

# Annual Report 2025

**BNF BANK P.L.C.**

Company Registration No. C 41030 | Annual Report and Financial Statements 31 December 2025

BNF Bank p.l.c. is also referred throughout the document as 'BNF Bank', 'BNF', or 'the Bank'.

The official statutory Annual Report and Financial Statements 2025 in European Single Electronic Format (ESEF) is published on the Malta Stock Exchange.

A copy of the Independent Auditor's Report which is issued on the official statutory Annual Report and Financial Statements 2025 is included in this document and comprises the auditor's 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.

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# General Information

## Directors

The Directors who served throughout the year were as follows:

Dr Michael Frendo	Non-Executive Chairman
Sheikh Jassim Feisal O. F. Al-Thani	Non-Executive Board Member (Deputy Chairman)
Mr David R. Power	Chief Executive Officer & Managing Director
Sheikh Mohammed Feisal O. F. Al-Thani	Non-Executive Board Member
Sheikh Turki Feisal O. F. Al-Thani	Non-Executive Board Member
Mr Tarik Mahmut	Non-Executive Board Member
Mr Mohammed Abdelqader Darwish Al-Ramahi	Non-Executive Board Member
Mr Mario P Galea	Non-Executive Board Member
Mr Paul Mark Johnson	Non-Executive Board Member
Mr Charles Borg	Non-Executive Board Member
Mr Hassan Elsayed Hassan Abdalla	Non-Executive Board Member
Ms Juanita Bencini	Non-Executive Board Member

### Company secretary

Dr Jeanette Carabott

\* Resigned with effect from 15 April 2025

### Interim Company Secretary

Dr Jean Noel Cutajar

### Registered office

Level 2, 203 Rue D'Argens

Gzira, GZR 1368, Malta

### Auditors

KPMG

92, Marina Street,

Pietà, PTA9044, Malta

# Chairman's Statement

## A Commitment to Stability and Security

### Introduction

2025 was a year of significant delivery for the Bank, marked by continued focus on long-term stability alongside major change across key parts of our operating model. While the scale of transformation brought challenges, we remained disciplined and compact in execution, prudent in risk management, and clear in our responsibility to protect the trust placed in us by customers, regulators and other stakeholders. Importantly, we continued to invest in the capabilities required to strengthen service reliability and support sustainable growth.

### Strategic Priorities

Our strategic priorities in 2025 were clear: to stabilise the new banking operational platform, address the customer issues that arose during the transition, and safeguard the Bank's financial strength. With the customer at the heart of what we do, we invested heavily in people, technology, time and service capacity to support stabilisation and improve outcomes for customers. We increased technical and operational resources across the Bank and our key partners, strengthened incident management and escalation arrangements, and enhanced monitoring. We also expanded customer communications and support capacity to help customers navigate issues and to ensure that concerns were identified, prioritised and addressed as quickly as possible.

### Technological Transformation

In 2025, we continued to invest in technology and infrastructure to strengthen the Bank's operating platform. During the year we carried out a necessary major programme of digital and operational change, including the rollout of a new core banking platform, enhancements to customer channels, a change of card provider, upgrades to ATM software, and the implementation of several supporting systems. This work is designed to provide a more scalable foundation for the

Bank and its future growth in Malta and in the United Kingdom and to help us meet evolving customer expectations and regulatory requirements.

Implementing a new core banking system is one of the most complex changes a bank can undertake, and the transition brought periods of service instability and delays in customer service. We recognise and regret the inconvenience this caused for customers and appreciate the additional pressure it placed on our employees. In response, we prioritised stabilisation, mobilising quickly and working closely with internal teams and external partners to support customers and to address issues as they emerged. These actions – together with the lessons learned – are guiding our ongoing stabilisation and optimisation of processes so that the new platform delivers the reliability, security, and scalability for which it was adopted.

### Responsibility to the Community

Clearly our role extends beyond financial intermediation. In 2025, we continued to integrate Environmental, Social and Governance (ESG) considerations into decision-making and to advance our Corporate Social Responsibility (CSR) commitments. This includes investing in our people, supporting local communities, and progressing initiatives that reduce environmental impact and promote financial inclusion. We believe that sustained value is created when financial performance is matched by responsible conduct and a clear contribution to society.

### Financial Performance

While profitability was impacted in 2025, reflecting elevated investment in a major system change, the Bank remained profitable and financially sound. Our diversified balance sheet and prudent approach to risk supported resilience through a period of operational challenges. We remained focused on preserving strong foundations for the future – balancing short-term solutions with ongoing

investment in solid service reliability, technology and our core customer proposition, within a framework of constant regulatory readiness, while retaining robust capital and liquidity positions. This strength provides resilience through periods of change, reinforces confidence in the safety and soundness of the Bank, and enables continued investment in customer experience, technology, and regulatory readiness.

### Looking Ahead

As we move forward, our foremost priority is to exploit and monetise the potential of the new core banking system and its corresponding customer experience.

We are determined to translate the challenges and experience of the past year into lasting improvements and a stronger foundation for a better bank which delivers improved services and outcomes for its customers, employees, and shareholders.



**MICHAEL FREND**  
Chairman

# Chief Executive Officer & Managing Director's Review

2025 was a year of major investment for the Bank. Following the go-live of our new core banking platform, digital channels and new card scheme, we addressed key stabilisation priorities while continuing to enhance our service capabilities. The actions taken in 2025 have strengthened our direction and position us well for the period ahead.

## Introduction

The financial year ended 2025 was a pivotal and challenging one for BNF Bank. Building on our strategic commitment to modernise the Bank, we progressed with a major technology transformation that is essential for our future competitiveness and service quality. As with any complex change programme, the period following go-live required intense stabilisation efforts. Importantly, throughout this period we maintained a sound financial position and remained focused on acting ethically and responsibly, in the interests of our stakeholders.

## Market Environment

In 2025, the operating environment for banks in Europe and Malta was shaped by a combination of moderating inflation, evolving expectations around interest rates and ongoing geopolitical uncertainty. Within this scenario, resilience, strong risk discipline and reliable customer service, supported by robust systems and controls, remained central to sustainable banking performance.

Across Europe, economic momentum remained uneven in 2025. While some sectors proved resilient, households and businesses continued to adjust to a higher interest-rate environment than in the preceding years, and uncertainty around energy markets and geopolitical developments weighed on confidence at times. For the banking sector, the focus remained on maintaining strong balance sheets, supporting customers through changing conditions, and investing in operational resilience and digital capability to meet rising expectations for speed, simplicity and security.

In Malta, economic activity remained comparatively steady in 2025, supported by a services-led economy and continued business investment. At the same time, tight labour market conditions, evolving cost pressures and the interest-rate environment continued to influence consumer behaviour and credit demand. In this context, BNF Bank's priority has been to combine prudent risk management with dependable service delivery—strengthening the foundations of our operating platform so that we can support customers efficiently and sustainably, across both digital channels and our branch network.

## Financial Performance

Our financial results for the year ended 2025 were significantly influenced by an exceptionally demanding year of operational stabilisation following the go-live of our new core banking system, digital channels and card scheme. Profitability was impacted as we prioritised customer support, remediation and delivery assurance, alongside continued investment in the Bank's future operating platform. These actions were necessary to safeguard service continuity and to protect long-term value. Although the year saw a temporary dip in profitability, we responded quickly and responsibly, continued to invest for the long term, and strengthened the foundations that will enable us to serve customers better, operate with greater resilience, and return to growth with confidence.

With service performance and platform stability now substantially restored, and with capital and liquidity

remaining strong, the Bank is well positioned to move beyond the 2025 profitability dip and translate our investments into more sustainable performance.

Despite the pressures experienced during the year, our balance sheet fundamentals remained robust. We maintained strong capital and liquidity positions, continued to apply prudent risk management, and focused on protecting asset quality. We also absorbed additional costs associated with stabilisation activities, customer support measures and continued investment in our transformation programme.

#### Capital and Funding

Capital and liquidity remain strong, providing the flexibility required to navigate volatility and to continue investing in strategic priorities. Our funding base remains well diversified, with a continued focus on stability and an appropriate maturity profile. These strengths give the Bank the capacity to support customers, meet regulatory expectations and pursue growth opportunities as we move beyond previous operational challenges experienced. Our CET1 ratio and Capital Adequacy Ratio stood at 13.8% (2024: 13.2%) and 18.5% (2024: 17.4%) respectively.

#### Digital Transformation

A key pillar of our strategy is sustained investment in technology and infrastructure. In 2025, we continued to invest heavily in our digital transformation to build a stronger, more secure and scalable IT platform—one that can serve customers more reliably, enable better digital journeys and strengthen operational controls. This multi-year programme is foundational to the Bank's long-term competitiveness and resilience.

