation - continued

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2024.

The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Directors are of the opinion that there are no requirements which will have a possible material impact on the Group's and Company's financial statements in the period of initial application, other than what is described below.

IFRS 18 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027)

IFRS 18 (issued on 9 April 2024) is yet to be endorsed for use in the EU however it is set to replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance. IFRS 18 will also require the disclosure of management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's and Company's financial statements.

The new standard will be applicable from its mandatory effective date of 1 January 2027, subject to endorsement for use in the EU, with retrospective application.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

1. **Summary of material accounting policies** - continued

1.2 Consolidation - continued

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. The accounting policies of the subsidiaries are consistent with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, where the acquisition or disposal of partial interests in a subsidiary has no impact on the Group's ability to govern the subsidiary's financial and operating policies, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Foreign currency translation

(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 consolidated financial statements are presented in euro, which is the Company's functional currency and the Group's presentation currency.

1. Summary of material accounting policies - continued

1.3 Foreign currency translation - continued

(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.

1.4 Financial assets

1.4.1 Initial recognition and measurement

The Group recognises a financial asset in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Accordingly, the Group uses trade date accounting for regular way contracts when recording financial asset transactions.

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (‘ECL’) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

1.4.2 Classification and subsequent measurement

The Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

1. Summary of material accounting policies - continued

1.4 Financial assets - continued

1.4.2 Classification and subsequent measurement - continued

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 1.5. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. As at 31 December 2024 and 31 December 2023, the Group's financial assets measured at amortised cost include 'Balances with Central Bank of Malta and cash', 'Loans and advances to banks and other financial institutions', 'Loans and advances to customers' and 'Other receivables'.

FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net trading income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. As at 31 December 2024 and 31 December 2023, the Group's financial investments are measured at FVOCI (Note 8).

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net trading income'. Debt instruments that contain contractual terms that give rise on specified dates to cash flows that are not consistent with a basic lending arrangement and thus fail the solely payments of principal and interest test are 'mandatorily' measured at FVPL. Interest income from these financial assets, including those that are mandatorily measured at FVPL, is included in 'Interest income' using the effective interest rate method. As at 31 December 2024 and 2023, the Group mandatorily measured financial assets on the basis that it failed the SPPI test. (Note 7).

1. Summary of material accounting policies - continued

1.4 Financial assets - continued

1.4.2 Classification and subsequent measurement – continued

Debt instruments - continued

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation (using the effective interest method) of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e., its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(a) Business model assessment

Key management personnel determine the Group’s business model by considering the way financial instruments are managed in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Such assessment is performed at a ‘portfolio level' as it best reflects the way the business is managed and information is provided to management.

1. Summary of material accounting policies - continued

1.4 Financial assets - continued

1.4.2 Classification and subsequent measurement – continued

Debt instruments - continued

(a) Business model assessment - continued

The information that will be considered in such assessment includes:

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

(b) Cash flows that represent solely payment of principal and interest (SPPI)

In respect of assets where the intention of the business model is to hold the financial assets to collect the contractual cash flows or to hold to collect and to sell, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending agreement. 'Principal' is the fair value of the financial asset at initial recognition. It is not the amount that is due under the contractual terms of an instrument. 'Interest' is the compensation for time value of money and credit risk of a basic lending-type return. A basic lending-type return could also include consideration for other basic lending risks (for example, liquidity risk) and consideration for costs associated with holding the financial asset for a particular period of time (for example, servicing or administrative costs) and/or a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

1. **Summary of material accounting policies** - continued

1.4 Financial assets - continued

1.4.2 Classification and subsequent measurement - continued

Debt instruments - continued

(b) *Cash flows that represent solely payment of principal and interest (SPPI)* - continued

Unlike the business model assessment, the SPPI assessment is performed for each individual product or portfolio of products. The following considerations are made when assessing consistency with SPPI:

- contingent events that would change the amount and timing of cash flows such as contractual term resetting interest to a higher amount in the event of a missed payment;
- leverage features, being contractual cash flow characteristics that increase the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and whether the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;
- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract; and
- features that modify consideration for the time value of money (for example, periodic reset of interest rates).

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. The Group’s equity financial assets comprise of unlisted equity investments measured at FVPL (Note 7).

Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, are recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading income’ line in the income statement.

1. Summary of material accounting policies - continued

1.4 Financial assets - continued

1.4.3 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired or when the Group has transferred its contractual right to receive the cash flows of the financial assets, and either:

- substantially all the risks and rewards of ownership have been transferred; or
- the Group has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

1.5 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECLs') associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowances for such losses at each reporting date. The measurement of ECLs reflects:

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

The Group calculates ECL using three main components: a probability of default ('PD'), a loss given default ('LGD'), and the exposure at default ('EAD'). Note 2.2.3 provides more detail of how the expected credit loss allowance is measured.

Expected credit loss allowances are presented in the statements of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- financial instrument with both a drawn and undrawn component, whereby the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components, as a deduction from the gross carrying amount of the drawn component; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statements of financial position against the carrying amount of the asset because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve, i.e., presented within other comprehensive income.

1.6 Write-off policy

The Group writes off financial assets when it determines that these are uncollectible, it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-offs.

1. Summary of material accounting policies - continued

1.7 Offsetting financial instruments

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

1.8 Investment property

Investment property, principally comprising freehold office and warehouse buildings and parcels of land (both developed and undeveloped) held mainly for long-term rental yields and capital appreciation and which is not occupied by the Group.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually by professional valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

1. Summary of material accounting policies - continued

1.8 Investment property - continued

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

1.9 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes 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, as follows:

	%
Computer equipment	25
Office improvements and equipment	10-25
Others	25

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 1.12).

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

1.10 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of ten years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

1. Summary of material accounting policies - continued

1.10 Intangible assets - continued

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

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable (Note 1.12).

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the Administrative expenses as Amortisation of intangible assets.

1.11 Leases

The Group is the lessee

The Group has lease agreements in place related to the leases of property used as office space. At the inception of a contract, the Group assesses if the contract is or contains a lease and hence conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For leases of property, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease liabilities arising from such contracts are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

1. Summary of material accounting policies - continued

1.11 Leases - continued

The Group measures the associated right-of-use assets at an amount equal to the lease liability at the date at which the leased asset is made available for use. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group elects not to recognise right-of-use assets and lease liabilities for low value leases or leases with a term shorter than 12 months. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

1.12 Impairment of non-financial assets

Assets that are subject to depreciation and 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 flows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

1.13 Current and deferred tax

The tax expense for the period 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 this 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 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 financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred 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 tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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 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 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. Summary of material accounting policies - continued

1.13 Current and deferred tax - continued

During 2024, the Company formed part of a Fiscal Unit for Maltese income tax purposes as a principal taxpayer with its subsidiary bank (the "Bank") as the transparent subsidiary effective from 1 January 2023, which allows the Fiscal Unit group members to be treated as a single taxpayer. Under the Fiscal Unit the principal taxpayer assumes the tax responsibilities in its entirety towards the tax authorities, while both entities within the Unit being jointly liable for such tax obligations.

According to the Tax Sharing Agreement entered into between the Company and the Bank, the Fiscal Unit's tax liability is calculated based on the respective entities' notional tax obligation based on standalone taxable profits and/or losses incurred during the year. The Company remits tax payments on behalf of the Bank within the Fiscal Unit, where any such remittances are due. Under the terms of the agreement current tax assets and liabilities are recognised as receivables from or payables to the Bank.

In addition, under the terms of the Tax Sharing Agreement, the Company shall compensate the Bank whenever and to the extent, the unutilised and unrecognised tax losses assumed by the Company are "utilised" in the reduction of the taxable profit of the Fiscal Unit or utilised against the current tax liability of the Fiscal Unit. Such utilisation is deemed to occur and a compensatory obligation created, if in any year, any one of the members in the Fiscal Unit reports taxable profit/tax liability, against which a utilisation is required under the same agreement.

At the level of Fiscal Unit members' standalone financial statements, entitlement to compensation to be received by the Bank with respect to unutilised tax losses utilised by the Company against its own notional tax liability are treated as an investment in subsidiary by the Company (Note 9) and as a capital contribution within the equity reserves by the Bank in the year in which the Fiscal Unit files its consolidated tax return, which may be in year(s) subsequent to the financial year in which the Company's taxable profit arises. For any unutilised tax losses brought forward that are utilised by the Company against the Bank's notional tax expense and liability in a given year, the payment payable by the Company, under the Tax Sharing Agreement, for the utilisation of such tax losses is credited to the tax charge in the Bank's Income Statement in the year in which the relevant taxable profits arise. The payment payable by the Company will be equivalent to the receivable balance against the Bank's tax liability transferred to the Company, hence set off in the intercompany accounts.

1.14 Financial liabilities

1.14.1 Initial recognition and measurement

The Group recognises a financial liability on its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability.

1. Summary of material accounting policies - continued

1.14.1 Initial recognition and measurement - continued

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- financial guarantee contracts and loan commitments.

1.14.2 Classification and subsequent measurement

Financial liabilities measured at amortised cost comprise principally borrowings, derivative liabilities, amounts owed to banks, amounts owed to customers, and other liabilities.

1.14.3 Derecognition

The Group derecognises a financial liability from its consolidated statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

1. Summary of material accounting policies - continued

1.15 Contingent liabilities

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
(b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

1.16 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

The Group's income streams includes loan facility origination fees, rescheduling fees (charged when a customer applies to extend the repayment date), loan facility amendment fees and other fees and interest charged on revolving and longer term credit products. All these fees are considered to be an integral part of the effective interest rate of the loans and advances taking cognisance of the nature of these fees, the purposes for which these fees are assessed and the substance of the services provided. Accordingly, these fees are amortised to profit or loss using the effective interest method over the expected term of the instruments and presented within 'Interest and similar income'.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset;
- financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

1. Summary of material accounting policies - continued

1.17 Fee and commission income and expense

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, corporate servicing fees and property management fees are recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

1.18 Rental income

Rental income from investment property

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

1.19 Dividend income

Dividend income is recognised when the right to receive payment is established.

1.20 Other operating income

Other operating income is recognised on an accrual basis unless collectability is in doubt.

1. Summary of material accounting policies - continued

1.21 Cash and cash equivalents

Cash and cash equivalents are carried in the statements of financial position at face value less expected credit loss allowances. In the statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other financial institutions and other short-term highly liquid investments with original maturities of three months or less.

1.22 Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of Directors of the parent company, which is the Group's chief operating decision-maker in accordance with the requirements of IFRS 8, Operating Segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available.

2. Financial risk management

2.1 Introduction

The Group's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the entity's financial performance.

The Board of Directors oversees credit, market, funding and liquidity, operational and strategic business risks. The Group has developed an integrated risk management framework to identify, assess, manage and report risks and risk adjusted returns.

The Group's risk management policies are designed to identify and analyse risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board is responsible for the overall effectiveness of the risk management function, which function is however carried out by all the members of the Group's management.

2.2 Credit Risk

2.2.1 Introduction

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business, accordingly, management carefully manages its exposure to this risk. Credit exposures arise principally through the Group's participation in credit loan and receivables transactions, mainly with Scully Royalty Group and also with third parties, through the Group's transactions with correspondent banks, and through its investments in debt securities and other exposures arising from its investing activities.

In order to minimise the credit risk undertaken in examining a counterparty's creditworthiness, country risk, quantitative and qualitative characteristics, as well as the industry sector in which the counterparty operates, are considered.

2. Financial risk management - continued

2.2 Credit Risk - continued

2.2.1 Introduction - continued

In addition, the Group continues to integrate climate risk into its credit risk management activities, with physical and transition risks considered to be the key climate risks impacting credit risk. As at 31 December 2024, the Group determined that the impact of climate risk on credit risk is immaterial on the basis that majority of the Group's exposures have a short-term maturity.

The Group has also set limits of authority and has segregation of duties in place so as to maintain impartiality and independence during the approval process and to control new and existing credit facilities. Credit review procedures are designed to identify at an early stage exposures which require more detailed monitoring and review.

2.2.2 Credit risk measurement

The measurement of credit exposure for risk management purposes considers that an exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group measures credit risk using Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD').

The Group's financial assets primarily comprise the following three portfolios upon which credit risk is assessed: investments in debt securities, loans and advances to banks and other financial institutions, loans and advances to customers and receivables from related parties. Where published ratings are issued by external rating agencies, such as Standard & Poor's, Fitch and Moody's, the Group refers to such ratings to determine the probability of default of individual counterparties. These published grades are continuously monitored and updated. Where published ratings are not available, a credit risk modelling solution developed by an external vendor, is used to determine implied credit ratings. Implied credit ratings are determined on the basis of exposure-specific characteristics, including financial performance and qualitative characteristics captured through a scorecard. The implied ratings are calibrated with the rating scales as defined by the recognised external rating agencies, which in turn allow for the determination of the probability of default attributable to each individual unrated counterparty.

In determining the probability of default of individual counterparties, the Group distinguishes between exposures considered 'investment-grade' defined by recognised external rating agencies as a rating between AAA to BBB- (Standard & Poor's, Fitch) and Aaa to Baa3 (Moody's), and 'non-investment grade' exposures.

2. Financial risk management - continued

2.2 Credit Risk - continued

2.2.3 Expected credit loss (ECL) measurement - continued

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

i. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
ii. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit - impaired. Please refer to Note 2.2.3.1 for a description of how the Group determines when a significant increase in credit risk has occurred.
iii. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to Note 2.2.3.2 for a description of how the Group defines credit-impaired and default.
iv. Financial instruments in ‘Stage 1’ have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in ‘Stage 2’ or ‘Stage 3’ have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 2.2.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
v. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 2.2.3.4 includes an explanation of how the Group has incorporated this in its ECL models.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (‘Stage 3’).

The expected credit loss requirements apply to financial assets measured at amortised cost and FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (“12-month ECL”). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (“lifetime ECL”). Financial assets where 12-month ECL is recognised are considered ‘Stage 1’. Financial assets which are considered to have experienced a significant increase in credit risk would be classified as ‘Stage 2’ and financial assets for which there is objective evidence of impairment, thus considered to be in default or otherwise credit-impaired, would be classified as ‘Stage 3’.

The Group recognises loss allowances at an amount equal to 12-month ECL for debt securities measured at amortised cost and FVOCI and counterparty banks that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when it is considered ‘investment-grade’, defined by recognised external rating agencies as a rating between AAA to BBB- (Standard & Poor’s and Fitch) and Aaa to Baa3 (Moody’s).

2.2.3.1 Significant increase in credit risk

The Group’s assessment to determine the extent of increase in credit risk of a financial instrument since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.3 Expected credit loss measurement - continued

2.2.3.1 Significant increase in credit risk - continued

To determine whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information. Such analysis is based on the Group's historical experience, credit assessment and forward-looking information.

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the counterparty is more than 30 days past due on its contractual repayments.

2.2.3.2 Definition of default and credit-impaired assets

The Group applies the definition of default in a consistent manner with internal credit risk management practices for the relevant instruments and the definition considers qualitative and quantitative factors where appropriate.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the criteria below.

The Group determines that a financial instrument is credit-impaired (in default and in Stage 3 for IFRS 9 purposes) by considering relevant objective evidence, when it meets one or more of the below criteria:

- contractual payments of either principal or interest are past due for more than 90 days for any material credit obligations to the Group;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons of an enduring nature relating to the borrower's financial condition, which indicates the borrower is in significant financial difficulty (unlikeliness to pay criteria); and
- the loan is otherwise considered to be in default. 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.

Therefore, the definitions of credit-impaired and default are aligned so that Stage 3 represents all loans which are considered defaulted or credit-impaired.

The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

The Group considers certain financial assets, mainly loans and advances to banks and other financial institutions and investments in debt securities respectively, to be in default when a payment due (including a coupon payment) is not effected.

In the case of certain portfolio of financial assets (specially loans and advances to banks and other financial institutions and investment in debt securities), the Group applies the low credit risk simplification to all its exposures considered 'investment grade', thus they are not subject to the SICR assessment. Moving from investment grade does not automatically mean that there is SICR.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.3 Expected credit loss measurement - continued

2.2.3.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD, and LGD. These three components are multiplied together effectively calculating the forward-looking ECL, which is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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 residual life of the exposure.

The PD, EAD and LGD parameters are estimated through the use of internally developed statistical models on the basis of market available data, adjusted to reflect forward-looking information as described below.

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit-impaired" above), either over the next 12 months (‘12M PD’), or over the remaining lifetime (‘Lifetime PD’) of the obligation. Accordingly, the 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

Market data is used in order to develop the PDs in respect of the Group’s portfolios of financial assets, including loans and advances to banks and other financial institutions, loans and advances to customers and investment securities. If a counterparty or exposure migrates between internal rating grades or external credit ratings, then this will lead to a change in the associated PD. During the year, the Group has updated its ECL model to use more recent available market data to develop the PDs in respect of the Group’s portfolio of financial assets.