Following go-live, the Bank experienced stabilisation issues that temporarily affected certain customer services. Addressing these issues became a clear priority for the Board and Executive Management. We mobilised specialist teams, worked closely with key technology partners, strengthened governance and controls, and implemented interim measures to support customers, including increased call-centre capacity and additional on-the-ground assistance in branches.

Building on the stabilisation work completed during the year, we are confident that BNF Bank is better equipped for the future. The technology foundations we have put in place will enable better customer experiences, and improved efficiencies, and will support the Bank's sustainable growth over the years ahead.

#### Sustainable Growth & Community

Sustainable growth remains a cornerstone of our strategy. Even in a year where operational priorities were heavily focused on stabilisation, we remained committed to responsible banking, sound governance and long-term value creation. Our focus on ESG principles continues to guide how we manage risk, invest in resilience and contribute positively to the communities we serve.

Our commitment to the community is reflected in practical actions and long-term investment. In addition to advancing our technology programme throughout 2025, we commenced the refurbishment of our Naxxar Branch, with the newly enhanced and more welcoming environment opening to customers in 2026. We believe that combining better digital services with strong branch support is essential to meet customers' needs across different moments and preferences.

#### Customers

We remain determined in our commitment to customers. During 2025, customers experienced service disruption as we worked through stabilisation following go-live. We did not take this lightly. Our priority has been to restore consistent service levels, communicate transparently and provide practical support through our teams in branches and our contact centre. With the Bank's continued investment in digital transformation and improvements to our branch environment, we are building a stronger overall customer experience across both digital and physical channels.

#### Employees

Our employees are our greatest asset, and 2025 demonstrated this more clearly than ever. I extend my sincere thanks to colleagues across the Bank who worked tirelessly to support customers, resolve issues and maintain high standards of control and **professionalism**

**throughout a demanding stabilisation period.** Alongside this, we remain committed to developing our people, strengthening specialist skills and fostering a culture of collaboration and accountability—capabilities that are critical as we continue to modernise the Bank.

Shareholders

Delivering value to our shareholders remains a core priority. While 2025 results reflect the impact of a challenging year, we view the actions taken as necessary to protect and enhance long-term value. We remain committed to transparent engagement with our shareholders as we progress into the next phase of the Bank’s journey.

Conclusion

In conclusion, 2025 was a challenging, yet very important year in building the Bank we need for the future. With strong capital and liquidity, continued progress on

system stability, and significant investment in a stronger digital platform, BNF Bank is well positioned to recover from the 2025 dip in profitability and to deliver sustainable value for all stakeholders.



**DAVID POWER**

Chief Executive Officer & Managing Director

# Core Values

We are a team of inspired people who believe that opportunities start with a conversation.

The values that guide our daily behaviour are at the basis of everything we do: Ambition, Responsibility and Empathy.



## Ambition

We embrace change and face challenges head on, while continually looking for solutions. **Ambition** to us represents a strong desire to do and achieve.



## Responsibility

We take personal **responsibility** for growth and development, keeping in mind the community in which we operate. We want to share our knowledge and experience with our customers, who know they can count and depend on us.



## Empathy

We are empathic because we have the ability to understand and share the feelings of others. We understand our customers' needs to deliver a high-quality service.

# Board of Directors



## Dr Michael Frendo

Non-Executive Chairman

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Dr Michael Frendo has been serving as Chairman of the Bank since May 2013. Dr Frendo is Speaker Emeritus of the House of Representatives, Parliament of Malta (2010-2013) and a former Minister for Foreign Affairs (2004-2008). He also held various other ministerial portfolios including Information and Communication Technologies, Transport and Civil Aviation, Culture, Broadcasting and Consumer Protection. Dr Frendo, is a lawyer with extensive practice experience in European Union law, Telecommunications and ICT law, Corporate law and Contract law. He has held managerial positions in the private sector in both Malta and the United Kingdom.

In the UK, between 1979-1982, Michael Frendo was part of the launching team of Eurolex (Thomson International), a pioneer European and UK legislation and case-law online, full-text searchable, database and was the author of its User Handbook.

Dr Frendo is a signatory of the EU Treaty of Lisbon and was earlier a member of the European Convention on the Future of Europe. He has published widely in a number of books and articles on Constitutional, Legal, European, and International Affairs issues.



## Sheikh Jassim Feisal Q. F. Al-Thani

Non-Executive Deputy Chairman

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Sheikh Jassim Feisal Q.F. Al-Thani has been appointed to the Board of Directors of BNF Bank p.l.c. since 15 February 2023 and he is also a member of the Nominations and Compensation Committee of the Bank. Sheikh Al-Thani is the current Chief Executive Officer of Al Faisal International for Investment Q.P.S.C., in Doha, Qatar.

Sheikh Jassim Feisal Q.F. Al-Thani holds a bachelor's degree in business administration from Stratford University in Virginia, the United States of America, as well as a High School Diploma from the American School of Doha, obtained in 2014.

In 2014, Sheikh Jassim Feisal Q.F. Al-Thani was appointed member of the Al Faisal Holding Board of Directors and has led efforts in enhancing policies and governance structures within the company. Sheikh Jassim Feisal Q. F. Al-Thani is a Board Member of Qatar Islamic Bank (QIB).



## David Power

Chief Executive Officer & Managing Director

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Mr Power is a seasoned banking professional with extensive international experience across multiple financial sectors and jurisdictions. He began his career at Standard Bank of South Africa Ltd, where he spent 17 years in senior leadership roles, including Senior Regional Branch Manager, Head of Priority Banking, and Head of the Offshore Banking Group based in the Channel Islands. He later served as Divisional Director for Private Banking at Nedbank, South Africa, before transitioning to the Middle East as Deputy General Manager at Gulf Bank, Kuwait.

Mr Power has since held several C-Suite positions globally, including Group Chief Retail and Private Banking Officer at the National Bank of Oman, Head of Retail Banking at Commercial Bank International in Dubai, Group Chief Retail and Private Banking Officer at Kuwait Finance House in Kuwait and Chief Executive Officer of Kuwait Finance House in Malaysia.

With a career spanning South Africa, the Middle East, Southeast Asia, the UK, and Europe, Mr Power has led key functions

across Retail, Commercial, Small Business, Private Banking, Wealth Management, and Offshore Banking. His expertise in strategic leadership, digital transformations, and banking conversions from Conventional to Islamic finance has been instrumental in driving growth, innovation, and operational excellence in complex and evolving financial landscapes.

Mr Power is a graduate of the University of Cape Town, South Africa, and holds several postgraduate qualifications, including Chartered Professional in Islamic Finance (CPIF) from the Chartered Institute of Islamic Finance Professionals (CIIF) in Malaysia, Executive Management Programme (EDP) from Templeton College in Oxford, UK, Management Development Programme (MDP) from Ashridge in UK, Programme in Management (PIM) from Henley Business School in UK and Orchestrating Winning Performance (OWP) from International Institute for Management Development (IMD) in Switzerland.



## Sheikh Mohammed Feisal Q. F. Al-Thani

Non-Executive Director

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Sheikh Mohammed Feisal Q.F. Al-Thani has been appointed to the Board of Directors of BNF Bank p.l.c. since 4 October 2016 and has been Vice Chairman of the Board of Al Faisal Holding since 2010 and the Vice Chairman and Managing Director of Aamal Company Q.P.S.C.

Sheikh Mohammed Feisal Q.F. Al-Thani holds a bachelor's degree in business administration from Carnegie Mellon University and he is the Honorary President of the Italian Chamber of Commerce in Qatar, member of the Board of Trustees of the Arab Academy for Banking and Financial Sciences (Egypt), a Board Member of Gulf Qatari Classic Cars Association, a member of the Qatari Businessmen Association and the Qatari Hotels Association.



## Sheikh Turki Feisal Q. F. Al-Thani

Non-Executive Director

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Sheikh Turki Feisal Q.F. Al-Thani has been appointed to the Board of Directors of BNF Bank p.l.c. since 9 February 2018. Sheikh Al-Thani is a member of the Board of Al Faisal Holding since 2014 and Managing Director of Al Jazi Real Estate since 2021. He is also the Honorary President of the Belgian Chamber of Commerce Qatar and serves as a Non-Executive Director at BNF Bank in Malta.

Sheikh Turki holds a bachelor's degree in foreign service with major in Culture and Politics from George Town University, Qatar.



## Tarik Mahmut

Non-Executive Director

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Mr Tarik Mahmut has been appointed to the Board of Directors of BNF Bank p.l.c. since 15 February 2023 and he is also a member of the Credit Approval Committee of the Bank. Mr Mahmut is currently the Managing Director and Chief Executive Officer of Al Rayyan Tourism Investment Company (known as ARTIC) and has been occupying this role since 2017 where he successfully led the international expansion of Al Faisal Holding Group through ARTIC into the European, USA and MENA hospitality sectors and has successfully built a diversified portfolio of over 35 hotels and over 2000 residences, establishing key partnerships with international blue-chip companies and hotel operators such as Four Seasons, Marriott International, Hilton, Hyatt and IHG.