The conditional PD is adjusted to consider forward-looking information through macroeconomic modelling. In this respect, and as described in further detail in section 2.2.3.4., during the year, PDs used in the calculation of expected credit loss adjustments were re-aligned to reflect the change in macro-economic variables.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (‘12M EAD’) or over the remaining lifetime (‘Lifetime EAD’).

EAD represents the expected exposure in the event of a default (including any expected drawdowns of committed facilities). The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is the gross carrying amount at default.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.3 Expected credit loss measurement - continued

2.2.3.3 Measuring ECL - Explanation of inputs, assumptions and estimation techniques - continued

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- for amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis;
- for revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group ‘s recent default data.

The LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral values (if any) at the time it is expected to be realised and the time value of money. The LGD is determined based on the factors which impact the recoveries made post default.

Given that its portfolio of loans and advances to banks and other financial institutions and investments in debt securities is generally unsecured, and in respect of loans and advances to customers, the Group has no history of defaults, the LGD for the Group’s exposures is set at levels based on market available data for similar exposure classes.

The ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk. In the case of revolving credit facilities, provided that such facilities do not have a fixed term or repayment structure, the Group defines the lifetime of such exposures as 12 months, in case the next substantive credit review is within the next 12 months.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD. Refer to Note 2.2.3.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

The calculation of ECL incorporates forward-looking information. During 31 December 2024, the Group changed its methodology for identifying the key macro-economic variables. The Group selected the macro-economic variables deemed to be effective indicators of global default rates by authoritative sources.

In addition to the updates made by the Group to its model in relation to the market data used in developing PDs, the Group has also updated its model to factor in updates to macro-economic variables that consider the current economic environment and forecasts that are based on such macro-economic variables, including the respective ECL weights to each scenario applied. The key drivers, for 2024 are predominantly the unemployment rate in the US and high-yield spreads in the US, while for 2023, are predominantly real GDP growth rate in the Euro Area and real GDP growth rate in the US.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.3 Expected credit loss measurement - continued

2.2.3.4 Forward-looking information incorporated in the ECL model

As at 31 December 2024 and 31 December 2023, two possible scenarios are considered to capture non-linearity across credit portfolios. The 'Base' scenario represents the most-likely outcome. It is based on authoritative sources forecasting these economic variables referred to above and providing the best estimate view of the economy. Apart from the base scenario, the Group considers one other macro-economic scenario – 'Downside' scenario – which represents a more pessimistic outcome. The downside scenario is economically plausible and will not necessarily be as severe as scenarios used in stress testing.

Each scenario is weighted by a probability of occurrence, determined by a combination of macroeconomic research and expert credit judgment, taking account the range of possible outcomes each chosen scenario represents. The Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

Base scenario

The base scenario reflects the current economic conditions. As at 31 December 2024, the base scenario is based on the assumption that the ongoing fiscal policy changes pursued by the new US administration will result in higher tariffs, lower spending and lower taxes. Interest rates are expected to decline further in 2025. The slower recent progress in reducing inflation and additional inflationary pressures as a result of the foreseeable higher tariffs, suggest a slower road to normalisation than previously expected. In this respect, the US high-yield spreads are still expected to increase from 3.1% in 2024 to 4.1% in 2025. The outlook for the labour market has shifted modestly as a result of the changes in fiscal and immigration policy. A reduction in net international migration will lower labour supply growth and cause a modest reduction in job gains. This is expected to be off-set by a weakening in labour demand as a return to pre-pandemic levels of layoffs would likely result in job losses, undermining consumer spending and growth. As a result, US unemployment rate is expected to remain relatively stable with a minor increase from 4.1% in 2024 to 4.2% in 2025.

As at 31 December 2023, the baseline scenario was based on an increase in economic growth in the US, which was partially set-off by an economic slowdown in the Euro area. As a result, real GDP growth rate in the US was projected to increase from 0.66% in 2023 to 1.23% in 2024. In contrast, the Real GDP growth rate in the Euro area was forecasted to decline from 2.01% in 2023 to 1.48%.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.3 Expected credit loss measurement - continued

2.2.3.4 Forward-looking information incorporated in the ECL model - continued

Downside scenario

As at 31 December 2024, the downside scenario is based on subdued economic activity as a result of the US administration's evolving policies on tariffs, taxes, spending and immigration. Higher tariffs, in particular, would raise prices for consumers and undermine economic growth in the US and globally. In addition, ongoing geopolitical risks could disrupt supply chains, boost energy market volatility, further eroding economic conditions and weighing on market sentiment. All of these will negatively affect corporate earnings and cash flow and increase default risk. Other risks may arise from stress in commercial real estate spilling over into the economy more broadly and shocks that trigger a collapse of risk appetite, leading to asset prices to fall, credit spreads to widen and credit conditions to tighten significantly. In this respect, under this scenario US unemployment is forecasted to increase from 4.1% in 2024 to 7.5% in 2025 and US high-yield spreads to increase from 3.1% in 2024 to 6.47% in 2025.

Similarly, as at 31 December 2023, the downside scenario was based on a decline in economic activity, with GDP in both the US and the Euro area forecasted to experience a negative growth of 1.42% and 0.43% respectively.

As at 31 December 2024, the weightings assigned to each economic scenario were 61% (2023: 60%) for the base scenario and 39% (2023: 40%) for the downside scenario. The number of scenarios and their attributes are reassessed at each reporting date to ensure that non-linearities are captured.

The Board considers that the above probability weightings assigned to the respective scenarios reflect an unbiased evaluation of a range of possible outcomes.

As with any macro-economic forecasts, the projections and the likelihood of their occurrence are subject to a high degree of uncertainty and therefore, the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

As at 31 December 2024, the sensitivity of the ECL outcome to the economic forecasts was assessed by recalculating the ECL under the base and downside scenarios described above for the loan portfolio, applying a 100% weighting to each scenario.

In this respect, if the ECL outcome was estimated solely on the basis of the base and downside scenarios respectively, the credit loss allowances in respect of the loan portfolios would amount to €260,009 (2023: €202,876) and €525,166 (2023: €305,998) respectively, compared to a weighted average credit loss allowances estimated at year end amounting to €363,420 (2023: €244,125). In view of this, as at 31 December 2024, the sensitivity impact was not considered to be significant.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an ongoing basis.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.4 Maximum exposure to credit risk

An ‘exposure’ is defined as the amount at risk arising from the Group’s assets and off-balance sheet items. The Group’s maximum credit risk with respect to on- and off-balance sheet items can be classified into the following categories:

- Financial assets recognised on-balance sheet comprising principally investments in debt securities, loans and advances to banks and other financial institutions and customers and other receivables. The maximum exposure to credit risk of these financial assets equals their gross carrying amounts.

- Loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities. The maximum exposure to credit risk is the full amount of the committed facilities. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. These exposures are monitored in the same manner in respect of loans and advances.

The following tables set out the Group’s and Company’s credit risk exposures, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, as well as an analysis by staging classification:

	Group					
		2024			2023	
	Stage classification	Gross exposure €	ECL Allowance €	Stage classification	Gross exposure €	ECL allowance €
Credit risk exposures relating to on-balance sheet assets:						
Financial assets measured as FVPL:						
Non-fixed income securities		**-**	**-**		1	-
Dispute resolution funding assets		**1**	**-**		1	-
Loans and advances to customers		**792,600**	**-**		792,600	-
Subject to IFRS 9 impairment allowances						
Financial assets measured at FVOCI:						
Debt securities	Stage 1	**5,145,690**	**(3,134)**	Stage 1	6,946,560	(1,987)
Financial assets measured at amortised cost:						
Balances with Central Bank of Malta	Stage 1	**20,313,638**	**-**	Stage 1	27,978,416	-
Loans and advances to banks and other financial institutions	Stage 1	**8,149,109**	**(28,332)**	Stage 1	7,736,740	(23,086)
Loans and advances to customers	Stage 1	**8,787,500**	**(18,153)**	Stage 1	8,675,000	(20,459)
Loans and advances to customers	Stage 2	**4,552,543**	**(303,316)**	Stage 2	4,918,751	(198,593)
Other receivables	Stage 1	**20,810,037**	**(28,293)**	Stage 1	16,542,108	(28,293)
Accrued income and other assets	Stage 1	**3,639,034**	**-**	Stage 1	4,055,503	-
Credit risk exposure		**72,190,152**	**(381,228)**		77,645,680	(272,418)

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.4 Maximum exposure to credit risk - continued

	Company					
	2024			2023		
	Stage classification	Gross exposure €	ECL allowance €	Stage classification	Gross exposure €	ECL allowance €
Credit risk exposures relating to on-balance sheet assets:						
Financial assets measured as FVPL:						
Non-fixed income securities		**-**	-		1	-
Subject to IFRS 9 impairment allowances						
Financial assets measured at amortised cost:						
Loans and advances to banks and other financial institutions	Stage 1	**2,216,768**	**-**	Stage 1	7,325,442	-
Other receivables	Stage 1	**23,351,983**	**(46,190)**	Stage 1	19,216,035	(46,190)
Accrued income and other assets	Stage 1	**3,321,085**	**-**	Stage 1	2,330,854	-
Credit risk exposure		**28,889,836**	**(46,190)**		28,872,332	(46,190)

As part of its dispute resolution funding activities, the Group could be a creditor of, and subject to direct or indirect credit risk from, a claimant, a defendant, both or other parties. Accordingly, dispute resolution funding assets are considered by the Group to be subject to credit risk.

As at 31 December 2024 and 2023, the Group did not have any loan commitments or financial guarantee contracts.

As at 31 December 2024 and 31 December 2023, there were no purchased or originated credit-impaired assets which are subject to the IFRS 9 impairment requirements.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.5 Credit risk mitigation techniques

The Group's approach when granting credit facilities is based on the customer's capacity to repay rather than placing primary reliance on credit risk mitigants. Notwithstanding, in certain cases, as part of the Group's credit risk mitigation techniques, the Group holds collateral against loans and advances to customers and other receivables, the nature and level of which generally depends on the amount of the exposure, the type of facility provided, the term of the facility and the level of credit risk involved. Collateral utilised to secure other receivables includes pledged financial instrument in the form of unlisted shares. As at 31 December 2024 and 2023, the amounts due from the ultimate parent company are secured by a pledge of the common shares of another related party.

2.2.6 Credit concentration risk

Within the Group, concentration risk of losses results from inadequate diversification of the credit exposures. This risk is managed by actively measuring, reporting and monitoring on a regular and ongoing basis risk concentration levels against reasonable thresholds for counterparties, products, and territories.

In order to manage its principal risk exposures arising from its financial assets, primarily its loans and advances to customers, the Group compiles and updates credit review reports in respect of these financial assets. Where available, reference is also made to external reviews of primary borrowers.

Credit concentration risk by geographical region

The geographical concentration of the Group's and Company's financial assets as at the end of the reporting period is analysed below. For the purposes of the table below, the Group has allocated exposures to regions based on the country of domicile of the respective counterparties or customers.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.6 Credit concentration risk - continued

	Group				Company		
	Malta €	Other EU countries €	Rest of world €	Total €	Malta €	Rest of world €	Total €
As at 31 December 2024							
Financial assets mandatorily measured at FVPL	**-**	**792,601**	**-**	**792,601**	**-**	**-**	**-**
Financial assets measured at FVOCI	**5,145,690**	**-**	**-**	**5,145,690**	**-**	**-**	**-**
Balances with Central Bank of Malta	**20,315,175**	**-**	**-**	**20,315,175**	**-**	**-**	**-**
Loans and advances to banks and other financial institutions	**6,925,249**	**1,195,528**	**-**	**8,120,777**	**2,216,768**	**-**	**2,216,768**
Loans and advances to customers	**4,249,225**	**-**	**8,769,349**	**13,018,574**	**-**	**-**	**-**
Other receivables	**2,600**	**812,202**	**19,966,942**	**20,781,744**	**10,020,189**	**13,285,604**	**23,305,793**
Accrued income and other assets	**131,430**	**-**	**3,507,604**	**3,639,034**	**516,811**	**2,804,274**	**3,321,085**
	36,769,369	**2,800,331**	**32,243,895**	**71,813,595**	**12,753,768**	**16,089,878**	**28,843,646**
As at 31 December 2023							
Financial assets mandatorily measured at FVPL	-	792,601	1	792,602	-	1	1
Financial assets measured at FVOCI	6,946,560	-	-	6,946,560	-	-	-
Balances with Central Bank of Malta	27,978,416	-	-	27,978,416	-	-	-
Loans and advances to banks and other financial institutions	6,617,620	1,096,034	-	7,713,654	7,325,442	-	7,325,442
Loans and advances to customers	4,720,158	-	8,654,541	13,374,699	-	-	-
Other receivables	2,600	344,266	16,166,949	16,513,815	10,482,685	8,687,160	19,169,845
Accrued income and other assets	212,633	1,035,341	2,807,529	4,055,503	14,063	2,316,791	2,330,854
	46,477,987	**3,268,242**	**27,629,020**	**77,375,249**	**17,822,190**	**11,003,952**	**28,826,142**

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.6 Credit concentration risk - continued

Credit concentration risk by geographical region - continued

As at 31 December 2024 and 2023, the rest of the world exposures mainly consist of exposures in the Cayman Islands and Canada.

Credit concentration risk by industry sector

Loans and advances to customers, gross of allowances, are analysed by industry concentration as follows:

	Group	
	2024	2023
	€	€
Real estate activities	**4,552,543**	4,918,751
Activities related to mining	**8,787,500**	8,675,000
	13,340,043	13,593,751

Other receivables, gross of allowances, are analysed by industry concentration as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Financial service activities	**19,992,939**	16,192,945	**23,349,383**	19,213,435
Management consultancy	**592,250**	224,848	**-**	-
Industrial, commercial and service companies	**224,848**	124,315	**2,600**	2,600
	20,810,037	16,542,108	**23,351,983**	19,216,035

Credit concentration risk by name

The majority of Group's and Company's lending exposures comprised of exposures to entities within the Scully Royalty Group. As at 31 December 2024, 85.02% (2023: 83.27%) of the Group's loans and advances to customers and other receivables is attributable to Scully Royalty Ltd or entities within the Scully Royalty Group, while 14.98% (2023: 16.73%) is attributable to third parties. Despite, the high level of exposure towards the Scully Royalty Group, the Group has determined that as at 31 December 2024 and 2023, its exposures are fully performing and do not show any signs of increased credit risk. As at 31 December 2024, 42.99% (2023: 54.65%) of the Company's other receivables relate to receivables from subsidiaries while 57.01% (2023: 45.34%) is attributable to Scully Royalty Ltd or entities within the Scully Royalty Group.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.7 Information on credit quality of other financial assets

As part of its treasury management activities, the Group invests in listed sovereign bonds issued by local governments, in listed debt securities issued by local credit institutions and in other debt securities. These transactions are monitored through the practical use of exposure limits.

External ratings such as Moody's ratings or their equivalents are used for monitoring these credit risk exposures.

At the end of the reporting period, none of the Group's financial assets which are subject to the IFRS 9 impairment requirements were past due or impaired.

The following table shows the gross carrying amount of the Group's financial assets held by the Group analysed by credit rating based on Moody's equivalent ratings:

	Balances With Central Bank of Malta €	Loans and advances to banks and other financial institutions €	Financial assets mandatorily measured at fair value through profit or loss €	Financial assets measured at fair value through other comprehensive income €
31 December 2024				
A1 to A3	**20,313,638**	**1,195,529**	**-**	**4,928,880**
Baa1 - Baa3	**-**	**1,686,618**	**-**	**-**
Unrated	**-**	**5,266,962**	**792,601**	**216,810**
Total	**20,313,638**	**8,149,109**	**792,601**	**5,145,690**

	Balances With Central Bank of Malta €	Loans and advances to banks and other financial institutions €	Financial assets mandatorily measured at fair value through profit or loss €	Financial assets measured at fair value through other comprehensive income €
31 December 2023				
A1 to A3	27,978,416	1,096,034	-	6,836,670
Baa1 - Baa3	-	1,355,746	-	-
Unrated	-	5,284,960	1,059,782	109,890
Total	27,978,416	7,736,740	1,059,782	6,946,560

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.8 Loss allowances

Reconciliation of 12-month and lifetime ECL provision

The following disclosure provides a reconciliation by stage of the Group’s gross carrying/nominal amount, including accrued interest receivable and allowances for loans and advances to customers and other receivables.

Transfers across stages represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL of the financial instruments that are outstanding at the beginning of the year.

The ‘Net remeasurement of ECL arising from stage transfers’ represents the increase or decrease in ECL due to moving, for example, from a 12-month (Stage 1) to a lifetime (Stage 2) ECL measurement basis or vice versa. Net remeasurement excludes the movements resulting from changes in risk parameters such as changes in PDs and LGDs when compared to those used for the previous reporting period. This is captured, along with other credit quality movements in the ‘Changes in risk parameters’ line item which shows the impact of changes in risk parameters in respect of the allowances specifically for loans and advances to customers outstanding at the beginning of the year.

The ‘Net new and further lending/repayments’ represent the gross carrying/nominal amount and associated ECL impact from volume movements within the Group’s lending portfolio, i.e. originations and repayments during the financial reporting period. Accordingly, loans originated during the year are classified in the table below using the respective stage classification as at the end of the reporting period, without the effect of stage transfers from origination. The allowance in respect of these is included using the current year’s risk parameters, and therefore no such impact is included within the ‘Changes in risk parameters’ line item. Similarly, stage transfers in respect of loans and advances originated or repaid during the year are also included within the ‘Net new and further lending/repayments’ line item.

The movement in ECL is illustrated in the following tables:

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.8 Loss allowances - continued

	Group					
	Stage 1		Stage 2		Total	
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	€	€	€	€	€	€
At 31 December 2023	27,568,754	48,752	4,918,751	198,593	32,487,505	247,345
Net new and further lending/(repayments)	4,886,415	-	(366,208)	(15,623)	4,520,207	(15,623)
Changes in risk parameters	-	(2,306)	-	120,346	-	118,040
At 31 December 2024	32,455,169	46,446	4,552,543	303,316	37,007,712	349,762
Change in expected credit losses on loans and advances to customers and other receivables						102,417
Change in expected credit losses attributable to:						
Loans and advances to banks and other financial institutions						5,246
Financial assets measured at fair value through other comprehensive income						1,147
Write-off						296
Total expected credit loss charge for the year						109,106

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.8 Loss allowances - continued

	Group					
	Stage 1		**Stage 2**		**Total**	
	Gross carrying amount	**Allowance for ECL**	**Gross carrying amount**	**Allowance for ECL**	**Gross carrying amount**	**Allowance for ECL**
	€	**€**	**€**	**€**	**€**	**€**
At 31 December 2022	17,614,171	63,797	10,269,164	70,106	27,883,335	133,903
Net new and further lending/(repayments)	9,954,583	39,220	(5,350,413)	(15,623)	4,604,170	23,597
Changes in risk parameters	-	(30,388)	-	144,110	-	89,845
At 31 December 2023	27,568,754	48,752	4,918,751	198,593	32,487,505	247,345
Change in expected credit losses on loans and advances to customers and other receivables						113,442
Change in expected credit losses attributable to:						
Loans and advances to banks and other financial institutions						(22,525)
Financial assets measured at fair value through other comprehensive income						144
Total expected credit loss charge for the year						91,061

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.8 Loss allowances - continued

	Company Stage 1 Gross carrying amount €	Allowance for ECL €
At 31 December 2023	**21,546,889**	**46,190**
Net new and further lending/(repayments)	**5,126,179**	**-**
Changes in risk parameters	**-**	**-**
At 31 December 2024	**26,673,068**	**46,190**
Change in expected credit losses on other receivables		**-**
Total expected credit loss charge for the year		**-**
At 31 December 2022	24,559,990	84,797
Net new and further lending/(repayments)	(3,013,101)	(11,343)
Changes in risk parameters	-	(27,264)
At 31 December 2023	21,546,889	46,190
Change in expected credit losses on other receivables		(38,607)
Total expected credit loss charge for the year		(38,607)

There were no stage transfers during 2024 and 2023.

2. Financial risk management - continued

2.2 Credit risk - continued

2.2.9 Modification of loans and advances to customers and other receivables

The contractual terms of a loan may be revised for a number of reasons, including changes in market conditions, customer retention and other factors that are not related to the credit quality of a customer. Forbearance measures comprise concessions made on the contractual terms of a loan in response to a customer's financial difficulties. As at 31 December 2024 and 2023, the Group had only one loan which was a forborne loan which is classified as Stage 2.

2.3 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(a) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange risk arises when financial assets or liabilities are denominated in currencies which are different from the respective group entity's functional currency.

The Group manages its currency risk on an ongoing basis by ensuring that foreign currency liabilities are utilised to fund assets denominated in the same foreign currency thereby matching asset and liability positions as much as is practicable. To the extent that such matching is not possible, the Group hedges its open foreign exchange exposures by entering into foreign exchange forward contracts with terms matching those of the hedged items.

2. **Financial risk management** - continued

2.3 Market risk - continued

(a) Foreign exchange risk - continued

The following tables summarise the Group's exposure to foreign currency risk at 31 December. Included in the tables are the Group's financial instruments at carrying amounts, categorised by currency.

	Group				
	EUR €	USD €	CAD €	GBP €	Total €
As at 31 December 2024					
Financial assets					
Financial assets measured at FVPL	792,601	-	-	-	792,601
Financial assets measured at FVOCI	5,145,690	-	-	-	5,145,690
Balances with Central Bank of Malta	7,034,779	10,588,122	2,690,737	-	20,313,638
Loans and advances to banks and other financial institutions	7,227,119	268,842	623,109	1,707	8,120,777
Loans and advances to customers	13,018,574	-	-	-	13,018,574
Other receivables	18,479,225	2,302,519	-	-	20,781,744
Accrued income and other assets	3,501,284	137,591	159	-	3,639,034
Total financial assets	55,199,272	13,297,074	3,314,005	1,707	71,812,058
Financial liabilities					
Borrowings	24,481,152	-	-	-	24,481,152
Amounts owed to banks	4,965,200	-	-	-	4,965,200
Amounts owed to customers	86,629	10,872,887	2,216,498	-	13,176,014
Other liabilities	1,915,088	-	-	-	1,915,088
Total financial liabilities	31,448,069	10,872,887	2,216,498	-	44,537,454
Net on-balance sheet position	23,751,203	2,424,187	1,097,507	1,707	

2. Financial risk management - continued

2.3 Market risk - continued

(b) Foreign exchange risk - continued

	Group				
	EUR	**USD**	**CAD**	**GBP**	**Total**
	€	**€**	**€**	**€**	**€**
As at 31 December 2023					
Financial assets					
Financial assets measured at FVPL	792,601	267,180	-	1	1,059,782
Financial assets measured at FVOCI	6,946,560	-	-	-	6,946,560
Balances with Central Bank of Malta	17,878,869	9,405,845	693,702	-	27,978,416
Loans and advances to banks and other financial institutions	7,245,436	422,884	44,629	705	7,713,654
Loans and advances to customers	13,374,699	-	-	-	13,374,699
Other receivables	13,703,522	2,810,293	-	-	16,513,815
Accrued income and other assets	4,035,750	18,490	1,263	-	4,055,503
Total financial assets	**63,977,437**	**12,924,692**	**739,594**	**706**	**77,642,429**
Financial liabilities					
Borrowings	24,686,800	-	-	-	24,686,800
Lease liabilities	168,809	-	-	-	168,809
Amounts owed to banks	4,965,600	-	-	-	4,965,600
Amounts owed to customers	8,997,267	9,630,493	711,357	91,644	19,430,761
Other liabilities	1,170,300	-	-	-	1,170,300
Total financial liabilities	**39,988,776**	**9,630,493**	**711,357**	**91,644**	**50,422,270**
Net on-balance sheet position	**23,988,661**	**3,294,199**	**28,237**	**(90,938)**	

The net exposure to foreign exchange rates as at 31 December 2024 includes exposures denominated in USD which arises principally due to money market placements with CBM, other receivables and deposits from customers which are denominated in USD which are not hedged. Under the scenario that the euro appreciates against the USD from 1.0374 to 1.2374 (2023: from 1.1057 to 1.3057) the impact recognised in profit or loss would amount to a loss of €391,972 (2023: loss of €771,351). If on the other hand, the euro depreciates against the USD to 1.0000 the impact recognised in profit or loss would amount to a profit of €89,493 (2023: profit of €348,349).

The net unhedged on-balance sheet exposure to other currencies such as the CAD, as at 31 December 2024 and 2023, is not considered significant taking into account the amounts reported in the statement of financial position. Accordingly, a sensitivity analysis for foreign exchange risk 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 period is not deemed necessary since the directors are of the opinion that the net impact would be insignificant.

Typically, the Company does not take on any exposure to foreign currency transactions. As at 31 December 2024, the Company's exposure to foreign currencies mainly comprises receivables from ultimate parent company denominated in USD amounting to €288,780 (Note 14). As at 31 December 2023, the Company's exposure to foreign currencies mainly comprises investment in securities of a related party denominated in USD amounting to €267,180 (Note 7).

2. Financial risk management - continued

2.3 Market risk - continued

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates either through the re-pricing of floating rate instruments or through the maturity and replacement of fixed rate instruments. Fair value interest rate risk is the risk that the value of a fixed rate financial instrument will fluctuate because of changes in market interest rates. The Group's exposures analysed by their fixed or floating nature as at 31 December at carrying amounts are shown below:

		Group	
	Floating rates €	**Fixed rates €**	**Total €**
At 31 December 2024			
Interest-bearing assets			
Financial assets measured at FVPL:			
Loans and advances to customers	**-**	**792,600**	**792,600**
Financial assets measured at FVOCI:			
Debt securities	**-**	**5,145,690**	**5,145,690**
Financial assets measured at amortised cost:			
Balances with Central Bank of Malta	**-**	**20,313,638**	**20,313,638**
Loans and advances to banks and other financial institutions	**6,175,155**	**-**	**6,175,155**
Loans and advances to customers	**13,018,574**	**-**	**13,018,574**
Other receivables	**-**	**12,540,468**	**12,540,468**
	19,193,729	**38,792,396**	**57,986,125**
Interest-bearing liabilities			
Borrowings	**-**	**24,481,152**	**24,481,152**
	-	**24,481,152**	**24,481,152**
Net exposure	**19,193,729**	**14,311,244**	**33,504,973**

2. Financial risk management - continued

2.3 Market risk - continued

(b) Interest rate risk - continued

	Group		
	Floating Rates	**Fixed rates**	**Total**
	€	**€**	**€**
At 31 December 2023			
Interest-bearing assets			
Financial assets measured at FVPL:			
Loans and advances to customers	-	792,600	792,600
Financial assets measured at FVOCI:			
Debt securities	-	6,946,560	6,946,560
Financial assets measured at amortised cost:			
Balances with Central Bank of Malta	-	27,978,416	27,978,416
Loans and advances to banks and other financial institutions	4,976,860	-	4,976,860
Loans and advances to customers	13,374,699	-	13,374,699
Other receivables	-	13,337,023	13,337,023
	18,351,559	**49,054,599**	**67,406,158**
Interest-bearing liabilities			
Borrowings	-	24,686,800	24,686,800
Lease liabilities	-	168,809	168,809
	-	**24,855,609**	**24,855,609**
Net exposure	**18,351,559**	**24,198,990**	**42,550,549**

As at 31 December 2024 and 2023, the remaining balance in respect of financial asset measured at FVPL, loans and advances to banks and other financial institutions, other receivables, amounts owed to customers and other liabilities are non-interest bearing and accordingly are not included in the above tables. Amounts owed to banks as at 31 December 2024 and 2023 are non-interest bearing and are not included in the above.

Financial instruments issued at fixed rates potentially expose the Group to fair value interest rate risk. Balances with Central Bank of Malta, loans and advances to banks and customers, other receivables, and borrowings are measured at amortised cost and are therefore not subject to fair value interest rate risk, even though a substantial part of these instruments are subject to fixed interest rates.

The Group's instruments which are subject to fixed interest rates and that are fair valued comprise the Group's investments in debt securities amounting to €5,145,690 (2023: €6,946,560). This exposes the Group to the risk of losses arising from fair value interest rate risk.

Using sensitivity analyses, by performing a full revaluation of the portfolio using an instantaneous shock which measures the potential loss in market value arising from a 200 basis-point upward parallel shift in yields, the estimated impact as at 31 December 2024 on the fair valuation of its debt securities measured at FVOCI amounts to a loss of €111,869 (2023: €229,495).

2. Financial risk management - continued

2.3 Market risk - continued

(b) Interest rate risk - continued

Financial assets and liabilities issued at variable rates expose the Group to cash flow interest rate risk. The Group is exposed to cash flow interest rate risk principally in respect of financial assets that were subject to floating interest rates as well as those fixed rate financial instruments that mature in the short-term.

In this respect, at the end of the reporting period, if interest rates had increased/decreased by 1% (assuming a parallel shift of 100 basis points in yields) with all other variables held constant, in particular foreign currency rates, the pre-tax result for the following one year, excluding changes in fair values, would decrease/increase by €519,315 (2023: €575,744).

The Company's gross exposures analysed by their fixed or floating nature as at 31 December at carrying amounts are shown below:

		Company	
	Floating Rates €	**Fixed rates €**	**Total €**
At 31 December 2024			
Interest-bearing assets			
Loans and advances to banks and other financial institutions	**-**	**900,000**	**900,000**
Amounts due from the ultimate parent company	**-**	**5,866,730**	**5,866,730**
Amounts due from subsidiaries	**-**	**9,479,807**	**9,479,807**
	-	**16,246,537**	**16,246,537**
Interest-bearing liabilities			
Borrowings	**-**	**24,481,152**	**24,481,152**
	-	**24,481,152**	**24,481,152**
Net exposure	**-**	**(8,234,615)**	**(8,234,615)**

2. Financial risk management - continued

2.3 Market risk - continued

(b) Interest rate risk - continued

	Floating Rates €	Company Fixed rates €	Total €
At 31 December 2023			
Interest-bearing assets			
Loans and advances to banks and other financial institutions	-	1,800,000	1,800,000
Amounts due from the ultimate parent company	-	5,866,730	5,866,730
Amounts due from subsidiaries	-	9,479,807	9,479,807
	-	**17,146,537**	**17,146,537**
Interest-bearing liabilities			
Borrowings	-	24,686,800	24,686,800
Lease liabilities	-	168,809	168,809
	-	**24,855,609**	**24,855,609**
Net exposure	**-**	**(7,709,072)**	**(7,709,072)**

As at 31 December 2024 and 2023, ‘Loans and advances to banks and other financial institutions’ of the Company consist of term deposits held with its subsidiary which are subject to a 0.10% fixed interest rate.

As at 31 December 2024, ‘Amounts due from subsidiaries’ consist of subordinated loans with a gross amount of €9,500,000 (2023: €9,500,000) bearing interest at fixed rates. As at 31 December 2024 and 2023, ‘Amounts due from the ultimate parent company’ include a revolving credit facility granted by the Company amounting to €5,892,727 which is subject to a fixed interest rate. As at 31 December 2024, the Company’s ‘Borrowings’ include €24,481,152 (2023: €24,686,800) Secured Bonds which are subject to 5.70% (2023: 4.00%) fixed interest rate. These instruments are carried at amortised cost.

In the context of the above, the Company’s exposure to interest rate risk as at 31 December 2024 and 2023 is not considered significant. Accordingly, a sensitivity analysis disclosing how profit or loss and equity would have been affected by changes in interest rates that were reasonably possible at the end of the reporting period is not deemed necessary.

2. Financial risk management – continued

2.3 Market risk – continued

(b) Interest rate risk - continued

The following tables includes the Group's principal financial instruments at carrying amounts, categorised by re-pricing dates, taking cognisance of the instruments' interest rate terms. The re-pricing period in respect of the Group's interest-bearing assets and liabilities subject to fixed interest rates is equivalent to the remaining period to maturity.

	Group				
	Within one month €	**Within three months but over one month €**	**Within one year but over three Months €**	**More than one year €**	**Total €**
As at 31 December 2024					
Financial assets					
Financial assets measured at FVPL	-	-	792,600	-	792,600
Financial assets measured at FVOCI	-	-	3,965,100	1,180,590	5,145,690
Balances with Central Bank of Malta	9,595,380	130,136	10,588,122	-	20,313,638
Loans and advances to banks and other financial institutions	1,195,529	4,979,626	-	-	6,175,155
Loans and advances to customers	-	3,746,403	9,272,171	-	13,018,574
Other receivables	10,526,730	-	-	2,013,738	12,540,468
	21,317,639	8,856,165	24,617,993	3,194,328	57,986,125
Financial liabilities					
Borrowings	-	-	-	24,481,152	24,481,152
	-	-	-	24,481,152	24,481,152
Interest rate gap	21,317,639	8,856,165	24,617,993	(21,286,824)	
Cumulative gap	21,317,639	30,173,804	54,791,797	33,504,973	

2. Financial risk management – continued

2.3 Market risk – continued

(b) Interest rate risk - continued

	Group				
	Within one month €	**Within three months but over one month €**	**Within one year but over three Months €**	**More than one year €**	**Total €**
As at 31 December 2023					
Financial assets					
Financial assets measured at FVPL	-	-	792,600	-	792,600
Financial assets measured at FVOCI	-	-	1,964,600	4,981,960	6,946,560
Balances with Central Bank of Malta	27,978,416	-	-	-	27,978,416
Loans and advances to banks and other financial institutions	-	4,976,860	-	-	4,976,860
Loans and advances to customers	3,851,581	868,577	8,654,541	-	13,374,699
Other receivables	10,526,730	-	-	2,810,293	13,337,023
	42,356,727	**5,845,437**	**11,411,741**	**7,792,253**	**67,406,158**
Financial liabilities					
Borrowings	-	-	-	24,686,800	24,686,800
Lease liabilities	43,745	-	125,064	-	168,809
	43,745	**-**	**125,064**	**24,686,800**	**24,855,609**
Interest rate gap	**42,312,982**	**5,845,437**	**11,286,677**	**(16,894,547)**	
Cumulative gap	**42,312,982**	**48,158,419**	**59,445,096**	**42,550,549**	

(c) Price risk

The Group's and the Company's exposure to equity securities price risk arises from investments held by the Group measured at FVPL, which as at 31 December 2023 included equity securities issued by a related party valued at €267,180. In view of the carrying amount of these investments in the context of the Group's and Company's total assets, the directors have determined that the exposure to price risk from these investments was not considered significant. Accordingly, a sensitivity analysis for equity price risk disclosing how profit or loss and equity would have been affected by changes in variables that would impact the value of these instruments at the end of the reporting period was not deemed necessary, as the directors are of the opinion that the net impact would be insignificant.