Mr Mahmut enjoys vast experience in managing companies and has occupied various posts including the position of Group Chief Financial Officer at Al Faisal Holding Company in Qatar from 2001 to

2010. Mr Mahmut also held the position of Board Member and Managing Director of Aamal Company Q.P.S.C from 2007 up until 2016, a leading diversified business group, where he led its public listing on the Qatar Stock Exchange in 2007. In 2013, Mr Mahmut became the Chairperson of Seldar Misr Group of Companies.

Recognized for his leadership, Mr. Mahmut has been featured multiple times on Forbes Middle East's "Top CEOs" and "Top Travel & Tourism Leaders" lists, including in 2024.

Mr Mahmut is a certified public accountant and holds a bachelor's degree in science and accounting from the University of Cairo as well as a Master's High Diploma in Banking and Finance from the Arab Academy based in Egypt.



## Mohammed Abdelqader Darwish Al-Ramahi

Non-Executive Director

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Mr Mohammed Abdelqader Darwish Al-Ramahi has been appointed to the Board of Directors of BNF Bank p.l.c. since 15 February 2023 and he is also a member of the Audit Committee of the Bank and also an Alternate Member of the Credit Approval Committee of the Bank.

Mr Al-Ramahi is currently the Group Chief Financial Officer of Al Faisal Holding, a position which he holds since 2018.

Mr Al-Ramahi has been working in finance for over 30 years and has served as Group

Finance Manager for the Al Faisal Holding Company from 2003 until 2007. Mr Al-Ramahi was also the Chief Financial Officer of Aamal Company from 2007 until 2018 and Advisor to the Chief Executive Officer until 2022.

Mr Al-Ramahi holds a bachelor's degree in business administration with a major in Accounting from the University of Jordan.



## Mario P. Galea

Non-Executive Director

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Mr Mario P. Galea has been appointed to the Board of Directors of BNF Bank p.l.c. since 19 October 2016. Mr Galea currently chairs the Bank's Audit Committee and is also a member of the Bank's Risk and Compliance Committee.

Mr Galea, is a certified public accountant holding a warrant to practice both as an accountant and as an auditor. Currently practising as a business advisor providing governance oversight and advisory services to businesses and corporations. Serves as an independent non-executive director on the boards and audit committees of various listed companies in the financial and commercial sectors including banks, insurance and investment companies. Mentor and advisor to family businesses. Founder, managing partner and chairman of accountancy and audit firm Ernst & Young in Malta until retirement in 2012. Specialised in auditing and assurance which he has practiced for 35 years in Malta and abroad. Auditing experience spans over several sectors including banks, insurance and investment companies.

Lectured in auditing, assurance and professional and business ethics and led several training courses. Speaker at various business and professional conferences in Malta and abroad. Speaker and producer of various webinars related to auditing, corporate governance and ethics. Assisted businesses in several areas particularly relating to governance, accounting and systems of control. Served as President of the Malta Institute of Accountants and for many years formed part of the Accountancy Board which is the accountancy profession regulator in Malta. Served on various professional committees in Malta and abroad such as the council of the Federation des Experts Comptables (FEE) in Brussels (now Accountancy Europe). Member of the Ethics committee of the Malta Institute of Accountants in Malta.



## Paul Johnson

Non-Executive Director

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Mr Paul Johnson has been appointed to the Board of Directors of BNF Bank p.l.c. since 1 September 2019 and he currently chairs the Nominations and Compensation Committee of the Bank and is also a member of the Bank's Audit Committee. Until recently, Mr Johnson was the Chief Operating and Information Officer at PIB Group, a position he held since October 2018 up until March 2026.

Mr Johnson has a wealth of experience in Banking and other Financial Services industries where he has occupied various senior management roles and served on a number of boards. Mr Johnson joined the Royal Navy in 1984, he subsequently gained experience in a wide variety of

activities including technology, operations and change across a number of Banking, Financial Services including IBM Consultancy.

His recent Senior and Executive positions have included, Chief Information Officer and Chief Operations Officer at GMAC, Lloyds Bank and Aldermore Bank. Mr Johnson was also involved in the design and setup of a FinTech Blockchain-based bank. In addition to serving on BNF's Board, he has the position of an Independent Non-Executive Director on the Board of a regulated Bank in the UK.



## Charles Borg

Non-Executive Director

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Mr Charles Borg has been appointed to the Board of Directors of BNF Bank p.l.c. since 17 April 2017. Mr Borg currently chairs the Bank's Credit Approval Committee and is also a member of the Bank's Risk and Compliance Committee.

Mr Borg also holds a number of other non-executive directorship positions in other financial and credit institutions in Malta.

Mr Borg enjoyed a 34-year career at Bank of Valletta p.l.c. until December 2015. During this time, he occupied various senior management positions, including that of Chief Executive Officer from 2012 to 2015. Prior to that, Mr Borg also served as Chief Officer, Financial Markets and Investments at BOV, with responsibility for all retail and wholesale funding of the BOV Group, as well as the management of BOV's treasury

portfolio. Mr Borg also served as a Director of Valletta Fund Management Ltd. Mr Borg was also General Manager of Valletta Fund Services Limited and BOV Investments Limited. In addition, Mr Borg served as a director on other listed companies on the Malta Stock Exchange, including PG plc and Mapfre Middlesea Insurance p.l.c. Mr Borg also chaired the Audit Board of the European Investment Fund, a subsidiary of the European Investment Bank. Mr Borg served as a Director on the World's Savings Bank in Brussels and was also the President of the Institute of Financial Services and the President of the Malta Bankers Association.

Mr Borg, is a Fellow of the Chartered Institute of Bankers (UK) and holds a Banking and Finance Honours Degree and a Masters Degree in Financial Services from the University of Malta.



## Hassan Elsayed Hassan Abdalla

Non-Executive Director

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Mr Hassan Elsayed Hassan Abdalla has been appointed to the Board of Directors of BNF Bank p.l.c. since 16 June 2022.

Mr Abdalla is currently the Governor of the Central Bank of Egypt (CBE), a position which he holds since 2022. Mr Elsayed Abdalla also serves as Non-Executive Chairman of Union de Banques Arabes et Françaises (UBAF). Prior to his joining the CBE, Abdalla founded and led Panther Associates, a boutique investment advisory and private equity firm and chaired both United Media Services (UMS) and Misr Spinning and Weaving (Al-Mahala Al-Kubra) and the Middle East, Far East and Africa regional committee of the International Capital Market Association (ICMA) (Zurich).

During his over thirty years of experience, Mr Abdalla served as Vice Chairman and Managing Director at Arab African

International Bank, from 2002 until 2018, and held board seats in several reputable and international organizations including but not limited to the Central Bank of Egypt, the Egyptian Stock Exchange, the Egyptian National Competitive Council (ENCC), the Arab Business Council of World Economic Forum, the Institute of International Finance (IIF), the IIF Emerging Markets Advisory Council (Washington DC), and the London Stock Exchange's London Africa Advisory Group.

Furthermore, Mr. Abdalla is a part-time faculty member at the American University in Cairo (AUC), where he received a distinguished alumni award and obtained both his bachelor's and master's degrees.



## Juanita Bencini

Non-Executive Director

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Ms Juanita Bencini was appointed to the Board of Directors of BNF Bank p.l.c. on 9 February 2018 and she is currently the Chairperson of the Bank's Risk and Compliance Committee.

Ms Bencini is an ex-KPMG partner where for 17 years she headed Risk Consulting Advisory within the Malta practice and for seven years was also Head of Risk Consulting within the KPMG international region of which the Malta practice forms part. Today Ms Bencini acts as a professional non-executive director on

boards of regulated entities, including insurance companies, funds and listed entities. Her area of expertise includes risk management, financial services regulation, corporate governance and AML. Ms Bencini has also served as President of the Institute of Financial Services Practitioners and was a Council Member. She lectures at the University of Malta on banking and Anti-Money Laundering topics.

# Executive Committee



## David Power

Chief Executive Officer & Managing Director

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Mr Power is a seasoned banking professional with extensive international experience across multiple financial sectors and jurisdictions. He began his career at Standard Bank of South Africa Ltd, where he spent 17 years in senior leadership roles, including Senior Regional Branch Manager, Head of Priority Banking, and Head of the Offshore Banking Group based in the Channel Islands. He later served as Divisional Director for Private Banking at Nedbank, South Africa, before transitioning to the Middle East as Deputy General Manager at Gulf Bank, Kuwait.