2. Financial risk management – continued

2.4 Other risk attributable to financial assets that are mandatorily measured at FVPL

As at 31 December 2024 and 2023, the Group's financial instruments that are mandatorily measured at fair value through profit or loss comprise of:

- A loan that has a profit participation feature enabling the Group to participate in any profit earned as a result of the activity being financed; and
- Direct dispute resolution funding assets.

As at 31 December 2023, the Group's financial instruments that were mandatorily measured at fair value through profit or loss also comprised of:
- The Group's equity investment in the ordinary shares issued by a related party; and
- Debt-like instruments issued by special purpose vehicles set up specifically to finance certain dispute resolution claims.

The Group's equity investment is exposed to equity price risk, as referred to within part (c) of section 2.3 Market risk.

The loan with a profit participation feature is exposed to both credit risk as well as interest rate risk, by virtue of a fixed interest rate element within the contractual agreement. These risks are assessed as part of the Group's credit risk and interest rate risk management frameworks and considered within the respective disclosures in sections 2.2 and 2.3 respectively. In addition, the Group is also exposed to model risk, which is the potential for adverse consequences from business decisions informed by models.

Funding of legal claims is undertaken by the Group both directly, in which the Group, through its subsidiary Merkanti Diesel Limited, provides financing to a portfolio of clients to fund costs associated with opening legal claims against defendants, and indirectly, in which the Group subscribes to securities issued by special purpose vehicles set up specifically to finance certain dispute resolution claims. In order to manage this risk, the Group typically seeks to provide financing for groups of homogenous cases thereby ensuring that its risk is adequately diversified, leading to a lower risk of loss generally associated with multi-case portfolios. In addition, the Group seeks to finance cases that have relatively short tenors, which are typically are settled within one or two years. As at 31 December 2024, the Group's direct and indirect investments in dispute resolution funding assets have a fair value of €1 (2023: €2).

In this respect, the directors have determined that in view of the immateriality of these assets relative to the Group's asset base, the risks described above are not significant. Accordingly, a sensitivity analysis disclosing the effect of changes to key unobservable inputs is not deemed necessary by the directors.

2. Financial risk management - continued

2.5 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments.

The Group manages this risk by maintaining a strong base of shareholders' capital considering the stage of its operations. The Group manages its asset base with liquidity in mind and monitors future cash flows and changes in available liquidity on a regular basis.

The Group holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

- short term placements with the Central Bank of Malta; and
- unencumbered Malta Government stocks amounting to €4,928,880 (2023: €6,836,670) that are readily acceptable as collateral for open market operations with the European Central Bank.

Liquidity is managed by the management of each subsidiary respectively. In the case of Merkanti Bank, it is managed by the Bank's treasury function through processes which include:

- day to day funding, managed by monitoring future cash flows to ensure that requirements can be met including plans for replenishment of funds as they mature;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios underlying the statements of financial position against internal and regulatory requirements as applicable; and
- managing the concentration and profile of debt maturities.

Moreover, sources of liquidity are regularly reviewed by the treasury function to maintain a diversification by provider, product and term. Monitoring takes the form of cash flow projections for the next day, week and month respectively, as these are key periods for short-term liquidity management.

2. Financial risk management - continued

2.5 Liquidity risk - continued

The following tables disclose financial assets and liabilities at the end of the reporting period by remaining period to maturity.

	Group					
	Within one month €	**Within Three months but over one month €**	**Within one year but over three months €**	**More than one year €**	**No maturity €**	**Total €**
As at 31 December 2024						
Financial assets						
Financial assets measured at FVPL	**-**	**-**	**792,600**	**1**	**-**	**792,601**
Financial assets measured at FVOCI	**-**	**-**	**3,965,100**	**1,180,590**	**-**	**5,145,690**
Balances with Central Bank of Malta	**9,595,380**	**-**	**10,588,122**	**-**	**130,136**	**20,313,638**
Loans and advances to banks and other financial Institutions	**3,141,151**	**-**	**-**	**4,979,626**	**-**	**8,120,777**
Loans and advances to customers	**-**	**3,746,403**	**9,272,171**	**-**	**-**	**13,018,574**
Other receivables	**18,768,006**	**-**	**-**	**2,013,738**	**-**	**20,781,744**
Accrued interest income and other assets	**2,805,624**	**827,958**	**5,452**	**-**	**-**	**3,639,034**
	34,310,161	**4,574,361**	**24,623,445**	**8,173,955**	**130,136**	**71,812,058**
Financial liabilities						
Borrowings	**-**	**-**	**-**	**24,481,152**	**-**	**24,481,152**
Amounts owed to customers	**13,176,014**	**-**	**-**	**-**	**-**	**13,176,014**
Amounts owed to banks	**-**	**4,965,200**	**-**	**-**	**-**	**4,965,200**
Other liabilities	**811,074**	**486,777**	**586,720**	**310,517**	**-**	**2,195,088**
	13,987,088	**5,451,977**	**586,720**	**24,791,669**	**-**	**44,817,454**
Maturity gap	**20,323,073**	**(877,616)**	**24,036,725**	**(16,617,714)**		
Cumulative gap	**20,323,073**	**19,445,457**	**43,482,182**	**26,864,468**		

2. Financial risk management - continued

2.5 Liquidity risk - continued

	Group					
	Within One Month €	Within Three months but over one Month €	Within one year but over three months €	More than one year €	No Maturity €	Total €
As at 31 December 2023						
Financial assets						
Financial assets measured at FVPL	-	-	792,600	2	-	792,602
Financial assets measured at FVOCI	-	-	1,964,600	4,981,960	-	6,946,560
Balances with Central Bank of Malta	27,706,970	-	-	-	271,446	27,978,416
Loans and advances to banks and other financial institutions	2,736,794	-	-	4,976,860	-	7,713,654
Loans and advances to customers	3,851,581	-	-	9,523,118	-	13,374,699
Other receivables	13,703,522	-	-	2,810,293	-	16,513,815
Accrued interest income and other assets	3,413,070	95,091	547,342	-	-	4,055,503
	51,411,937	**95,091**	**3,304,542**	**22,292,233**	**271,446**	**77,375,249**
Financial liabilities						
Borrowings	**-**	-	-	24,686,800	-	24,686,800
Lease liabilities	43,745	-	125,064	-	-	168,809
Amounts owed to customers	19,215,541	-	215,220	-	-	19,430,761
Amounts owed to banks	-	4,965,600	-	-	-	4,965,600
Other liabilities	615,256	137,088	417,956	-	-	1,170,300
	19,874,542	**5,102,688**	**758,240**	**24,686,800**	**-**	**50,422,270**
Maturity gap	**31,537,395**	**(5,007,597)**	**2,546,302**	**(2,394,567)**		
Cumulative gap	**31,537,395**	**26,529,798**	**29,076,100**	**26,681,533**		

As at 31 December 2024 and 2023, the remaining balance of financial assets measured at FVPL relate to equity instruments that are unlisted and have no fixed date of repayment and are accordingly not included in the tables above.

2. Financial risk management - continued

2.5 Liquidity risk - continued

As at 31 December 2024	Within one month €	Within three months but over one month €	Company Within one year but over three months €	More than one year €	Total €
Financial assets					
Loans and advances to banks and other financial institutions	**1,316,768**	**900,000**	**-**	**-**	**2,216,768**
Other receivables	**13,825,986**	**-**	**-**	**9,479,807**	**23,305,793**
Accrued interest income and other assets	**3,321,085**	**-**	**-**	**-**	**3,321,085**
	18,463,839	**900,000**	**-**	**9,479,807**	**28,843,646**
Financial liabilities					
Borrowings	**-**	**-**	**-**	**24,481,152**	**24,481,152**
Other liabilities	**44,810**	**129,101**	**485,342**	**-**	**659,253**
	44,810	**129,101**	**485,342**	**24,481,152**	**25,140,405**
Maturity gap	**18,419,029**	**770,899**	**(485,342)**	**(15,001,345)**	
Cumulative gap	**18,419,029**	**19,189,928**	**18,704,586**	**3,703,241**	

As at 31 December 2023	Within one month €	Within three months but over one month €	Company Within one year but over three months €	More than one year €	Total €
Financial assets					
Financial assets measured at FVPL	-	-	-	1	1
Loans and advances to banks and other financial institutions	7,325,442	-	-	-	7,325,442
Other receivables	9,690,038	-	-	9,479,807	19,169,845
Accrued interest income and other assets	2,316,791	14,063	-	-	2,330,854
	19,332,271	**14,063**	**-**	**9,479,808**	**28,826,142**
Financial liabilities					
Borrowings	-	-	-	24,686,800	24,686,800
Lease liabilities	43,745	-	125,064	-	168,809
Other liabilities	248,427	-	342,106	-	590,532
	292,172	**-**	**467,170**	**24,686,800**	**25,446,142**
Maturity gap	**19,040,099**	**14,063**	**(467,170)**	**(15,206,992)**	
Cumulative gap	**19,040,099**	**19,054,162**	**18,586,992**	**3,380,000**	

As at 31 December 2023, the Company's financial assets measured at FVPL include equity instruments that are unlisted and have no fixed date of repayment and are accordingly not included in the tables above.

2. Financial risk management - continued

2.5 Liquidity risk - continued

The following table analyses the Group's principal undiscounted cash flows payable under non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Group					
	Within One Month €	Within three months but over one month €	Within one year but over three Months €	More than one year €	Total €	Carrying amount €
As at 31 December 2024						
Borrowings	**-**	**-**	**1,425,000**	**36,400,000**	**37,825,000**	**25,418,512**
Amounts owed to customers	**13,176,014**	**-**	**-**	**-**	**13,176,014**	**13,176,014**
Amounts owed to banks	**4,965,200**	**-**	**-**	**-**	**4,965,200**	**4,965,200**
Other liabilities	**811,074**	**486,777**	**586,720**	**310,517**	**2,195,088**	**2,195,088**
	18,952,288	**486,777**	**2,011,720**	**36,710,517**	**58,161,302**	**45,754,814**
As at 31 December 2023						
Borrowings	-	-	657,894	27,000,000	27,657,894	24,686,800
Lease liabilities	44,161	-	127,085	-	171,246	168,809
Amounts owed to customers	19,215,541	-	215,220	-	19,430,761	19,430,761
Amounts owed to banks	-	4,965,600	-	-	4,965,600	4,965,600
Other liabilities	828,194	-	342,106	-	1,170,301	1,170,300
	20,087,896	**4,965,600**	**1,342,305**	**27,000,000**	**53,395,802**	**50,422,270**

As at 31 December 2024, all of the Group's assets, other than investment property amounting to €31,927,000 (2023: €30,081,000) and cash and cash equivalents amounting to €1,264,583 (2023: €1,170,801) which is pledged in favour of bondholders (Note 21), all of the Group's assets are available to support potential future funding and collateral needs. As at 31 December 2024, the Company's assets, other than the the shares of the property companies which are pledged in favour of bondholders (Note 21) and loans and advances to banks amounting to €900,000 (2023: €1,800,000) pledged in favor of the Bank subsidiary, all of the Company's assets are available to support potential future funding and collateral needs.

The Company's principal liabilities comprise borrowings as reflected within the tables above. The differences between the Company's other liabilities with respect to those of the Group are deemed immaterial. Accordingly, the Company's undiscounted cash flows payable under non-derivative financial liabilities analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date are principally reflected in the tables.

2. Financial risk management - continued

2.6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amounts of dividends paid to shareholders.

The Group monitors the level of capital on the basis of the ratio of borrowings to total capital. Total borrowings, as shown in the consolidated statement of financial position, consist of the listed bonds issued to the general public (refer to Note 21). Total capital is the aggregate of total equity, as reflected in the consolidated statement of financial position, and borrowings. As at 31 December 2024, the Group's total borrowings amounted to €24 million (2023: €25 million) and its total capital amounted to €82 million (2023: €81 million), consisting of total equity and borrowings. Hence the Group's borrowings/capital ratio at 31 December 2024 to 29% (2023: 30%).

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital, computed by reference to amounts reported in the consolidated statement of financial position, is maintained taking cognisance of the Group's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the directors.

One of the Company's principal subsidiaries is a credit institution, which is regulated by the Malta Financial Services Authority. The bank is required to maintain a ratio of total regulatory capital to risk-weighted assets ("Capital requirements ratio") above the prescribed minimum level at all times. During the year ended 31 December 2024, the bank has complied with all such externally imposed regulatory capital requirements.

2. Financial risk management - continued

2.7 Fair value of financial instruments and non-financial instruments

Financial instruments measured at fair value

The following table analyses financial instruments that are measured in the consolidated statement of financial position at fair value, by level of the following fair value measurement hierarchy. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial instruments that are measured at fair value.

	Level 1 €	Level 2 €	Level 3 €	Total €
As at 31 December 2024				
Assets				
Financial assets measured at FVPL:				
Dispute resolution funding assets	-	-	1	1
Loans and advances to customers	-	-	792,600	792,600
Financial assets measured at FVOCI:				
Debt securities	5,145,690	-	-	5,145,690
Total financial assets at fair value	**5,145,690**	**-**	**792,601**	**5,938,291**
As at 31 December 2023				
Assets				
Financial assets measured at FVPL:				
Non-fixed income instruments	-	-	1	1
Dispute resolution funding assets	-	-	1	1
Equity instruments	-	-	267,180	267,180
Loans and advances to customers	-	-	792,600	792,600
Financial assets measured at FVOCI:				
Debt securities	6,946,560	-	-	6,946,560
Total financial assets at fair value	**6,946,560**	**-**	**1,059,782**	**8,006,342**

At 31 December 2023, the Company's financial assets measured at fair value comprise of non-fixed income instruments amounting €1 and equity instruments amounting to €267,180 which are categorised as Level 3 instruments in the fair value hierarchy.

As at 31 December 2024 and 2023, the Group and the Company does not have financial liabilities measured at fair value.

There were no transfers between levels 1, 2 and 3 during the year.

2. Financial risk management - continued

2.7 Fair value of financial instruments and non-financial instruments - continued

Financial instruments measured at fair value - continued

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

As at 31 December 2024 and 2023, instruments included in level 1 comprise of debt instruments issued by the Government of Malta and debt instruments issued by local credit institutions which are listed on the Malta Stock Exchange.

(b) Financial instruments in level 2

Fair values of instruments included in level 2 are based on quoted prices but in markets that are not active. As at 31 December 2024 and 31 December 2023, there were no instruments included under this hierarchy.

(c) Financial instruments in level 3

Fair values of instruments included in level 3 consist of instruments for which a 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 unlisted equity and loans to customers that have failed the solely payments of principal and interest test and is therefore mandatorily measured at fair value. They also include dispute resolution funding assets, which represent financing by the Group to fund a portfolio of homogenous legal cases.

In view of the absence of quoted market prices or observable inputs for modelling value, the fair value of the instruments held is derived using internal models. Unobservable inputs and assumptions in respect of the loan and debt securities that have failed the SPPI test include cash inflows under different scenarios, the timing of such cashflows, the probability outcomes under the different scenarios and the discount rate.

The fair value of the equity securities held by the Group is derived using the residual income method. The principal unobservable inputs and assumptions in this regard include the revenue growth rate over the explicit period, the in-perpetuity growth rate and the discount rate.

The key unobservable inputs with respect to the dispute resolution funding assets and non-fixed income securities relate to the assumptions in respect of the likelihood of a positive outcome and the potential settlement value, while the unobservable inputs relating to loans and advances to customers that are measured at fair value include the timing of cashflows, the probability outcomes under different scenarios and the discount rate.

2. Financial risk management - continued

2.7 Fair value of financial instruments and non-financial instruments - continued

Financial instruments measured at fair value - continued

The following table presents the changes in level 3 items:

	Non-fixed income securities	Dispute resolution funding assets	Equity instruments €	Loans and advances to customers €	Total €
At 1 January 2023	535,215	1,327,792	3,017,180	792,600	5,672,787
Additions	-	556,777	-	-	556,777
Disposals	-	-	(2,937,470)	-	(2,937,470)
Repayments	-	(575,080)	-	-	(575,080)
Net movement in fair value	(535,214)	(1,309,488)	187,470	-	(1,657,232)
At 31 December 2023	**1**	**1**	**267,180**	**792,600**	**1,059,782**
At 1 January 2024	1	1	267,180	792,600	1,059,782
Additions	-	-	-	-	-
Disposals	-	-	(284,037)	-	(284,037)
Repayments	-	-	-	-	-
Net movement in fair value	(1)	-	16,857	-	16,856
At 31 December 2024	**-**	**1**	**-**	**-**	**792,601**

There were no transfers between different levels of the fair value hierarchy during the years ended 31 December 2024 and 2023.

In view of the immateriality of the Level 3 assets in the context of the Group’s and Company’s balance sheet, the disclosures required in respect of key unobservable inputs to Level 3 financial instruments and the sensitivity of Level 3 fair values to reasonably possible alternatives in respect of significant unobservable assumptions was not deemed necessary by the directors.

Financial instruments not measured at fair value

Balances with Central Bank of Malta, loans and advances to banks and financial institutions and loans and advances to customers as well as other receivables are carried at amortised cost in the statements of financial position. The directors consider the carrying amounts of such financial assets to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods.

2. Financial risk management - continued

2.7 Fair value of financial instruments and non-financial instruments - continued

Financial instruments not measured at fair value - continued

The fair value of the amounts owed to customers and amounts owed to banks at 31 December 2024 and 2023 is also approximately equivalent to their carrying values in view of their short period to maturity.

With regards to the €25 million 5.7% (2023: 4%) Secured Bonds as disclosed under Note 21, the fair value of these liabilities as at 31 December 2024 was €25,875,000 (2023: €24,725,000). These estimates are considered level 1 fair value estimates.

Non-financial instruments measured at fair value

The Group's land and buildings within investment property, were revalued on 31 December 2024 and 2023 by an external valuation expert having appropriate recognised professional qualifications and experience in the location and category of the property being valued.

The directors have reviewed the carrying amounts of the properties as at 31 December 2024 on the basis of the valuations carried out by the independent property valuers.

Valuations were made on the basis of open market value taking cognisance of the specific location of the properties, the size of the sites together with their development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

At 31 December 2024 and 2023 the carrying amounts of the Group's investment property was adjusted to reflect the properties' estimated open market value on an individual asset level.

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined above as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

Investment property comprises commercial property including offices and industrial premises leased out to third parties, as well as other parcels of land (both developed and undeveloped). All the recurring property fair value measurements at 31 December 2024 and 2023 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels on the date the event or change in circumstances that causes the transfer occurs. There were no transfers between different levels of the fair value hierarchy during the years ended 31 December 2024 and 2023.

A reconciliation from the opening balance to the closing balance of investment property for recurring fair value measurements is reflected in the table in Note 10.

2. Financial risk management - continued

2.7 Fair value of financial instruments and non-financial instruments - continued

Non-financial instruments measured at fair value - continued

Valuation processes

The valuations of the properties are performed annually on the basis of valuation reports prepared by an independent and qualified valuer. These reports are based on both:

- information provided by the Group which is derived from the Group's financial systems and is subject to the Group's overall control environment; and
- assumptions and valuation models used by the valuers - the assumptions are typically market-related. These are based on professional judgement and market observation.

The information provided to the valuer, together with the assumptions and the valuation models used by the valuer, are reviewed by the Chief Executive Officer (CEO) of the Company. This includes a review of fair value movements over the period.

Valuation techniques

The external valuations of the Level 3 investment property have been performed using the comparative value approach for the purpose of valuing land and using the traditional investment method of valuation based on the capitalised maintainable income approach for the purpose of valuing the buildings. The land component of the building is valued using the comparative value approach. The valuations have been performed using the unobservable inputs described below:

(i) Comparative value approach for developed and undeveloped land

Comparable land values per sqm	derived from the Regional Authorities for Survey and Geoinformation covering Saxony-Anhalt as at 1 January 2024 (2023: 1 January 2022).
Land specific adjustments	object-specific costs and income affecting the ultimate value of the real estate at hand, including decreases in market value of land area affected by any form of contamination less the value of the land component of the building, as applicable.

(ii) Capitalised maintainable income approach for buildings

Maintainable income	the maintainable income is equivalent to the expected income which the valuer expects the property to generate in the foreseeable future, being the gross yield which the property is able to generate through contractual agreements less an appropriate level of management costs, including: administrative costs, maintenance expenses and rental failure costs, deemed necessary for the operation of the buildings and adjusted for the profitable value of the land. The expected income which the valuer expects the property to generate in the foreseeable future is based on the market averages attributable within the region of respective properties.
Discount rate	the discount rate is based on the property-specific adjusted property interest rate.

2. Financial risk management - continued

2.7 Fair value of financial instruments and non-financial instruments - continued

Non-financial instruments measured at fair value - continued

Expected service (useful) life	based on the valuer's best estimate of the remaining useful life of the buildings, after taking into consideration the location, the state of construction and possible economic utilisation of the buildings.
Land component of the building	the land component of the building is valued separately from the building and follows the same valuation approach with the developed and undeveloped land.
Building specific adjustments	object-specific costs and income affecting the ultimate value of the real estate at hand, including repairs and maintenance costs and vacancy costs.

	At 31 December 2024			
	Fair value €'000	**Valuation technique**	**Significant unobservable input**	**Range of unobservable Inputs**
Description by class				
Developed and undeveloped land (excluding land component of the building, if any)	**16,020**	Comparative value approach	Comparable land values per sqm	€12-€23 per sqm
Land specific adjustments	**(317)**			
	15,703			
Buildings - current use as third party offices, production and storage facilities	**12,939**	Capitalised maintainable income approach	Maintainable income Discount rate	€282,000 - €757,000 p.a. Approximately 6.75%-7%
			Expected service (useful) life	10-20 years
Land component of the building	**4,569**	Comparative value approach	Comparable land values per sqm	€12-€23 per sqm
Building specific adjustments	**(1,284)**			
	16,224			
Total fair value	**31,927**			

2. Financial risk management - continued

2.7 Fair value of financial instruments and non-financial instruments - continued

Non-financial instruments measured at fair value - continued

	At 31 December 2023			
	Fair value €'000	**Valuation technique**	**Significant unobservable Input**	**Range of unobservable Inputs**
Description by class				
Developed and undeveloped land (excluding land component of the building, if any)	**14,777**	Comparative value approach	Comparable land values per sqm	€10-€20 per sqm
Land specific adjustments	**(953)**			
	13,824			
Buildings - current use as third party offices, production and storage facilities	**13,616**	Capitalised maintainable income approach	Maintainable income Discount rate	€290,000 - €797,000 p.a. Approximately 6.75%-7%
			Expected service (useful) life	10-20 years
Land component of the building	**4,098**	Comparative value approach	Comparable land values per sqm	€10-€20 per sqm
Building specific adjustments	**(1,457)**			
	16,257			
Total fair value	**30,081**			

The higher the maintainable income per annum and the comparable land value per square metre, the higher the resultant fair valuation. Conversely, the lower the capitalisation rate the higher the fair value. The highest and best use of the properties reflected in the tables above is equivalent to their current use.

In this respect, if the comparable land values per sqm increased/decreased by 5%, with all other variables held constant, the fair value of the investment property would increase/decrease by approximately €1,007,000 (2023: approximately €903,000). If maintainable income per annum increased/decreased by 5%, with all other variables held constant, the fair value of the investment property would increase/decrease by approximately €551,000 (2023: approximately €577,000).

3. Critical accounting estimates, and judgments in applying accounting policies

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Critical accounting estimates, and judgments in applying accounting policies - continued

In the opinion of the directors, other than for estimates relating to the fair value of investment properties and expected credit losses of the Group’s loans and advances to customers and other receivables, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Accordingly, the directors believe there are no areas involving a higher degree of judgment that would have a significant effect on the amounts recognised in the financial statements, and there are no key assumptions and other key sources of estimation uncertainty relating to estimates that require subjective or complex judgments, other than for estimates relating to the fair value of investment properties and expected credit losses of the Group’s loans and advances to customers and other receivables.

The Group’s investment properties are fair valued on the basis of a valuation carried out by an independent property valuer. The Level 3 valuations of investment property have been performed using the comparative value approach for the purpose of valuing land and using the traditional investment method of valuation based on the capitalised maintainable income approach for the purpose of valuation of the buildings. The land component of the building is valued using the comparative value approach. The valuation approach takes into account key judgments and assumptions, including the sensitivity of such, as outlined in Note 2.7.

The measurement of the expected credit loss allowance for loans and advances to customers and receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. In this respect, a number of significant judgements are made by management. Most notably, these include defining SICR and UTP criteria and determining whether a SICR or UTP event has occurred. Judgement is also required in choosing appropriate assumptions for the measurement of ECLs.

In the case of modelled ECLs, judgements are also made in respect of determining the forward-looking macroeconomic variables under different scenarios and the associated weightings for each scenario.

In view of this uncertainty, management considered the sensitivity of the ECL outcome to the macro-economic forecasts by recalculating the ECL under the different scenarios, applying a 100% weighting to each scenario, the effect of which is disclosed in Note 2.2.3.4.

4. Balances with Central Bank of Malta and cash

	Group	
	2024	2023
	€	€
Cash in hand	**1,537**	2,055
Balances held with Central Bank of Malta	**20,313,638**	27,978,416
	20,315,175	27,980,471

Balances held with Central Bank of Malta include reserve deposits relating to the Minimum Reserve Requirement in terms of Regulation (EC) No 1745/2003 of the ECB. The average reserve deposit held for the relevant maintenance period amounted to €130,136 (2023: €271,446). Deposits with the Central Bank amounting to €6,904,642 (2023: €17,607,423) are withdrawable on demand and were subject to an interest rate of 3% (2023: of 4%) per annum. The remaining deposits of €13,278,859 (2023: €10,099,547) consisted of money market placements in USD with a contractual maturity of six months (2023: contractual maturity of one month) and CAD with a contractual maturity of seven days (2023: contractual maturity of one month) and with interest rates of up to 4.2% and 2.3% per annum for USD and CAD respectively.

5. Loans and advances to banks and other financial institutions

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Repayable on call and at short notice	**3,149,109**	2,742,155	**1,316,768**	5,525,442
Term loans and advances	**5,000,000**	4,994,585	**900,000**	1,800,000
Allowances for expected credit losses	**(28,332)**	(23,086)	**-**	-
	8,120,777	7,713,654	**2,216,768**	7,325,442

Term loans and advances of the Group are unsecured, have been granted for an initial period of 18 months and subsequently rolled over for a further 12 months until 26 March 2026, and are subject to floating interest rates. The loans are designated as lower ranking liabilities as referred to in regulation 108(4) of the Recovery and Resolution Regulations (Subsidiary Legislation 330.09).

As at 31 December 2024, the Group's amounts repayable on call and at short notice are due from banks and other financial institutions. Placements with other financial institution amount to €1,536,638 (2023: €1,159,218). As at 31 December 2024 and 2023, all the Company's amounts repayable on call and at short notice are due solely from banks, of which €1,292,089 (2023: €5,458,184) is held with the subsidiary bank. As at 31 December 2024 and 2023, the Company's term loans and advances is placed with the subsidiary bank with a contractual maturity of 7 months (2023: 5 months) and is subject to a fixed interest rate.

6. Loans and advances to customers

	Group 2024 €	Group 2023 €
Gross loans and advances	**13,340,043**	13,593,751
Allowance for credit losses	**(321,469)**	(219,052)
Carrying amount as at 31 December	**13,018,574**	13,374,699

Gross loans and advances to customers as at 31 December 2024 include credit exposures with related parties amounting to €8,900,000 (2023: €8,900,000).

Movements in expected credit loss allowances during 2024 and 2023 were as follows:

	Group 2024 €	Group 2023 €
At beginning of year	**219,052**	94,569
Change in expected credit losses (Note 33)	**102,417**	124,483
At end of year	**321,469**	219,052

7. Financial assets mandatorily measured at fair value through profit or loss

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Non-fixed income securities	**-**	1	**-**	1
Dispute resolution funding assets	**1**	1	**-**	-
Equity instruments	**-**	267,180	**-**	267,180
Loans and advances to customers	**792,600**	792,600	**-**	-
	792,601	1,059,782	**-**	267,181

As at 31 December 2024 and 2023, the Group's financial instruments that are mandatorily measured at fair value through profit or loss comprise a fixed interest loan that also has a profit participation feature that enables the Group to participate in any profit earned as a result of the activity being financed, and loans advanced to fund dispute resolution claims. As at 31 December 2023, the Group's financial instruments mandatorily measured at fair value through profit or loss also included unlisted non-fixed income securities issued by a special purpose vehicle set up specifically to finance certain dispute resolution claims. They are mandatorily measured at fair value as they have failed the SPPI test. As at 31 December 2023, financial instruments that are mandatorily measured at fair value through profit or loss also comprise unlisted equity securities issued by a related party.

7. Financial assets mandatorily measured at fair value through profit or loss - continued

The movement in financial assets measured at fair value through profit or loss is summarised as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
At 1 January	**1,059,781**	5,672,787	**267,181**	802,395
Additions	**312,981**	556,777	**-**	-
Disposal of equity instruments	**(284,037)**	(2,937,470)	**(284,037)**	-
Repayments of dispute resolution funding assets	**(139,652)**	(575,080)	**-**	-
Net movement in fair value	**(156,473)**	(1,657,232)	**16,856**	(535,214)
At 31 December	**792,601**	1,059,782	**-**	267,181

During 2023 the Group sold unlisted equity securities with a carrying value of €2,750,000 for $3,107,832 (or €2,937,470), resulting in a gain of €187,470 on the date of sale (Note 30). During 2024, the Group sold the remaining unlisted equity securities to the ultimate parent company which were valued at €267,180 for $300,000 (or €284,037), resulting in a gain of €16,857. As at 31 December 2024, a portion of the consideration for the sale of unlisted equity securities amounting to €2,302,158 (2023: €2,810,293) was still receivable and is included under 'Amounts due from ultimate parent company, of which €288,781 is repayable on demand and not subject to interest and €2,013,377 are repayable in six years and subject to a fixed interest rates (Note 14).

The Group has also recognised fair value losses on its investments in non-fixed income securities and dispute resolution funding assets amounting to €156,473 (2023: €1,657,232)

During 2023, the fair value losses arising from dispute resolution funding assets were indemnified by the ultimate parent company as explained further in Note 30. As at 31 December 2023, the indemnified amount is included within 'Other receivables' as part of the amounts due from ultimate parent company in Note 14.

At the level of the Company, during 2024 the movement in fair value was coming from the sale of unlisted equity securities to the ultimate parent company highlighted above, and from the fair value loss on the non-fixed income securities.

8. Financial assets measured at fair value through other comprehensive income

	Group 2024 €	2023 €
Debt and other fixed income instruments	**5,145,690**	6,946,560
	5,145,690	6,946,560
Analysed by issuer:		
- local general government	**4,928,880**	6,836,670
- local credit institutions	**216,810**	109,890
	5,145,690	6,946,560
Listing status:		
- listed on Malta Stock Exchange	**5,145,690**	6,946,560
	5,145,690	6,946,560

	Group 2024 €	2023 €
At 1 January	**6,946,560**	18,153,403
Disposals/redemptions	**(2,000,000)**	(11,500,000)
Amortisation	**(24,220)**	20,069
Net fair value movements	**223,350**	273,088
At 31 December	**5,145,690**	6,946,560

As at 31 December 2024, an expected credit loss allowance amounting to €3,134 was accounted for in terms of IFRS 9 (2023: €1,987).

9. Investments in subsidiaries

	Company 2024 €	2023 €
At 1 January	**50,530,850**	50,530,850
Contribution	**28,460**	-
At 31 December	**50,559,310**	50,530,850

Upon forming the Fiscal Unit and under the terms of the Tax Sharing Agreement, unabsorbed tax losses carried forward by the Bank amounting to €60.9 million as at 31 December 2022 were transferred to the Company for utilisation against the Fiscal Unit's current and future taxable profits. The Company compensates the Bank whenever and to the extent, the unutilised and unrecognised tax losses assumed by the Company, as principal taxpayer, are "utilised" in the reduction of the taxable profit of the Fiscal Unit or utilised against the current tax liability of the Fiscal Unit.

As at 31 December 2024, the contribution amounting to €28,460 represents the compensation payable by the Company in respect of the "utilised" tax losses against the notional current tax liability of the Company.