Mr Power has since held several C-Suite positions globally, including Group Chief Retail and Private Banking Officer at the National Bank of Oman, Head of Retail Banking at Commercial Bank International in Dubai, Group Chief Retail and Private Banking Officer at Kuwait Finance House in Kuwait and Chief Executive Officer of Kuwait Finance House in Malaysia.

With a career spanning South Africa, the Middle East, Southeast Asia, the UK, and Europe, Mr Power has led key functions

across Retail, Commercial, Small Business, Private Banking, Wealth Management, and Offshore Banking. His expertise in strategic leadership, digital transformations, and banking conversions from Conventional to Islamic finance has been instrumental in driving growth, innovation, and operational excellence in complex and evolving financial landscapes.

Mr Power is a graduate of the University of Cape Town, South Africa, and holds several postgraduate qualifications, including Chartered Professional in Islamic Finance (CPIF) from the Chartered Institute of Islamic Finance Professionals (CIIF) in Malaysia, Executive Management Programme (EDP) from Templeton College in Oxford, UK, Management Development Programme (MDP) from Ashridge in UK, Programme in Management (PIM) from Henley Business School in UK and Orchestrating Winning Performance (OWP) from International Institute for Management Development (IMD) in Switzerland.



## Stewart Carvil

Chief Banking Officer\*

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In the role of Chief Banking Officer at BNF Bank p.l.c., Mr Carvil is responsible for overseeing the Bank's banking activities, corporate banking strategy, and client relationship management.

Mr Carvil is an accomplished banking executive with over 25 years of experience in corporate finance, capital markets and strategic advisory. Prior to joining BNF Bank, he held senior leadership roles including Head of Corporate at QNB and ICBC in London, and Head of Advisory and Corporate Solutions at SMBC, where he led complex fundraising and structured finance initiatives. Previously, he served as Co-Head of Loan Syndications at Lloyds Banking Group.

Mr Carvil's expertise spans debt syndication, capital raising and structured finance solutions for corporates and financial institutions, and he has built long-standing relationships across the international banking sector.

\*Stewart Carvil replaced George Debono, who resigned from his role as Chief Commercial Officer on 19 September 2025.



## Nadia Miceli

Chief Financial Officer\*

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In her role as Chief Financial Officer at BNF Bank p.l.c., Ms Miceli is responsible for the Bank's financial governance, regulatory finance, capital and liquidity planning, financial projections, and balance sheet management.

Ms Miceli brings over 15 years of experience gained through a progressive career within BNF Bank, having risen through the ranks to assume senior financial leadership roles. She combines deep institutional knowledge with strong expertise in regulatory reporting, capital planning, scenario analysis and stress testing.

Ms Miceli leads the development of the Bank's forward-looking financial framework, supporting Board and Executive Committee decision-making with insights on profitability, capital adequacy, risk sensitivity, and financial resilience.

Ms Miceli holds a Bachelor of Commerce in Management and Banking and a Bachelor of Commerce (Honours) in Banking and Finance from the University of Malta, graduating with first-class classifications.

\*Nadia Miceli replaced Mark Micallef, who resigned from his role as Chief Financial Officer on 23 September 2025.



## Glen Smith

Chief Risk Officer

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Mr Glen Smith is an experienced financial services professional with over 30 years' experience in financial services and banking, specialising in Risk and Regulation. He has occupied various senior management roles across international financial markets in both retail and commercial banking.

Prior to his appointment with the Bank, Mr Smith held the role of Senior Risk Manager with HSBC Continental Europe, based in the Paris Head Office. This included the management and oversight of wholesale credit risk activities, reporting, regulatory risk and controls, covering France, Germany, Malta and other territories.



## Dr Jean Noel Cutajar

Chief Legal & Compliance Officer

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Dr Jean Noel Cutajar is a legal professional, specialising in banking, finance, and corporate law. Dr Cutajar earned his Doctorate of Laws from the University of Malta in 2010 and further enhanced his knowledge with a Master of Laws, specialising in banking and finance, from the University of London in 2017.

Additionally, he holds a degree in company directorship from the UK Institute of Directors, London, in 2021.

Throughout his career, Dr Cutajar has advised various reputable companies and institutions, including HSBC Bank p.l.c. and the Central Bank of Malta, amongst others.

Dr Cutajar currently occupies the role of interim company secretary, replacing Dr Jeanette Carabott, who resigned from her role as company secretary on 15 April 2025.



## Daniel Cutajar

Chief Technology & Operations Officer

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As Chief Technology and Operations Officer, Mr Cutajar is responsible for the implementation of the Bank's IT strategy, digital transformation and the Bank's Operations.

Prior to joining BNF Bank, Mr Cutajar was Head of Information Technology at Ferratum Bank, responsible for the IT function and overseeing the Bank's IT strategy, IT governance, business continuity and outsourcing agreements.

Mr Cutajar was a member of Ferratum Bank's Executive Committee and the Group IT Management Committee and also chaired the Bank's IT Governance, Risk & Compliance (GRC) Committee.

Mr Cutajar is an IT professional with over 23 years of experience in the Maltese financial services industry holding various senior technical and management roles throughout his career. Mr Cutajar holds a Masters Degree in Business Administration eBusiness from the University of Malta.



# Directors' Report

The Directors present their annual report together with the audited financial statements of the Bank for the year ended 31 December 2025.

The Directors who served during the year are listed in the General Information section.

## Principal activities

BNF Bank p.l.c. was incorporated as Banif Bank (Malta) p.l.c. and licenced to operate as a credit institution in terms of the Banking Act, Cap. 371 of the Laws of Malta on 27 March 2007. On 4 October 2016, following the non-objection of the European Central Bank by virtue of a decision dated 12 August 2016 made pursuant to Articles 4(1)(c) and 15(3) of Council Regulation EU no. 1024/2013, Article 87 of Regulation (EU) no. 468/2014 of the European Central Bank (EC/2014/17) and Article 13(1) and Article 13A of the Banking Act (Cap. 371 of the laws of Malta), a controlling stake was purchased by Al Faisal International for Investment Malta Limited, a subsidiary of Al Faisal International for Investment Company Q.P.S.C. headquartered in Qatar. The Bank's name was subsequently changed to BNF Bank p.l.c. On 3 July 2018 Al Faisal International for Investment Malta Limited changed its name to JUD Investment Group Limited. At 31 December 2025, JUD Investment Group Limited owned 92.44% of the ordinary shares of BNF Bank.

The Bank provides a comprehensive range of retail and commercial banking services through a network of thirteen branches and a corporate and business centre in Malta, and a branch in London.

The Bank's long-term strategic objective continues to be that of conservative, robust, and profitable growth.

As always, BNF remains committed to offering its customers the best possible standard of service, and peace of mind that their finances are in good hands. Good governance remains a top priority for BNF Bank; the Statement of Compliance with the Principles of Good Corporate Governance in this Annual Report details the Bank's governance structures.

A review of the Bank's financial performance for 2025 is set out overleaf.

## Profitability

During the year under review, the Bank remained profitable notwithstanding a period of significant investment in its technology transformation programme. Profit before tax for 2025 amounted to €2.9 million, compared to €13.3 million in 2024, while net operating income stood at €34.0 million (2024: €37.3 million).

The reduction in profitability was primarily driven by a decline in net interest income of 1.8%, reflecting the prevailing downward interest rate environment, together with higher operating expenses associated with ongoing investment in technology and infrastructure.

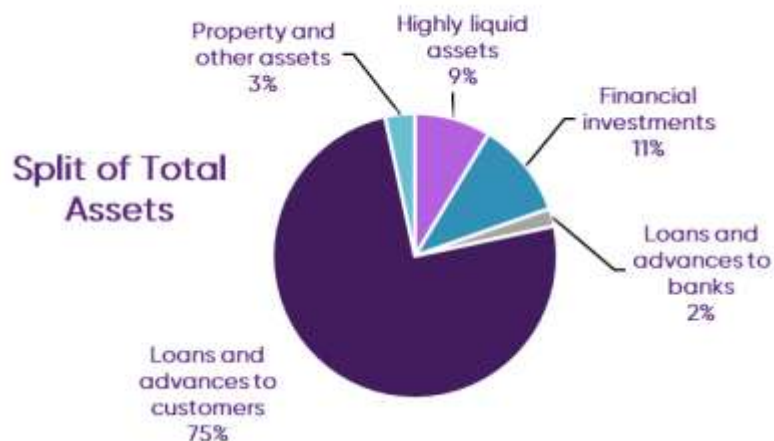
Notwithstanding these impacts, the Bank is well positioned to restore profitability and realise the benefits of its recent strategic investments. The enhancements implemented are expected to improve operational efficiency and provide a strong platform for sustainable growth in the periods ahead.