9. Investments in subsidiaries - continued

The subsidiaries at 31 December 2024, whose results and financial position affected the figures of the Group, are shown below:

Name of company	Registered office
Merkanti Bank Limited	Aragon House Business Centre, Dragonara Road St Julian's, STJ 3140, Malta
Merkanti (A) International Ltd	Aragon House Business Centre, Dragonara Road St Julian's, STJ 3140, Malta
Merkanti (D) International Ltd	Aragon House Business Centre, Dragonara Road St Julian's, STJ 3140, Malta
Merkanti Diesel Limited	Aragon House Business Centre, Dragonara Road St Julian's, STJ 3140, Malta
Altmark Industrie Management GmbH	Sanner Strasse 2 39596 Arneburg, Germany

As at 31 December 2024 and 2023, the Company held 63.75% of the ordinary shares of Merkanti Diesel. The remaining shares held by a third party do not have any voting rights. Accordingly, the Company retained 100% of the voting rights in Merkanti Diesel Limited.

As at 31 December 2024 and 2023, the Company held 100% of the Ordinary shares of both Merkanti Bank Limited and Altmark Industrie Management GmbH, and 94.9% of the Ordinary shares of both Merkanti (A) International Ltd and Merkanti (D) International Ltd.

Disclosure of financial information related to non-controlling interests in the Group's activities and cash flows as required by IFRS 12 is not being made on the basis that non-controlling interests are not considered material to the Group.

10. Investment property

	Group	
	2024	2023
	€	€
At 1 January	**30,081,000**	30,965,000
Additions	**547,552**	-
Disposals	**(54,608)**	(843,920)
Changes in fair value	**1,353,056**	(40,080)
At 31 December	**31,927,000**	30,081,000

The Group also disposed a part of its investment property, in respect of which a gain of €32,390 (2023: loss of €27,949) was realised.

The Group's investment property is measured at fair value. The fair value as at 31 December 2024 and 2023 was estimated by an external valuation expert reflecting the actual market state, conditions and circumstances as at the reporting date. Disclosures relating to the valuation techniques, judgments and assumptions in arriving at the fair value of investment property are explained in detail in Note 2.7.

The Group's investment property served as security for the Group's issud bonds (Note 21).

11. Property, plant and equipment

Group

	Computer equipment €	Office improvements and equipment €	Total €
At 1 January 2023			
Cost	140,955	294,395	435,350
Accumulated depreciation	(107,559)	(190,532)	(298,091)
Net book amount	**33,396**	**103,863**	**137,259**
Year ended 31 December 2023			
Opening net book amount	33,396	103,863	137,259
Additions	14,508	51,942	66,450
Disposals	(8,033)	(2,311)	(10,344)
Depreciation charge	(23,640)	(52,527)	(76,167)
Depreciation released on disposals	7,502	1,764	9,266
Closing net book amount	**23,733**	**102,731**	**126,464**
At 31 December 2023			
Cost	147,430	344,026	491,456
Accumulated depreciation	(123,697)	(241,295)	(364,992)
Net book amount	**23,733**	**102,731**	**126,464**
Year ended 31 December 2024			
Opening net book amount	**23,733**	**102,731**	**126,464**
Additions	**14,557**	**68,231**	**82,788**
Disposals	**(18,961)**	**(41,216)**	**(60,177)**
Depreciation charge	**(14,874)**	**(61,785)**	**(76,659)**
Depreciation released on disposals	**18,961**	**6,137**	**25,098**
Closing net book amount	**23,416**	**74,098**	**97,514**
At 31 December 2024			
Cost	**143,026**	**371,041**	**514,067**
Accumulated depreciation	**(119,610)**	**(296,943)**	**(416,553)**
Net book amount	**23,416**	**74,098**	**97,514**

During 2024, the Group disposed of a part of its property, plant and equipment, in respect of which a gain of €2,678 was realised (2023: loss of €547).

11. Property, plant and equipment - continued

Company

	Office improvements and equipment €
At 1 January 2023	
Cost	129,162
Accumulated depreciation	(77,394)
Net book amount	**51,768**
Year ended 31 December 2023	
Opening net book amount	51,768
Additions	3,104
Disposals	(1,189)
Depreciation charge	(25,821)
Depreciation released on disposals	644
Closing net book amount	**28,506**
At 31 December 2023	
Cost	131,077
Accumulated depreciation	(102,571)
Net book amount	**28,506**
Year ended 31 December 2024	
Opening net book amount	**28,506**
Depreciation charge	**(24,438)**
Closing net book amount	**4,068**
At 31 December 2024	
Cost	**131,077**
Accumulated depreciation	**(127,009)**
Net book amount	**4,068**

During 2023, the Company disposed of a part of its property, plant and equipment, in respect of which a loss of €545 was realised.

12. Intangible assets

Group

	Computer software €
At 1 January 2023	
Cost	1,438,933
Accumulated amortisation	(469,940)
Net book amount	**968,993**
Year ended 31 December 2023	
Opening net book amount	968,993
Additions	50,466
Amortisation charge	(86,715)
Closing net book amount	**932,744**
At 31 December 2023	
Cost	1,489,399
Accumulated amortisation	(556,655)
Net book amount	**932,744**
Year ended 31 December 2024	
Opening net book amount	**932,744**
Additions	**14,929**
Disposals	**(4,158)**
Amortisation charge	**(44,361)**
Amortisation released on disposals	**4,158**
Closing net book amount	**903,312**
At 31 December 2024	
Cost	**1,500,170**
Accumulated amortisation	**(596,858)**
Net book amount	**903,312**

As at 31 December 2024, computer software amounting to €699,580 (2023: €699,580) relate to the implementation of a new core banking system by Merkanti Bank Limited which was still in the course of development. As at 31 December 2024, the fully amortised computer software with an original cost of €263,238 is still in use (2023: €245,538).

13. Right-of-use assets and lease liabilities

The Group and the Company lease office space. The lease contracts are for fixed periods with no extension periods but can be preterminated subject to six months advance notice.

Leases are recognised as a right-of-use ('ROU') asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use asset is recognised at an amount equal to the lease liability at the date at which the leased asset is made available for use, and subsequently depreciated till the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Right-of-use-assets	**Group**		**Company**	
	2024	2023	**2024**	2023
	€	€	**€**	€
At 1 January	**138,747**	283,526	**138,747**	283,526
Depreciation	**(138,747)**	(144,779)	**(138,747)**	(144,779)
At 31 December	**-**	138,747	**-**	138,747

The lease liabilities were initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, which represents the rate that the Company or its subsidiaries 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. The movement in lease liabilities is analysed below:

	Group		**Company**	
	2024	2023	**2024**	2023
	€	€	**€**	€
At 1 January	**168,809**	330,589	**168,809**	330,589
Interest expense on lease liabilities	**2,436**	9,160	**2,436**	9,160
Repayment of lease liabilities	**(171,245)**	(170,940)	**(171,245)**	(170,940)
At 31 December	**-**	168,809	**-**	168,809

Lease liabilities are split into maturity groupings as follows:

	Group		**Company**	
	2024	2023	**2024**	2023
	€	€	**€**	€
Current	**-**	168,809	**-**	168,809
Non-current	**-**	-	**-**	-
At 31 December	**-**	168,809	**-**	168,809

13. Right-of-use assets and lease liabilities - continued

On 16 December 2019, the Group entered into a lease agreement for office space for a fixed period until 16 December 2024. The right-of-use asset in respect of this lease has been included within the above table. On 4 December 2024, the Group entered into a short-term lease agreement until 16 June 2025 to continue to use the office space, for which the Group has elected not to recognise right-of-use assets.

As at 31 December 2023, the Group does not have leases with contract terms shorter than one year and leases of low-value items for which the Group has elected not to recognise right-of-use assets.

The income statement reflects the following amounts relating to leases:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Depreciation charge of right-of-use-assets	**138,747**	144,779	**138,747**	144,779
Interest expense	**2,436**	9,160	**2,436**	9,160

Total cash payments for leases of the Group in 2024 was €171,245 (2023: €170,941).

14. Other receivables

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Trade and other receivables	**817,098**	349,163	**2,600**	2,600
Amounts due from ultimate parent company	**19,992,939**	16,192,945	**13,311,600**	8,713,157
Amounts due from subsidiaries	**-**	-	**10,037,783**	10,500,278
	20,810,037	16,542,108	**23,351,983**	19,216,035
Allowance for credit losses	**(28,293)**	(28,293)	**(46,190)**	(46,190)
	20,781,744	16,513,815	**23,305,793**	19,169,845

As at 31 December 2024, the Group and the Company's amounts due from the ultimate parent company consist of a revolving credit facility having a gross amount of €10,892,727 (2023: €5,892,727) subject to a fixed interest rate, receivables amounting to €2,130,093 (2023: €2,820,430) due on demand and not subject to interest and receivables amounting to $300,000 (or €288,780) (2023: nil) relating to the sale of unlisted equity securities due on demand and not subject to interest. As at 31 December 2023, the receivables due on demand and not subject to interest include €1,890,649 which relate to the agreement entered by the Company with the ultimate parent company in October 2023 (Note 30).

14. Other receivables - continued

As at 31 December 2024, the Group's amounts due from the ultimate parent company also include a gross loan amounting to €4,660,000 (2023: €4,660,000) granted by a subsidiary which is repayable on demand and subject to a fixed interest rate, receivables of subsidiaries amounting to $2,089,115 (or €2,013,738) (2023: $3,107,832 (or €2,810,293)) relating to the sale of unlisted equity securities which are repayable in six years and subject to a fixed interest rates and receivables of subsidiaries amounting to €7,600 (2023: €9,495) due on demand and not subject to interest.

Amounts due by the Company from subsidiaries include the provision of subordinated loans with gross amount of €9,500,000 (2023: €9,500,000) bearing interest at fixed rates maturing on 9 September 2026, dividend receivables amounting to €284,700 (2023: €942,093) and receivables amounting to €253,083 (2023: €58,185) due on demand and not subject to interest.

15. Deferred taxes

Deferred 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 taxes relate to the same fiscal authority.

The following amounts determined after appropriate offsetting are shown in the statements of financial position:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Deferred tax assets	**150,174**	150,174	**-**	-
Deferred tax liabilities	**(2,386,691)**	(2,153,622)	**-**	-
	(2,236,517)	(2,003,448)	**-**	-

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, being the effective tax rate at Company level, and 15.825% (2023: 15.825%) in respect of the German fiscal authority.

Under Maltese corporate income tax rules, refunds are available to shareholders of Maltese companies following the distribution of profits to the shareholders. The 'standard' refund amounts to six-sevenths of the tax paid in Malta, resulting in a net post-refund effective tax rate in Malta typically amounting to 5% to 11.67%.

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Unremitted earnings	**150,174**	150,174	**-**	-
Fair valuation of properties	**(2,386,691)**	(2,153,622)	**-**	-
	(2,236,517)	(2,003,448)	**-**	-

15. Deferred taxes - continued

The deferred tax liabilities arise on the investment properties of the Group’s subsidiaries Merkanti (A) International Ltd and Merkanti (D) International Ltd.

The deferred tax liabilities are calculated on the difference between the balance sheet value of the investment property, being the fair value as per the external valuation report, less the tax cost as stipulated by the local German GAAP, which would be the capital gain recognised upon the sale of these assets. This difference is multiplied by the German tax rate of 15.825%.

These two companies were redomiciled to Malta with effect from 8 July 2019, and as a result became subject to Maltese income tax.

For Maltese income tax purposes, any unrealised fair value gains derived from the revaluation of the investment properties of the Group’s subsidiaries Merkanti (A) International Ltd and Merkanti (D) International Ltd should also result in a deferred tax liability. Such deferred tax liability should be calculated by multiplying the fair value gains, being the difference between the value of the immovable properties as at year end less their cost of acquisition, with the standard corporate rate of tax in Malta of 35%.

However, for Maltese income tax purposes, in terms of Article 4A of the Maltese Income Tax Act (Chapter 123, Laws of Malta), there is an election for immovable properties to be deemed to be assets acquired by the companies on the date of their redomiciliation to Malta at a cost which is deemed to be their market value as at that date.

Furthermore, when calculating the capital gain for Maltese income tax purposes derived upon the future transfer of any of the immovable properties, the companies are able to claim relief from tax suffered in Germany by way of a tax credit against the Maltese income tax liability, if any. As a result, as at 31 December 2024 and 2023, no tax liability is expected to arise in Malta over the foreseeable future and accordingly the German tax rate remains suitable for determining the Group’s deferred tax liability in this respect.

Until 31 December 2023, the deferred tax asset in respect of unremitted earnings arose as a result of undistributed profits earned by Merkanti (A) International Ltd and Merkanti (D) International Ltd (the “property companies”). It was calculated as the difference between the Maltese corporate income tax rate of 35% to which the profits earned by the property companies are subject to in Malta, and the effective tax rate (between 5% and 11.67%) at consolidated level, which difference represents the amount of the Malta tax refund available to Merkanti Holding p.l.c. following a dividend distribution by the property companies.

During 2024, the Company and the Bank, resolved to form a Fiscal Unit for Maltese income tax purposes, in terms of the Maltese Consolidated Group (Income Tax) Rules (L.N. 110 of 2019). These Rules allow a group of companies to elect to be treated as one single taxpayer and to compute their chargeable income or loss on a consolidated basis. Upon formation of the Fiscal Unit, all unabsorbed tax losses carried forward by the Bank amounting to €60.9 million were transferred to the Company for utilisation against profits earned by the Fiscal Unit in Malta and as a result against profits of the Company itself, including profits arising from dividend distributions by the property companies, allowing for a full refund of any Malta income taxes paid by the property companies.

This tax asset has not been offset against current tax liabilities arising in respect of profits earned by the property companies as the balances are not expected to be settled on a net basis.

15. Deferred tax - continued

The movements in deferred tax assets and liabilities, which are all recognised in profit or loss, are analysed below:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
As at 1 January	**(2,003,448)**	(2,057,497)	**-**	**-**
Deferred tax asset arising in respect of unremitted earnings	**-**	(18,456)	**-**	**-**
Deferred tax liabilities arising on the fair valuation of properties	**(233,069)**	72,505	**-**	**-**
As at 31 December	**(2,236,517)**	(2,003,448)	**-**	**-**

The recognised deferred tax asset and liabilities are expected to be recovered or settled after more than 12 months from the end of the reporting period.

At 31 December 2024, the Group and, as a result of the formation of the Fiscal unit, the Company, had unutilised tax losses amounting to €57 million (2023: €58 million) on which no deferred tax asset was recognised in the consolidated statement of financial position in view of the uncertainty of realisation of these tax benefits.

16. Accrued income and other assets

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Accrued interest receivable	**3,430,234**	2,997,925	**3,321,085**	2,330,854
Other fees receivable	**208,800**	1,057,578	**-**	-
Other assets	**32,866**	95,094	**23,915**	27,343
Prepayments	**785,664**	229,153	**168,183**	44,529
	4,457,564	4,379,750	**3,513,183**	2,402,726

As at 31 December 2024, part of the Group's accrued interest and other fees receivable amounting to €3,297,125 (2023: €2,351,646) and nil (2023: €177,500) respectively, are attributable to the ultimate parent company, while accrued interest and other fees receivable amounting to €1,678 (2023: €534,560) and €208,800 (2023: €278,133) respectively, are attributable to other related parties. At Company level, accrued interest receivable amounting to €2,804,274 (2023: €2,316,792) is attributable to the ultimate parent company and €516,811 (2023: €14,063) is attributable to subsidiaries.

17. Share capital

	2024	2023
	€	€
Authorised		
1,000,000,020 Ordinary "A" shares of €0.10 each	**100,000,002**	100,000,002
1,000,000,020 Ordinary "B" shares of €0.10 each	**100,000,002**	100,000,002
	200,000,004	200,000,004
Issued		
16,673,333 Ordinary "A" shares of €0.10 each	**1,667,333**	1,667,333
1 Ordinary "B" shares of €0.10 each	**-**	-
	1,667,333	1,667,333

The holders of ordinary "A" shares and ordinary "B" shares are entitled to one vote per share at general meetings of the Group for each share held. The ordinary "A" shares and ordinary "B" shares rank equally with regard to the Group's residual assets.

18. Contribution reserve

	2024	2023
	€	€
At beginning and end of year	**50,892,669**	50,892,669

The contributed reserve is free from all claims, charges, liens, equities and encumbrances and it is made as a contribution into the distributable reserves of the Company. The contribution is irrevocable and unconditional.

19. Fair value reserve

The fair value reserve reflects the effects of the fair value measurement of financial investments measured at fair value through other comprehensive income, net of any deferred taxes. This reserve is non-distributable.

20. Non-controlling interests

	Group	
	2024	2023
	€	€
At beginning of year	**1,085,334**	1,666,575
Share of losses attributable to non-controlling interests	**(53,225)**	(514,941)
Dividends distributed during the year	**(15,300)**	(66,300)
At end of year	**1,016,809**	1,085,334

During 2024, Merkanti (A) International Ltd and Merkanti (D) International Ltd declared net dividends amounting to €200,000 (2023: €950,000) and €100,000 (2023: €350,000) respectively, to the ordinary shareholders in accordance with their proportionate shares held in these property companies.

21. Borrowings

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Non-current				
€25 million 4% Bonds 2026	**-**	24,686,800	-	24,686,800
€25 million 5.7% Bonds 2033	**24,481,152**	-	**24,481,152**	-
Total borrowings	**24,481,152**	24,686,800	**24,481,152**	24,686,800

By virtue of an offering memorandum dated 18 July 2019, the Company issued €25,000,000 secured bonds with a face value of €100 each. The bonds have a coupon interest of 4% which is payable annually in arrears on 12 August of each year. The bonds are redeemable at par and are due for redemption on 12 August 2026. On 3 July 2024, the Bondholders approved the proposed amendments to the terms and conditions of the Bonds, consisting primarily of (1) an increase in the interest rate payable on the Bonds from 4.00% to 5.70% per annum and (2) a 7-year extension of the term of the Bonds to 12 August 2033. The modification of the terms qualified as substantial modification by which the original bond was extinguished and the new bond was recognised at fair value, which resulted in a loss on extinguishment €434,600 (Note 27).

The bonds are secured by real estate owned by the property companies within the Group by means of the German Law Mortgages, the Pledges of shares and the Pledges of Deposited Monies. The bonds were admitted on the Official List of the Malta Stock Exchange on 16 August 2019. The quoted market price as at 31 December 2024 for the bonds was €103.50 (2022: €98.90), which in the opinion of the directors fairly represents the fair value of these financial liabilities. At the end of the reporting period, none of the bonds were held by the Company's directors.

21. Borrowings - continued

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	Group and Company	
	2024	2023
	€	€
Original face value of bonds issued	**25,000,000**	25,000,000
Bond issue costs	**524,555**	738,196
Accumulated amortisation	**(5,707)**	(424,996)
Unamortised bond issue costs	**518,848**	313,200
Amortised cost and closing carrying amount of the bonds	**24,481,152**	24,686,800

22. Amounts owed to banks

	Group	
	2024	2023
	€	€
Repayable at short notice	**4,965,200**	4,965,600

Amounts owed to banks are repayable subject to a 35-day prior notice period and are not subject to interest.

23. Amounts owed to customers

	Group	
	2024	2023
	€	€
Repayable at call and short notice	**13,176,014**	19,215,541
Term deposits	**-**	215,220
	13,176,014	19,430,761

Amounts owed to customers include amounts of €13,157,125 (2023: €19,114,147) due to related parties. As at 31 December 2024 and 2023, all amounts owed to customers were not subject to interest.

Amounts owed to customers are classified as liabilities measured at amortised cost.

24. Other liabilities

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Trade payables	**502,224**	141,792	**-**	-
Accrued interest payable	**485,342**	342,106	**485,342**	342,106
Deferred revenue	**856,553**	-	**-**	-
Provision for other liabilities	**280,000**	-	**-**	-
Accrued expenses and other payables	**927,522**	686,402	**173,911**	248,427
	3,051,641	1,170,300	**659,253**	590,533

As at 31 December 2024, the Group's accrued expenses and other payables include dividends payable to non-controlling interests amounting to €234,813 (2023: €219,513). As at 31 December 2023, the Group's accrued expenses and other payables also include amounts due to ultimate parent company amounting to €6,053.

25. Contingent liabilities and commitments

Legal proceedings

The Scully Royalty Limited ('SRL') group is subject to routine litigation incidental to its business and is named from time to time as a defendant in a number of legal actions arising in connection with its activities, certain of which may include large claims for punitive damages. Due to the size, complexity and nature of SRL group's operations, a number of legal and tax matters are outstanding. SRL, the Company's ultimate parent company and certain of its subsidiaries, including the Company, have been named as a defendant in a legal action in a foreign jurisdiction relating to an alleged guarantee of the former parent of the SRL group in the amount of approximately €43.8 million. In the second half of 2021, Scully Royalty Group were informed of a proposed amendment to the claim which, if allowed, would increase the amount to approximately €80.73 million, plus interest and costs, as at 31 December 2024. On the basis of legal advice, the directors of the Company believe that such a claim in respect of the Company is without merit.

The directors intend to vigorously defend such claims. Moreover, the Company has initiated litigation locally in Malta seeking a declaratory judgment against the plaintiff in regard to this claim. The Company recently obtained a favourable judgment at the Appeals Court confirming jurisdiction. In addition, the Company has obtained additional risk mitigation securities for this litigation to mitigate the possibility for any potential loss.

25. Contingent liabilities and commitments - continued

Operating lease commitments - where the Group is a lessor

The operating lease agreements entered into by the Group with the tenants of its properties typically either have a maturity of between one to three years and are non-cancellable, or alternatively are entered into on an indefinite basis but are cancellable by the tenant at notice of up to six-months.

During 2024, the Company has also entered into an arrangement with one of its subsidiaries to sub-lease part of the premises which it leases. The lease between the Company and the landlord of the offices and the sub-lease agreement are both for a term of 6 months.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
- Not later than one year	**2,522,334**	1,287,919	**39,318**	102,745
- Later than one year and not later than three years	**1,394,317**	2,339,026	**-**	-
- Later than three years and not later than five years	**480,948**	181,405	**-**	-
	4,397,599	3,808,350	**39,318**	102,745

26. Interest income

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
On financial assets measured at fair value through other comprehensive income:				
- coupon interest	**38,119**	39,450	**-**	-
- net amortisation of premiums and discounts	**(24,221)**	20,069	**-**	-
On financial assets measured at amortised cost:				
On loans and advances to banks and other financial institutions	**1,242,689**	1,312,694	**-**	-
On loans and advances to customers	**1,736,878**	1,899,374	**-**	-
On receivables from ultimate parent company	**940,653**	867,764	**487,482**	486,150
On receivables from subsidiaries	**-**	-	**630,773**	772,213
	3,934,118	4,139,351	**1,118,255**	1,258,363

27. Interest expense

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
On amounts owed to customers	**349,507**	210,867	**-**	-
On borrowings	**1,225,980**	1,106,948	**1,225,976**	1,106,602
Loss on extinguishment of bond	**434,600**	-	**434,600**	-
On lease liabilities	**2,436**	9,160	**2,436**	9,160
	2,012,523	1,326,975	**1,663,012**	1,115,762

28. Net fee and commission income

The Group and the Company derive revenue from the provision of services over time, as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Fee and commission income:				
Corporate services	**519,781**	708,658	**-**	-
Property management fees	**220,312**	195,256	**-**	-
Account maintenance, payment services and other related fees	**79,847**	37,695	**-**	-
Other fee income	**-**	-	**92,940**	137,794
	819,940	941,609	**92,940**	137,794

29. Rental income from investment property

Rental income is generated through lease agreements entered into by Merkanti A and Merkanti D in respect of their investment property. The Company also generates rental income through a sub-lease agreement with one of its subsidiaries.

30. Net trading income

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Fair value movements on financial instruments mandatorily measured at FVPL	**(156,473)**	(1,657,232)	**16,856**	(535,214)
Interest (written down)/ income on financial assets mandatorily measured at fair value through profit or loss	**(210,589)**	144,650	**-**	-
Foreign exchange revaluation gains	**151,140**	(129,009)	**290**	(1,831)
Income from foreign exchange activities	**35,965**	401,776	**-**	-
Other income/(losses)	**-**	1,890,649	**-**	-
	(179,957)	650,834	**17,146**	(537,045)

During 2024, the Group sold the remaining of its unlisted equity securities issued by a related party to the ultimate parent company which were valued at €267,180 for $300,000 (or €284,037) (2023: €2,750,000 for $3,107,832 (or €2,937,470), resulting in a fair value gain of €16,856 (2023: €187,470) on the date of sale.

During 2024, the Group has also recognised fair value losses on its investments in non-fixed income securities and dispute resolution funding assets amounting to €173,330 (2023: €1,657,232).

At the level of the Company, the fair value movement comes from the sale of the remaining unlisted equity securities and the fair value loss on its investment in non-fixed income securities.

During 2023, the Company entered into an agreement with the ultimate parent company wherein the latter indemnified the Group for any losses, liabilities, claims, damages and expenses in relation to its investments in dispute resolution funding assets. The indemnification has been recognised as a fixed receivable up to the amount of losses recognised and is included in the table above under ‘Other income/(losses)’.

As at 31 December 2024 and 2023, foreign exchange revaluation gains and income from foreign exchange activities arise mainly from balances resulting from transactions with related parties.

31. Dividend income

As at 31 December 2024 and 2023, dividend income represents dividends declared by the Company’s subsidiaries, namely Merkanti A, Merkanti D.

During 2024, the ‘Dividend income’ received by the Company from its subsidiaries amounting to €284,700 were included under ‘Amounts due from subsidiaries’ as at 31 December 2024 (Note 14).

Further, during 2024, the ‘Dividend income’ received by the Company from its subsidiaries in 2023 amounting to €1,233,700 was settled partly through the assignment of receivables from the ultimate parent company amounting to €968,463 and partly through cash amounting to €82,344. The remaining amount of dividends are still receivable and are included under 'Amounts due from subsidiaries' as at 31 December 2023 (Note 14).

32. Other operating income

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Recharges to ultimate parent company	**1,476,560**	1,214,000	**1,194,560**	899,000
Recharges to other related parties	**643,800**	420,000	**-**	-
Recharges to third parties	**473,678**	824,126	**-**	-
Recharges to a subsidiary	**-**	-	**21,208**	19,910
Refunds from insurance companies	**-**	2,500	**-**	-
Tax refunds on dividends from subsidiaries	**-**	-	**-**	-
Other income	**13,171**	500,782	**-**	-
	2,607,209	2,961,408	**1,215,768**	918,910

Recharges made to the ultimate parent company relate to expenses paid by the Company to certain officers and other professional service firms on behalf of Scully Royalty Limited, recharges to other related parties relate to expenses paid by the subsidiary Bank to certain officers, while recharges to third parties relate to expenses paid in relation to the common and other ancillary costs incurred by the Group's property companies.

As at 31 December 2023, the Group's 'Other income' relates to the factoring run-off business.

33. Changes in expected credit losses

	Group	
	2024	2023
	€	€
Change in expected credit losses on:		
- loans and advances to banks and financial institutions	**5,246**	(22,525)
- loans and advances to customers	**102,417**	124,483
- financial assets measured at FVOCI	**1,147**	144
- other receivables	**-**	(11,041)
Write-off	**296**	-
	109,106	91,061

There were no change in expected credit losses for the Company in 2024.

34. Expenses by nature

Other administrative expenses mainly comprise other services or expense items which are incurred in the course of the Group's operations.

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Staff costs				
- Staff salaries	**2,396,219**	2,140,385	**-**	-
- Social security costs	**32,624**	27,352	**-**	-
- Other staff costs	**198,369**	159,463	**-**	-
Directors' fees and emoluments	**434,509**	407,308	**110,500**	110,500
Repairs and maintenance	**256,631**	525,391	**15,728**	17,451
Professional fees	**1,520,154**	1,509,222	**762,900**	1,061,643
Property selling and ancillary expenses	**304,536**	350,509	**-**	-
Marketing costs	**359,417**	226,546	**-**	-
Utilities and janitorial expenses	**176,313**	219,247	**7,468**	7,752
Information technology	**363,741**	321,439	**13,107**	1,407
Depreciation of property, plant and equipment (Note 11)	**76,659**	76,167	**24,437**	25,821
Amortisation of intangible assets (Note 12)	**44,361**	86,715	**-**	-
Depreciation of right-of-use assets (Note 13)	**138,747**	144,779	**138,747**	144,779
Insurance costs	**10,399**	9,539	**-**	-
Taxes and licenses	**24,996**	24,998	**-**	-
Other administrative expenses	**742,776**	428,620	**238,367**	183,745
Total administrative expenses	**7,080,451**	6,657,680	**1,311,254**	1,553,098

Average number of persons employed by the Group throughout the financial year:

	Group	
	2024	2023
- Managerial	**13**	9
- Clerical	**11**	11
	24	20

Auditor's remuneration

Fees charged by the auditor and affiliated entities for services rendered during the financial year relate to the following:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Annual statutory audit	**167,500**	160,000	**55,000**	47,000
Tax and VAT compliance services	**36,475**	49,335	**13,315**	20,965
Non-audit assurance services	**40,500**	2,250	**-**	-
Other non-audit services	**4,415**	31,750	**-**	31,750

35. Tax expense

The Group's and Company's tax expense recognised in profit or loss is analysed below:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Current tax (income)/expense				
- Current year tax (income)/expense	**(145,799)**	258,279	**(137,891)**	-
- (Over)/under-provision of tax in prior years	**(298,735)**	10,756	**-**	10,756
Deferred tax expense/(income)	**233,069**	(54,049)	**-**	-
	(211,465)	214,986	**(137,891)**	10,756

During 2024 the Company and the Bank formed part of a Fiscal Unit for Maltese income tax purposes effective from 1 January 2023 being the Company as the principal taxpayer and the Bank as the transparent subsidiary, which allows the group to be treated as a single taxpayer. By virtue of the Tax Sharing Agreement, unabsorbed tax losses carried forward by the Bank amounting to €60.9 million as at 31 December 2022 were transferred to the principal taxpayer for utilisation against the Fiscal Unit's current and future taxable profits from the formation of the Fiscal Unit (Note 15).

As a result of the formation of the Fiscal Unit, the Company is able to set-off its own taxable profits against the unutilised tax losses transferred by the Bank. Under the Tax Sharing Agreement and at the level of Fiscal Unit members' standalone financial statements, entitlement to compensation to be received by the Bank with respect to unutilised tax losses utilised by the Company against its own notional tax liability are treated as an investment in subsidiary by the Company (Note 9) and as a capital contribution within the equity reserves by the Bank in the year in which the Fiscal Unit files its consolidated tax return, which may be in year(s) subsequent to the financial year in which the Company's taxable profit arises.

As a consequence of the formation of the Fiscal Unit, the Company remits tax payments on behalf of the Bank. Under the terms of the Tax Sharing Agreement, the Bank's notional tax expense and liability transferred to the Company are recognised as receivables from the Bank. For any unutilised tax losses brought forward that are utilised by the Company against the Bank's notional tax expense and liability in a given year, the amount payable by the Company, for the utilisation of such tax losses is credited to the tax charge in the Bank's Income Statement in the year in which the relevant taxable profits arise. The amount payable by the Company will be equivalent to the receivable balance against the Bank's tax liability transferred to the Company, hence set off in the intercompany accounts.

The company is currently in the process of registering its shareholder with the Commissioner for Tax and Customs for tax refund purposes in accordance with applicable Maltese tax legislation. Following successful registration, owing to the fact that the Company forms part of a fiscal unit as its shareholder, is expected for the profits of the Company to be subject to a rate of 5% (being a rate that takes account of the tax refund that the shareholder would be entitled to receive in terms of Maltese tax legislation). As a result, for the purposes of the consolidated financial statements, the effective tax rate of 35% is still being applied.

35. Tax expense - continued

The tax on the Group's and Company's profit before tax, differs from the theoretical amount that would arise using the effective tax rate applicable to the Group as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Profit before tax	**885,525**	2,094,958	**(138,932)**	482,581
Tax on profit at 35%	**309,934**	733,235	**(48,626)**	168,903
Tax effect of:				
Expenses not deductible for tax purposes	**817,055**	1,363,524	**387,739**	276,523
Income not subject to tax	**(295,955)**	(691,978)	**(5,900)**	(445,426)
Utilisation of unabsorbed tax losses upon formation of the Fiscal Unit	**(471,104)**	-	**(471,104)**	-
Utilisation of unabsorbed tax losses carried forward from previous years	**(246,411)**	(908,627)	**-**	-
(Over)/under-provision of tax in prior years	**(298,735)**	10,756	**-**	10,756
Movement in deferred tax assets attributable to unremitted earnings	**-**	18,456	**-**	-
Application of flat rate foreign tax credit	**-**	(310,389)	**-**	-
Other	**(26,249)**	9	**-**	-
	(211,465)	214,986	**(137,891)**	10,756

36. Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following balances with contractual maturities of not more than three months:

	Group		Company	
	2024	2023	**2024**	2023
	€	€	**€**	€
Balances with Central Bank of Malta (Note 4)	**9,725,515**	27,706,970	**-**	-
Cash in hand (Note 4)	**1,537**	2,055	**-**	-
Loans and advances to banks and other financial institutions (Note 5)	**3,149,110**	2,742,155	**1,316,768**	5,525,442
	12,876,162	30,451,180	**1,316,768**	5,525,442

Non-cash transactions

As at 31 December 2024, the 'Dividend income' amounting to €284,700 (2023: €942,093) were included under 'Amounts due from subsidiaries' (Note 14).

During 2024 and 2023, the consideration for the disposal of the Group's unlisted equity securities is included under 'Amounts due from ultimate parent company' (Note 14).