Operating expenses amounted to €31.4 million in 2025 (2024: €25.7 million), the increase pertaining primarily to investment in technology implementation and infrastructure. The cost-to-income ratio stood at 92.3% (2024: 68.8%).

Credit impairment gains of €0.3 million in 2025 (2024: gains of €1.7 million) which principally arise due to the release of the remaining management overlay on the corporate portfolio, reflected the Bank's improving asset quality and was testament to a cautious provisioning stance in recent years. For detail on 2025 and 2024 IFRS 9 staging and expected credit losses, refer to the financial risk management disclosures in Note 3 to the Financial Statements.

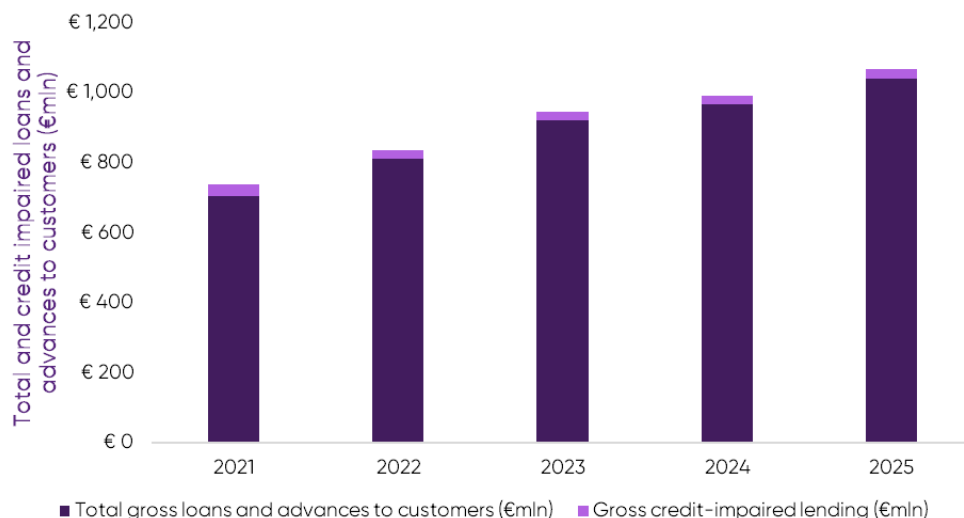
## Financial position

Total assets remained stable at €1,368.8 million as at 31 December 2025 (2024: €1,375.7 million).



The largest and main income-producing asset portfolio on 31 December 2025 remained loans and advances to customers, which made-up 75% of total assets. Loans and advances to customers comprised of net corporate lending amounting to €263.5 million (2024: €262.7 million), net retail lending amounting to €641.1 million (2024: €641.4 million), and net international lending amounting to €121.8 million (2024: €106.2 million). During 2025 the percentage of total loans and advances to customers which were credit-impaired was of 2.44% (2024: 2.39%), and the total credit-impaired exposure amounted to €25.4 million (2024: €24.5 million). Exposure to credit-impaired loans and advances to customers was mitigated with collateral amounting to €18.0 million (2024: €18.4 million), and loss allowances of €12.1 million (2024: €11.8 million).

### Lending Portfolio: Asset Quality



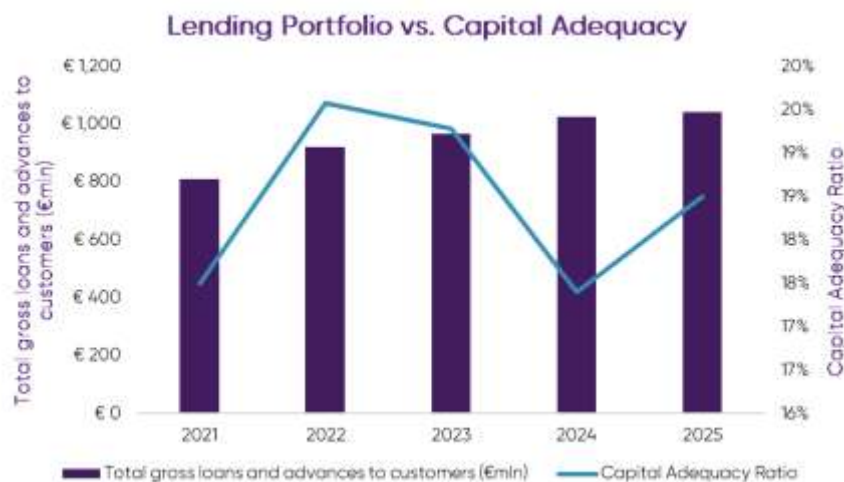
As disclosed in further detail in Note 3 to the Financial Statements on financial risk management, loans and advances to customers on 31 December 2025 and 31 December 2024 were classified as follows under IFRS 9 staging criteria:

	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
2025				
Gross carrying amount	984,862	29,283	25,391	1,039,536
Loss allowance	(889)	(259)	(12,089)	(13,237)
<b>Carrying amount</b>	<b>983,973</b>	<b>29,024</b>	<b>13,302</b>	<b>1,026,299</b>
<b>Coverage ratio</b>	<b>0.1%</b>	<b>0.9%</b>	<b>47.6%</b>	<b>1.3%</b>
2024				
Gross carrying amount	978,826	20,625	24,482	1,023,933
Loss allowance	(1,434)	(358)	(11,763)	(13,555)
<b>Carrying amount</b>	<b>977,392</b>	<b>20,267</b>	<b>12,719</b>	<b>1,010,378</b>
<b>Coverage ratio</b>	<b>0.1%</b>	<b>1.7%</b>	<b>48.0%</b>	<b>1.3%</b>

During 2025, the Bank continued to monitor credit risk in the context of evolving macroeconomic conditions. As economic indicators stabilised and pandemic related risks subsided, the level of estimation uncertainty underpinning these overlays reduced. As a result, the remaining management overlay on the corporate portfolio was fully released as at 31 December 2025. For further detail refer to Note 3 and Note 4.

BNF Bank's liquidity position remained robust throughout 2025, and the Bank continued to operate diversified sources of funding. The Liquidity Coverage Ratio as of 31 December 2025 was 181.7% (2024: 213.3%), and the Net Stable Funding Ratio was 138.1% (2024: 141.4%). The Bank's main source of funding remained retail and commercial deposits from the Maltese market, although the Bank also continued to strengthen its partnership with online deposit platforms to raise Euro and Pounds Sterling funding from German and UK retail depositors, respectively.

The Bank's Capital Adequacy Ratio as at 31 December 2025 was 18.5% (2024: 17.4%) and the Common Equity Tier 1 Ratio was 13.8% (2024: 13.2%), both above overall capital requirements and supervisory pillar two guidance.



## Financial Risk Management

Note 3 to the Financial Statements, Financial Risk Management, illustrates the process of how the Bank identifies and manages its risks and uncertainties. The risks described in Note 3 are credit risk, market risk, liquidity risk, operational risk, and capital risk management. The same note includes extensive detail of the processes undertaken by the Bank to manage these risks.

## Environmental, Social, and Governance initiatives

The Bank recognises the responsibility that it has towards society at large, and to protect and hand over a more sustainable and greener environment for the enjoyment of future generations.

The Bank has an ESG Committee which focuses on meeting our Environmental, Social and Governance goals. The Bank has a comprehensive ESG Strategy and Framework, outlining various action plans aligned with five strategic pillars. This ensures that Environmental, Social and Governance elements are given equal importance, connected and indivisible. The five pillars are:

- Energy Efficient Bank.
- Sustainable and Responsible Business.
- Employee Wellbeing.
- Community Presence.
- Strong Governance.

To drive the implementation of the ESG Strategy, the ESG Committee established five Pillar Working Groups corresponding to each pillar. The working groups are comprised of ESG Champions from different departments within the Bank, ensuring a holistic and dedicated approach to ensure the strategy's success.

We remain committed to continue advancing our ESG initiatives and further integrating sustainability into our business operations. We recognize that addressing global challenges such as climate change and social inequality, whilst retaining effective governance requires ongoing dedication and collaboration. Therefore, we will continue to innovate, set ambitious

targets, and work closely with our stakeholders to drive positive change. We believe we can help build a more sustainable future for generations to come.

### **Future outlook**

Looking ahead, and in line with the Business Plan 2026-2028, the Bank will continue to focus on delivering its strategic priorities, adapting to evolving market conditions and customer expectations, and strengthening its operating model. The Bank will maintain a prudent approach to risk management and the management of capital and liquidity, while pursuing sustainable performance and long-term value creation for its stakeholders.