37. Related party transactions

Related parties of the Group include the ultimate parent company, Scully Royalty Limited, all entities controlled by the ultimate parent, 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. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the Company's directors.

During the year, the Group carried out the following transactions in the ordinary course of business with the ultimate parent company, its controlled entities (referred to as 'other related parties'), and the Company's subsidiaries and at year end had the following balances with these entities:

		Group		Company	
		2024	2023	**2024**	2023
	Notes	**€**	€	**€**	€
Assets					
Loans and advances to banks and other financial institutions:					
- Balances with a subsidiary bank		**-**	-	**2,192,089**	7,258,184
Loans and advances to customers:	6				
- Loans to other related parties		**8,900,000**	8,900,000	**-**	-
Equity instruments measured at FVPL issued by other related parties	7	**-**	267,180	**-**	267,180
Other receivables:	14				
- Amounts due from ultimate parent company		**19,992,939**	16,192,945	**13,311,600**	8,713,157
- Amounts due from subsidiaries		**-**	-	**10,037,783**	10,500,278
Accrued income and other assets:	16				
- Accrued interest receivable from ultimate parent company		**3,297,125**	2,351,646	**2,804,274**	2,316,792
- Accrued interest receivable from other related parties		**1,678**	534,560	**-**	-
- Accrued interest receivable from subsidiaries		**-**	-	**516,811**	14,063
- Other fee receivable from ultimate parent company		**-**	177,500	**-**	-
- Other fee receivable from other related parties		**208,800**	278,133	**-**	-
Liabilities					
Amounts owed to customers:	23				
- Amounts owed to ultimate parent company		**304.734**	332,131	**-**	-
- Amounts owed to other related parties		**12,852,391**	18,782,016	**-**	-
Other liabilities:					
- Amounts due to ultimate parent company		**6,053**	6,053	**-**	-

37. **Related party transactions** - continued

	Notes	Group 2024 €	Group 2023 €	Company 2024 €	Company 2023 €
Income statement					
Interest income:	26				
- On loans to and receivables from ultimate parent company		**940,653**	867,764	**487,482**	486,150
- On loans to and receivables from other related parties		**1,179,799**	1,153,828	**-**	-
- On loans to and receivables from subsidiaries		**-**	-	**630,773**	772,213
Interest expense:	27				
- On amounts owed to other related parties		**349,507**	210,867	**-**	-
Fee and commission income:	28				
- From ultimate parent company		**1,322**	2,637	**-**	-
- From other related parties		**578,022**	789,347	**-**	-
- From subsidiaries		**-**	-	**12,948**	137,794
Rental income:	29				
- From subsidiaries		**-**	-	**106,525**	101,657
Net trading income	30	**16,856**	1,890,649	**16,856**	-
Dividend income from subsidiaries	31	**-**	-	**284,700**	1,233,700
Other operating income:	32				
- From ultimate parent company		**1,476,560**	1,214,000	**1,194,560**	899,000
- From other related parties		**643,800**	420,000	**-**	-
- From subsidiaries		**-**	-	**21,208**	19,910
Administrative expenses	34				
- Expenses paid to other related parties		**149,518**	143,952	**149,518**	143,952
- Compensation of key management personnel		**340,470**	305,209	**340,470**	305,209
- Long term employee benefits of key management personnel		**108,000**	114,720	**108,000**	114,720
- Expenses paid to subsidiaries		**-**	-	**12,592**	12,819

The administrative expenses paid to other related parties relate to services granted by a consultancy company owned by one of the Company's key management personnel. Administrative expenses amounting to €598,988 (2023: €563,881) included in the table above have been recharged to the ultimate parent company and are accordingly included above within 'Other operating income'.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 34 to these financial statements. Directors' emoluments comprise solely of short-term employee benefits.

38. Segmental information

The Group provides a comprehensive range of services to its customers, which are organised into the following reportable segments in terms of IFRS 8, ‘Operating Segments‘:

i) banking and financial services, through which the Group provides niche merchant banking services; and
ii) property rental & management activities, which involves the leasing and management of industrial space for storage and production facilities as well as for office space.

The Board considers the reportable segments referred to above to represent the most appropriate information for the users of the financial statements to best evaluate the nature and financial effects of the business activities in which the Group engages, and the economic environments in which it operates.

The financial information for the reportable segments in relation to the year ended 31 December 2024 and 2023 is presented in the tables below.

38. Segmental information - continued

	Group As at 31 December 2024		
	Banking and financial services €	Property rental and management activities €	Total €
Segment total assets	**64,328,300**	**41,807,318**	**106,135,618**
Segment equity	**19,709,285**	**38,354,318**	**58,063,603**

	Group As at 31 December 2024		
	Banking and financial services €	Property rental and management activities €	Total €
Interest income	**3,480,916**	**453,202**	**3,934,118**
Interest expense	**(1,381,501)**	**(631,022)**	**(2,012,523)**
Net interest income	**2,099,415**	**(177,820)**	**1,921,595**
Net fee and commission income	**599,628**	**220,312**	**819,940**
Rental income from investment property	**-**	**1,518,171**	**1,518,171**
Changes in the fair value of investment property	**-**	**1,353,056**	**1,353,056**
Net trading income	**(330,807)**	**150,850**	**(179,957)**
Realised gains on disposal of investment properties and PPE	**-**	**35,068**	**35,068**
Other operating income	**2,120,360**	**486,849**	**2,607,209**
Total operating income	**4,488,596**	**3,586,486**	**8,075,082**
Changes in expected credit losses	**(108,811)**	**(295)**	**(109,106)**
Net operating income	**4,379,785**	**3,586,191**	**7,965,976**
Administrative expenses	**(4,781,211)**	**(2,299,240)**	**(7,080,451)**
Reportable profit before tax	**(401,426)**	**1,286,951**	**885,525**

38. Segmental information – continued

	Group As at 31 December 2023		
	Banking and financial services €	Property rental and management activities €	Total €
Segment total assets	70,511,350	39,130,252	109,641,602
Segment equity	20,027,052	36,748,820	56,775,872

	Group As at 31 December 2023		
	Banking and financial services €	Property rental and management activities €	Total €
Interest income	3,901,166	382,835	4,284,001
Interest expense	(906,120)	(420,855)	(1,326,975)
Net interest income	2,995,046	(38,020)	2,957,026
Net fee and commission income	1,481,353	195,256	1,676,609
Rental income from investment property	-	1,546,048	1,546,048
Changes in the fair value of investment property	-	(40,080)	(40,080)
Net trading income	445,890	60,294	506,184
Realised gains on disposal of financial assets measured at fair value through other comprehensive income	-	-	-
Realised gains on disposal of investment properties and PPE	(545)	(27,951)	(28,496)
Other operating income	1,433,685	792,723	2,226,408
Total operating income	6,355,429	2,488,270	8,843,699
Changes in expected credit losses	(90,073)	(988)	(91,061)
Net operating income	6,265,356	2,487,282	8,752,638
Gain on disposal of investment in subsidiaries			
Administrative expenses	(4,322,273)	(2,335,407)	(6,657,680)
Reportable profit/(loss) before tax	1,943,083	151,875	2,094,958

39. Reclassification

The Group previously presented current tax asset as part of the ‘Accrued income and other assets’ in the Statement of financial position. However, management consideres it to be more relevant that such are presented separately as ‘Current tax assets’ in the Statement of financial position. Prior year comparative as at 31 December 2023 have been restated by reclassifying €243,742 from ‘Accrued income and other assets’ to ‘Current tax assets’. At the Company level, prior year comparative as at 31 December 2023 have been restated by reclassifying €231,232 from ‘Accrued income and other assets’ to ‘Current tax assets’

The Group previously presented certain recharges to related parties as part of ‘Net fee and commission income’ in the Income Statement. However, management considers it to be more relevant that such are presented as part of ‘Other operating income’. Prior year comparative for the period ended 31 December 2023 have been restated by reclassifying €735,000 from ‘Net fee and commission income’ to ‘Other operating income’.

40. Events after reporting date

There are no events after the reporting date that require disclosure in these financial statements.

41. Statutory information

Merkanti Holding p.l.c. is a limited liability company and was incorporated in Malta on 28 May 2015, having its registered address at Aragon House Business Centre, Dragonara Road, St Julian’s, STJ 3140, Malta.

The immediate and ultimate parent company of Merkanti Holding p.l.c. is Scully Royalty Limited, a company registered in the Cayman Islands under the registration number HS-323455 and having its registered office at Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYI – 1205, Cayman Islands. Scully Royalty Limited is listed on the New York Stock Exchange (NYSE: SRL).

Independent auditor's report

To the Shareholders of Merkanti Holding p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and the Parent Company financial statements (the "financial statements") of Merkanti Holding p.l.c. give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2024, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Merkanti Holding p.l.c.'s financial statements comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2024;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

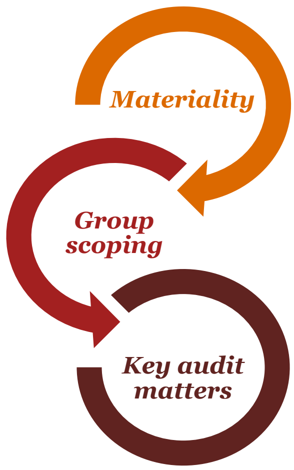
We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the parent company and its subsidiaries, in the period from 1 January 2024 to 31 December 2024, are disclosed in the note 34 to the financial statements.

Our audit approach

Overview



Overall group materiality: €580,000, which represents approximately 1% of the net assets.

The group is composed of 6 components. We tailored the scope of our audit to perform sufficient work to enable us to provide an opinion on the group financial statements as a whole.

- Valuation of the Group's investment property; and
- Expected credit loss allowance in respect of the Group's loans and advances to customers and other receivables.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€580,000
How we determined it	Approximately 1% of the net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 1% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €58,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of the Group's investment property The Group's investment property portfolio, which is fair valued on an annual basis in accordance with the requirements of the Group's accounting policy, has a carrying amount of €32 million as at 31 December 2024. On an annual basis, the Company's directors determine the fair value of the investment property based on external valuations by an independent property valuer using valuation models comprising the comparative value approach for the respective land component and the capitalised income approach for the respective building component. The valuations are prepared in accordance with the relevant German regulations, namely the German Building Code (Baugesetzbuch, BauGB) and ImmoWertV. ImmoWertV was published in order to provide a detailed framework for the determination of market values.	As part of our audit we performed the following procedures: • We engaged our own in-house experts to review the valuation approach adopted and the underlying assumptions applied in the property valuations in order to assess the reasonableness of the estimated fair value for the properties; • We evaluated the competence of the external valuer, which included due consideration of qualifications and expertise; • We verified that the requirements underlying the valuation regulators used for the purposes of compiling valuation reports for the Group's properties are consistent with the parameters outlined by the Royal Institution of Chartered Surveyors' (RICS) Valuation, Global Standards (2017), which are in line with the requirements of IFRS 13, 'Fair value measurement'; • With respect to comparable land values, we assessed the reasonableness of the standard land value applied in the valuation against comparable rates as per market information on the German real estate market;

In view of the limited number of similar comparable properties and property transactions, comprising sales or rentals in the respective markets in which the properties are located, the valuations are carried out using unobservable inputs.

Such unobservable inputs include discount rates, the market rates used for determining maintainable income, the expected service life, land and building specific adjustments and the sales price per square metre of the land specifically for the purposes of the comparative value approach.

The valuation of the Group's investment property is inherently subjective principally due to the judgemental nature of the factors mentioned above and the assumptions used in the underlying valuation models. The significance of the estimates and judgements involved warrants specific audit focus in this area.

Hence, the extent of judgement and the carrying amount of investment property in the context of the Group's consolidated financial position resulted in this matter being identified as an area of audit focus.

Relevant reference in the financial statements:

- Summary of material accounting policies: Note 1.8;
- Note on fair value of financial instruments and non-financial instruments: Note 2.7 and
- Note on investment property: Note 10

- We confirmed that the market rates applied in the valuation model to determine maintainable income are consistent with the average rental rates generated by the Group for the respective properties;
- We determined the reasonability of the valuations by ensuring that the implied capitalisation rates applied by the valuer fall within benchmark market averages attributable to the region of respective properties;
- We assessed whether administration costs are adequately considered, whether maintenance expenses applied in the valuation of the property reflect the age of the property and any equipment in use, whether rental failure costs are adequately taken into account, and whether the remaining useful life takes cognisance of the property location, state of construction and possible future economic environment;
- We also ensured that object-specific costs such as costs of repairs, renovation and preparation of exterior facilities, together with marketing costs for vacancy periods are appropriately factored into the valuations;
- We assessed the mathematical accuracy of the calculations underlying each fair valuation within the valuation reports; and
- We reviewed the adequacy of the quantitative and qualitative disclosures in the financial statements.

Based on our work, we concluded that the Group's investment property's estimated fair value determined by the independent valuer was within an acceptable range of values.

Expected credit loss allowance in respect of the Group's loans and advances to customers and other receivables

Impairment allowances in respect of loans and advances to customers and other receivables represent management's best estimate of Expected Credit Losses ('ECLs') within the portfolio at the balance sheet date.

During our audit of the financial statements for the year ended 31 December 2024, we continued to focus on the key drivers of the estimation of ECL.

A considerable level of judgement is required to measure ECLs on loans and receivables measured at amortised cost in accordance with IFRS 9.

Expected credit loss allowances relating to non-defaulted loans and advances and other receivables (Stage 1 and 2) are determined at an instrument level through the use of an internally developed ECL model based on a number of key parameters including the borrowers' respective financial information to determine an implied internal rating, the calibration of the internal rating to Through-The-Cycle ("TTC") Probability of Defaults ("PDs") attributable by public rating agencies (peer data), as well as the use of macro-economic modelling to determine Point-in-Time ("PiT") PDs.

The methodology used for modelling PDs and LGDs is based on peer data and may limit the reliability to appropriately estimate ECLs.

As at 31 December 2024, none of the Group's loans and advances to customers and other receivables were classified as defaulted (Stage 3) exposures. However, judgment is required to determine whether a significant increase in credit risk ('SICR') or default has occurred and as a result, to allocate the appropriate stage classification. Staging is determined based on a combination of criteria including days past due, borrowers' performance and how strategic and economic developments affected borrowers' future payment capabilities.

Since the estimation of ECLs is subjective in nature and inherently judgemental, the Group's application of the IFRS 9 impairment requirements is deemed to be an area of focus.

Accordingly, summarising the key areas relevant to the Group's measurement of ECLs would include:

- Allocation of loans to Stage 1, 2, or 3 using criteria in accordance with IFRS 9;

As part of our audit we performed the following procedures:

- Tested the completeness and accuracy of the critical data that is utilised within the model for the purposes of the year-end ECL calculation.
- Tested the assumptions, inputs and formulas used in the ECL model. This included assessing the appropriateness of the model design and formulas used in calculating PDs, LGDs and EADs.

  Since modelling assumptions and parameters are based on peer data, we assessed the reasonableness of the PDs and LGDs generated by the model and the appropriateness of management's judgements in respect of the calibration of PDs and LGDs.
- Tested a significant sample of loans to independently review the borrower's financial performance and ability to meet loan repayments and assessing the appropriateness of the staging classification assigned by management.
- Reviewed the multiple economic scenarios and variables to assess their reasonableness.

Based on the evidence obtained, we found management's judgments to be within an acceptable range of outcomes.

- Modelling assumptions used to build the models that calculate the ECL;
- Completeness and accuracy of data used to calculate the ECL; and
- Inputs and assumptions used to estimate the impact of multiple macro- economic scenarios.

Relevant reference in the financial statements:

- Summary of material accounting policies: Note 1.4;
- Credit Risk: Note 2.2;
- Note on loans and advances to customers and other receivables: Notes 6 and 14; and
- Note on changes in expected credit losses: Note 33.

We have no key audit matters to report with respect to our audit of the Parent Company's financial statements.

How we tailored our group audit scope

The group is composed of 6 reporting units, namely Merkanti Holding p.l.c. (the Parent Company) and its subsidiaries Merkanti Bank Limited, Merkanti (A) International Ltd, Merkanti (D) International Ltd, Merkanti Diesel Limited, and Altmark Industrie Management GmbH. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit team performed all of this work by applying the overall group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the consolidated financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and the Statement of Compliance with Corporate Governance Code (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the 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 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of Merkanti Holding p.l.c. for the year ended 31 December 2024, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.

- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

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

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2024 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Financial Report and Consolidated Financial Statements 2024* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the ***Annual Financial Report and Consolidated Financial Statements 2024*** and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also 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 information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).
	In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an	We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

indication of the nature of any such misstatements.

Statement of Compliance with Corporate Governance Code The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns.	We have nothing to report to you in respect of these responsibilities.

- we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company on 22 August 2018 for the year 31 December 2015. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 10 years. The Company became listed on a regulated market on 16 August 2019.

Norbert Paul Vella
Principal

For and on behalf of
PricewaterhouseCoopers
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Qormi
Malta

30 April 2025