### **Events occurring after the reporting period**

Subsequent to the end of the reporting period, a dividend of €0.013 per nominal share of €0.7552, for a total amount of €1,309,946, is being proposed by the Board of Directors to be distributed to the shareholders for the twelve months ended 31 December 2025. A resolution to this effect will be proposed at the Annual General Meeting, subject to regulatory approval. There were no other events occurring after the end of the reporting period which warrant reporting in this Annual Report. Refer to Note 39 to the financial statements.

### **Disclosure in terms of the Sixth Schedule to the Companies Act, Cap. 386 of the Laws of Malta.**

During the year ended 31 December 2025, no shares in the Bank were:

- Purchased by it or acquired by it by forfeiture or surrender or otherwise.
- Acquired by another person in circumstances where the acquisition was by the Bank's nominee, or by another with the Bank's financial assistance, the Bank itself having a beneficial interest.
- Made subject to pledge or other privileges, to a hypothec or to any other charge in favour of the Bank.

### **Preparation of financial statements and Directors' responsibilities**

The directors are required by the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995 to prepare financial statements that give a true and fair view of the state of affairs of the Bank 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; and
- Ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Banking Act, 1994 and the Companies Act, 1995. They are also responsible for

safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of BNF Bank plc for the year ended 31 December 2025 are included in the Annual Report 2025, which is made available on the Bank's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Bank's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

#### **Going concern pursuant to Capital Markets Rule 5.62**

The financial statements are prepared on a going concern basis. The directors regard that pursuant to Capital Markets Rule 5.62, this is appropriate, after due consideration of the Bank's profitability, liquidity, the statement of financial position, capital adequacy and solvency. Specifically, the directors have prepared financial and capital plans which show that the Bank is able to continue operating as a going concern for the foreseeable future.

#### **Information pursuant to Capital Markets Rule 5.64**

The Bank does not have any listed securities carrying voting rights.

#### **Statement of the Directors pursuant to Capital Markets Rule 5.68**

The Directors confirm that, to the best of their knowledge:

- The financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties faced.

#### **Statement of Responsibility by the Directors pursuant to Capital Markets Rule 5.68**

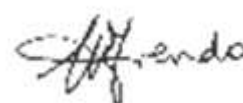
We, the undersigned, declare that, to the best of our knowledge:

- The financial statements prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank; and
- This report includes a fair review of the performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties.

**Signed on behalf of the Bank's Board of Directors on 29 April 2026 by David Power (Chief Executive Officer and Managing Director) and Michael Frendo (Chairman) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2025.**



**DAVID POWER**  
Chief Executive Officer & Managing Director



**MICHAEL FREND**  
Chairman

# Statement of Compliance with the Principles of Good Corporate Governance

# Statement of Compliance with the Principles of Good Corporate Governance

Pursuant to Capital Markets Rule 5.97 as issued by the Malta Financial Services Authority, BNF Bank p.l.c. hereby includes a Statement of Compliance reporting on the extent to which the Bank has adopted the Code of Principles of Good Corporate Governance appended as Appendix 5.1 to the said Capital Markets Rules (the 'Principles') and the effective measures that the Bank has taken to ensure compliance with these Principles during the financial year under review.

## ► SECTION 1 – COMPLIANCE WITH THE CODE

### PRINCIPLE 1 – THE BOARD

The affairs of the Bank are directed by the Board of Directors (the 'Board').

The Bank's Board includes a mix of distinguished individuals in diverse business sectors. All directors hold or have previously held key management positions in various local and international organisations.

The Board delegates responsibility for the Bank's day-to-day management to the Executive Committee ('Management'), and certain other responsibilities to the Audit Committee, the Risk and Compliance Committee, the Compensation and Nomination Committee and the Credit Approval Committee. Further detail on committees is available under Principle 4 below.

### PRINCIPLE 2 – CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chief Executive Officer and the Chairman of the Board are separate and distinct and are held by different individuals.

The Chairman leads and sets the agenda of each Board meeting and is responsible to ensure that the Board engages in effective discussion and takes informed decisions. The Chairman is also responsible to ensure effective communication within the Board, and with Management and the shareholders.

The Chairman meets the independence criteria set out in the Code.

The CEO leads the Executive Committee and is responsible to drive performance in line with the strategy set by the Board.

### PRINCIPLE 3 – COMPOSITION OF THE BOARD

The Board is made up of eleven Non-Executive Directors (NED) and one Executive Director (ED). The Board is composed of an Independent Non-Executive Chairman, a Non-Independent Non-Executive Deputy Chairman, four Non-Independent Non-Executive Directors, five Independent Non-Executive Directors (INED) and one Executive Director (ED).

The shareholders are empowered to appoint or remove directors to the Board in accordance with the Bank's Articles of Association. The appointment of new directors is carried out by using a transparent approach, after taking into consideration diversity of knowledge, judgment and experience. Each Director's appointment undergoes a due diligence process by the Malta Financial Services Authority to establish whether they are fit and proper pursuant to the Banking Act.

The Directors who served on the Board during the period under review were the following:

Dr Michael Frendo - Chairman	INED
Sheikh Jassim Feisal Q. F. Al-Thani - Deputy Chairman	NED
Sheikh Mohammed Feisal Q. F. Al-Thani	NED
Sheikh Turki Feisal Q. F Al-Thani	NED
Mr Tarik Mahmut	NED
Mr Mohammed Abdelqader Darwish Al-Ramahi	NED
Mr Mario P. Galea	INED
Mr Paul Mark Johnson	INED
Mr Charles Borg	INED
Mr Hassan Elsayed Hassan Abdalla	INED
Ms Juanita Bencini	INED
Mr David Power	ED

The remuneration paid to the Directors is as established by the Bank's shareholders and discussed at the Compensation and Nomination Committee.

## PRINCIPLE 4 – RESPONSIBILITIES OF THE BOARD

The Board is responsible for ensuring that the roles of corporate responsibility, namely accountability, strategy formulation and policy development are implemented throughout the Bank. The Board also sets the Bank's values and standards, and understands that high ethical standards are required in its decision-making process. Decisions and strategies formulated by the Board seek to encompass the interests of all stakeholders including the Bank's customers, shareholders and employees.

The Board regularly reviews the Bank's performance against approved budgets, and sets targets. The Board also considers credit decisions falling within its credit sanctioning limits, which includes all credit where any director has a direct or indirect interest. Each director informs the Board of the nature of any direct or indirect interest, and does not participate in the respective discussion or voting.

### Board Committees

The Board of Directors has delegated certain responsibilities to the following committees:-

#### *The Audit Committee*

The Audit Committee is responsible for monitoring the financial reporting process in order to ensure the integrity of the Bank's financial statements. Furthermore, the Audit Committee reviews and reports on estimates and judgments in the Bank's financial information, and on any significant financial reporting issues.

The Audit Committee advises the Board on whether the annual report and accounts of the Bank are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Bank's performance, business model

and strategy. The Audit Committee, through its review and assessment of the work of the internal auditor, provides information, direction and recommendations to the Board about the operation of controls implemented by management as well as their completeness and effectiveness.

The Audit Committee also reviews and monitors Management's actions and timeliness in addressing control weaknesses, non-compliance with laws, regulations and policies, and any matters identified by internal and external auditors. The Audit Committee follows closely correspondence with regulators and management actions.

The Internal Audit function reports specifically and exclusively to the Audit Committee. The Audit Committee frames the policy on internal audit, and subsequently monitors and reviews the effectiveness, independence and objectivity of the Bank's Internal Audit function.

Furthermore, the Audit Committee oversees the Bank's relationship with the external auditors and assesses the effectiveness of the external audit process. It makes recommendations to the Board of Directors regarding the appointment of the Bank's external auditors, their remuneration and terms of engagement.

The Audit Committee also oversees the function of the Bank's Whistleblowing Reporting Officer and the effectiveness of the Bank's whistleblowing procedures.

In terms of Capital Markets Rules 5.117, 5.118 and 5.119, the Audit Committee is made up of three non-executive Directors appointed by the Board, the majority of which are independent. The Committee as a whole has competence relevant to the sector/s which the Bank operates in, and all members of the Committee have significant recent and relevant experience in financial reporting, auditing and/or accounting. The members of the Audit Committee have a wealth of experience in banking and other financial services industries, by occupying various senior management roles and have served on a number of boards.

The Audit Committee met 8 times during the period under review and is composed of the following members:

MEMBERS	ATTENDED
Mr Mario P. Galea - Chairperson	8 out of 8
Mr Paul M. Johnson	7 out of 8
Mr Mohammed Abdelqader Darwish Al-Ramahi	8 out of 8

The Chief Financial Officer, the Whistleblowing Reporting Officer and representatives of the Bank's External Auditors attend the Audit Committee meetings by invitation. The Head of Internal Audit Function also attends the meetings of the Audit Committee.

Various one-to-one meetings are also held regularly between the Chairperson of the Audit Committee and members of Management.

#### *The Risk and Compliance Committee*

The Risk and Compliance Committee monitors and reviews risk exposure, and Management's risk processes and strategies. Any risk identified falls within one of the following categories:

- Financial risk
- Market risk
- Credit risk
- Operational risk (including relating to the prevention of money laundering and funding of terrorism)
- Reputational risk

The Risk and Compliance Committee recommends the risk appetite framework in line with the Bank's strategy, and regularly reviews the Bank's risk profile taking into account the current and prospective macroeconomic, macro-prudential and financial environment. Risk strategies are discussed on both an aggregate basis, as well as by type of risk. The Risk and Compliance Committee follows closely correspondence with regulators and management actions.

The Risk and Compliance Committee reviews and considers reports from the Risk Management and Compliance functions to ensure good standing of the Bank's risk profile, risk culture, risk appetite and limits, and risk mitigation plans.

The Risk and Compliance Committee reviews and advises the Board on the liquidity adequacy assessment and internal capital adequacy assessment process (LAAP and ICAAP) and endorses statements in relation to risks in the annual report. Furthermore, the Risk and Compliance Committee actively participates in the annual review of the Bank's Business Risk Assessment and in the review of policies relating to the prevention of money laundering and funding of terrorism. The Risk and Compliance Committee is also responsible for overseeing and monitoring the Bank's compliance risk and ensuring adherence to regulatory requirements, including adequate legislative implementation, reporting, governance and controls. The Risk and Compliance Committee advises and where necessary, updates and approves, any recommendations of the Audit Committee to the Board, relating to any financial or operational risk policy statements required by law or regulation.

The Risk and Compliance Committee has met 7 times during the period under review and is currently made up of three non-executive directors whose combined skills are sufficient to address all the above risk categories:

<b>MEMBERS</b>	<b>ATTENDED</b>
Ms Juanita Bencini - Chairperson	7 out of 7
Mr Mario Galea	7 out of 7
Mr Charles Borg	7 out of 7

The Chief Legal and Compliance Officer, the Chief Risk Officer, the Head of Risk and the Head of Regulatory Compliance attend meetings of the Risk and Compliance Committee by invitation.

Various one-to-one meetings are also held regularly between the Chairperson of the Risk and Compliance Committee and members of Management, the Head of Risk, the Head of Regulatory Compliance/the Compliance Officer and the Bank's MLRO. It is the Board's direction to have common members of the Risk and Compliance Committee and on the Audit Committee so as to enable sharing of ideas and information.

***The Compensation and Nomination Committee***

Information on the functions of this Committee is considered under Principle 8.

***The Credit Approval Committee***

The Credit Approval Committee is responsible for assessing credit facilities and taking credit decisions within certain monetary and risk bands.

The Credit Approval Committee has met 5 times during the period under review and was made up of three directors appointed by the Board with experience in credit.

<b>MEMBERS</b>	<b>ATTENDED</b>
Mr Charles Borg - Chairperson	5 out of 5
Mr Tarik Mahmut	3 out of 5
Mr Mohammed Abdelqader Darwish Al-Ramahi	4 out of 5

The Chief Executive Officer, the Chief Banking Officer, the Chief Risk Officer and senior representatives of the Bank's Commercial Function attend the Committee meetings by invitation.

**Management Committees*****The Executive Committee***

The Executive Committee is composed of six members; the Chief Executive Officer, the Chief Risk Officer, the Chief Financial Officer, the Chief Banking Officer, the Chief Legal and Compliance Officer and the Chief Technology and Operations Officer.

Formulation of risk strategies and risk profiles, including policies conducive to the achievement of organisational goals, are the responsibility of the Executive Committee, however implementation is delegated to the Departmental Heads through a formally documented organisational structure with clear and transparent demarcation of functional responsibilities. The Executive Committee is also responsible for assessing credit facilities and taking credit decisions as prescribed in the Bank's credit policy.

Various senior members of the Bank's management attend the meetings of the Executive Committee by invitation.

The Executive Committee has established the following management committees within the Bank:

***The Assets and Liabilities Committee***

The Assets and Liabilities Committee (ALCO) meets on a monthly basis to analyse financial information and to assess the impact that the various types of risks arising from changes in interest rates, exchange rates and the market, have on the profitability of the Bank and the various other components of the financial statements. This Committee also monitors the commercial activity of the Bank, reviews risks to liquidity and capital, and plays a vital role in the management and mitigation of the same risks.

The ALCO is made up of the Members of the Executive Committee, the Head of the Treasury Function, the Head of the Business Development Function, the Head of the Retail Function, the Head of the Corporate Function, the Head of the Financial Management Function and the Head of the Risk Function. Other Bank officials may be invited to attend meetings depending on the agenda to be discussed or when determined by the Committee.

#### ***The Investments Committee***

The Investments Committee (IC) meets with the aim to discuss the investment strategy and specific investments for the Bank's proprietary portfolio. The objective of the Committee is to achieve returns for the Bank in line with the Bank's liquidity, capital adequacy, risk and profitability goals.

The Investments Committee meets at least once every two months. It includes Members of the Executive Committee and the Head of the Treasury Function.

#### ***The Credit Committees***

These Committees are responsible for assessing credit facilities and taking credit decisions within certain monetary and risk bands. The Committees are coordinated at three different levels, each assigned a sanctioning limit under which they operate. If a divergence in the respective committee level exists, the lending decision would need to be taken one authorisation level upwards.

The Committees meet as frequently as necessary and comprise of officials from the Commercial Function and the Credit Analysis Function. Each Committee is chaired by the Credit Analysis Function member.

#### ***The Products Oversight Committee***

The Products Oversight Committee's main purpose is that of discussing and implementing projects in relation to new products, new services, channels and/or changes to existing products.

The Committee is made up of senior members from a number of functions, mainly Product Strategy, Corporate Banking, Retail Banking, Risk, Regulatory Compliance, Credit Operations, Credit Analysis, Financial Regulatory, Financial Management, Banking Operations, Legal, Business Analysis, Treasury and Information Technology. The Product Strategy function is responsible for the chairing and steering of this Committee.

#### ***The Environmental, Social and Governance Committee***

The Environmental, Social and Governance (ESG) Committee's main purpose is to define the Bank's practices relating to ESG matters. The committee is made of the Chief Risk Officer (Chairperson), Chief Banking Officer (Deputy Chairperson), Chief Technology and Operations Officer, Chief Financial Officer, Head of Risk Department, Head of Credit Analysis Department, Head of Products, Head of Business Development Department, Head of Retail Department, Head of Human Resources, Head of Marketing Property, Administration and Safety Department, Head of Regulatory Compliance Department, Head of Marketing and Communications, and Senior Risk Manager from the ESG Office within the Risk Function as Secretary.

### *The Budget and Planning Committee*

The Budget and Planning Committee (BPC) is established to provide oversight, guidance, and recommendations on the Bank's operating and capital expenditures. The Committee's mandate extends to prioritising investment in essential projects, maximising returns on investment, and facilitating informed decision-making, while also ensuring efficient use of resources. In addition, the BPC is responsible for maintaining alignment with the Bank's strategic projections, encompassing all aspects such as loan book growth, funding, and capital requirements. The BPC is composed of the members of the Executive Committee, Head of Corporate Banking Department, Head of Retail Banking Department and Head of Treasury Department.

### ***Succession Policy (Code provision 4.2.7)***

Code provision 4.2.7 recommends "the development of a succession policy for the future composition of the Board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility".

The Bank has a Succession Policy that applies to the Bank's Board of Directors and members of the Bank's senior management. The Policy sets out the approach to ensure the continual coverage of duties which are critical to the ongoing operations of the Bank and sets out the approach adopted by the Board in planning for Board Member and Senior Management resignations and departures.

## **PRINCIPLE 5 – BOARD MEETINGS**

The Board meets as often as necessary, at least quarterly, in order to discharge its duties effectively. The Chairman sets and circulates the agenda to all directors. The Chairman, in collaboration with the Company Secretary, also ensures that all supporting material is circulated to all directors well in advance of Board meetings, to give time to consider the information therein. The Chairman also ensures that directors participate actively in all Board meetings. During 2025, the Board of Directors met 9 times.

## **PRINCIPLE 6 – INFORMATION AND PROFESSIONAL DEVELOPMENT**

The Board of Directors in accordance with Code Provision 6 appoints the Chief Executive Officer and participates in the selection of the members of senior management. Board members have access to the advice and services of the Company Secretary who is responsible to ensure that the Board procedures and all applicable rules and regulations are followed. Furthermore, the Company Secretary ensures that the minutes faithfully record attendance, matters discussed, and decisions taken. Minutes of Board meetings are circulated to all directors and are approved at the subsequent meeting.

The Board and the Executive Committee ensure that the Bank properly recruits, retains, motivates and promotes senior management and staff, and that staff progress within their career streams.

The Board adheres to the Induction and Training Policy which regulates training and professional development undertaken by the Directors of the Bank.

In addition, the Board ensures that the Directors have access to independent professional advice at the Bank's expense, when requested.

## PRINCIPLE 7 – EVALUATION OF THE BOARD'S PERFORMANCE

The Board of Directors in its current composition undertook a self-assessment in line with the Joint ESMA and EBA Guidelines on the assessment of suitability of members of the management body and key function holders (EBA/GL/2021/06) and with the Capital Market Rules, in late 2024. The process was overseen by the Bank's Compensation and Nominations Committee. The suitability evaluation reflected the following:

- The Board of Directors is strong, diverse and well-balanced, having the necessary skills, knowledge and varying levels of professional experience to carry out its mandate;
- The members of the Board Committees have the necessary competence and expertise to perform their delegated roles and report back fully and clearly to the Board of Directors; and
- The self-assessment identified minor gaps for some Directors which will be addressed through training and targeted committee adjustments.

Following the required analysis by the Bank's Compensation and Nominations Committee, the Board discussed the findings in detail in 2025. This evaluation encompassed the key criteria outlined in the Guidelines, including individual and collective assessments of good repute, honesty and integrity, independence of mind, as well as adequate knowledge, skills, experience, and time commitment to ensure sound governance, effective oversight, and prudent management of the Bank.

These discussions were reflected in targeted changes to two Board committee compositions which also served to address the minor gaps identified, duly approved by the relevant regulators during the year, thus confirming the ongoing suitability of the Board of Directors in 2025.

## PRINCIPLE 8 – COMPENSATION AND NOMINATION COMMITTEE

The Compensation and Nomination Committee is responsible for reviewing the remuneration policy of the Bank and for making any recommendations as the Committee deems appropriate in light of the general strategic interests of the Bank and regulations. The Compensation and Nomination Committee:

- Sets the over-arching principles and parameters of the Remuneration Policy;
- Considers and approves remuneration arrangements of senior executives and highly paid persons;
- Monitors and reviews remuneration paid to the Chairman and other members of the Board of Directors, and makes recommendations to shareholders in General Meetings;
- Approves annual pay increases and bonuses as recommended by Management;
- Oversees any remuneration matters; and
- Exercises the functions of a Board Nomination Committee aligned to the applicable provisions of the MFSA's Capital Market Rules.

During the period under review, the Compensation and Nomination Committee met 3 times and was made up of the following members:

MEMBERS	ATTENDED
Mr Paul Mark Johnson – Chairperson	3 out of 3
Sheikh Jassim Feisal Q.F. Al-Thani	3 out of 3

The Committee was increased to four members in 2026. Further information on the Bank's Remuneration Policy can be found in the Report of the Compensation and Nomination Committee.

## PRINCIPLE 9 & 10 - RELATIONS WITH SHAREHOLDERS, THE MARKET AND INSTITUTIONAL SHAREHOLDERS

The Bank provides the market with regular, timely, accurate and detailed information in accordance with the requirements of the Capital Markets Rules by way of company announcements.

The Bank provides regular and timely information to its shareholders to enable informed decision-taking, and communicates results and strategy in the Bank's Annual Report.

The Board ensures that the interests of the Bank's shareholders are protected at all times. In addition, the Chairman ensures that the views of all shareholders are communicated to the Board.

The Bank has a Group-Wide Dealing Policy to give guidance to the Bank's directors and employees on procedures to be followed when dealing in the Bank's securities and on the treatment of inside information in line with the provisions of the Prevention of Financial Markets Act and any related subsidiary legislation and regulations.

During the 2025 Annual General Meeting all shareholders attended as members, whereby the shareholders have the opportunity to raise and discuss matters that are pertinent to the general conduct of the Bank. As well as exercise their right to vote on key matters, in line with the powers granted to them under the Memorandum and Articles of Association.

## PRINCIPLE 11 - CONFLICTS OF INTEREST

The Board of Directors is governed by a Conflict of Interest Policy which is approved and implemented by the Board. The Directors are aware of their responsibility to act in the best interest of the Bank and adhere to their obligation regarding conflicts of interest. Any director experiencing actual or potential conflict of interest is to make a declaration to the Board of Directors. In such instances, the relative director neither participates in the discussion nor votes on the matter in question. The minutes of the Board duly reflect the manner in which such situations are handled.

## PRINCIPLE 12 - CORPORATE SOCIAL RESPONSIBILITY

BNF's brand values are shared by the Members of the Board and Executive Management, and are instilled within the Bank's culture. BNF's brand values include:

- Ethical business practices: BNF is in the business of corporate and retail banking, and therefore has a role which is ingrained within society. BNF endeavours to operate ethically in all that it does;
- Investing in its people: The Bank invests in training and career development and believes in providing equal opportunities and desirable working conditions;
- Communication: BNF fosters a culture of open communication and inclusion;

- Maintaining a role in the development and progress of the local community: The Bank undertakes initiatives to contribute towards sections of society that are lacking in education, opportunity and inclusion. This value is observed through the Bank's product offerings and through the Bank's CSR Policy, which apportions a fund toward supporting various CSR projects; and
- Minimising carbon footprint: The Bank regularly reviews its purchasing policies and physical infrastructures to determine opportunities to minimise any environmental impact.

## ► SECTION 2 - NON-COMPLIANCE WITH THE CODE

To the Bank's knowledge, there are no principles that give rise to non-compliance with the Code.

## ► SECTION 3 - INTERNAL CONTROL

The Board of Directors is ultimately responsible for internal control within the Bank. The Board of Directors delegates to the Executive Committee the authority to operate the Bank within limits established in the Executive Committee's Terms of Reference.

On a regular basis, the Bank issues policies and procedures to control and/or mitigate material risks. Policies are subject to a periodic review by the Board of Directors, and are enhanced in accordance with changes to the Bank's risk profile. Policies are subsequently circulated and adhered to by staff at all times, and are implemented through procedures designed by Management. All policies and procedures are available to all staff on the Bank's intranet. Any deviance from parameters set in policies or procedures is subject to sanctioning by the appropriate approval body.

The Bank adopts the three lines of defence model to risk management and internal control.

## ► SECTION 4 - CORPORATE PHILANTHROPY AND COMMUNITY RELATIONS

### ROOTED IN SERVICE AND COMMUNITY

In 2025, BNF Bank continued to uphold its commitment to Corporate Social Responsibility (CSR), placing community engagement at the heart of its efforts and ensuring every initiative reflects the Bank's core values. Guided by our ESG strategy, we strengthened our approach to sustainability and social impact, empowering both the Bank and its employees to contribute meaningfully to the communities we serve.

Our CSR framework is built around five key pillars—education, health, environment, philanthropy, and culture & heritage—which shape the activities we support and the partnerships we foster. By integrating these pillars into our broader strategy, we not only drive community development but also cultivate a workplace culture rooted in purpose, responsibility, and shared values.

## CHAMPIONING MEANINGFUL CAUSES

Through the #YourCause initiative, BNF Bank reaffirmed its commitment to social responsibility by empowering employees to champion causes close to their hearts. This programme reflects the Bank's belief that meaningful change begins with individual action, and it provides staff with the opportunity to make a tangible difference in the community.



*All Ages Netball Club*



*Smiling with Jerome*

In 2025, our team supported a diverse range of NGOs and charitable efforts across multiple sectors. Environmental causes benefited from contributions to Nature Trust and Friends of the Earth, while philanthropic organisations such as Inspire, Life Network Malta, Kopin, the Assistance to Children in Care Association, and YMCA Malta received vital support. Health-related initiatives included Smiling with Jerome, Puttinu Cares, and the Action for Breast Cancer Foundation, alongside sporting engagement through the All Ages Netball Club and animal welfare efforts with SPCA Gozo.



*Hospice Foundation*



*Richmond Foundation*

Further contributions were made through payroll donations to the Malta Community Chest Fund Foundation, Richmond Foundation, Inspire, and Hospice, as well as the provision of laptops to Richmond Foundation and The Optimist. Staff also organised a Food Bank collection, a bake sale, and two blood donation drives, demonstrating the Bank's holistic approach to giving back. These collective efforts highlight BNF Bank's dedication to fostering a culture of care and community impact.



*Action for Breast Cancer Foundation*



*Friends of the Earth*

## CORPORATE RESPONSIBILITY IN ACTION

Corporate philanthropy is a cornerstone of social responsibility, driving positive change within communities while creating shared value for organisations. At BNF Bank, these principles guide our actions, ensuring that our efforts deliver real impact and reflect our commitment to making a difference.

This year, the Bank made a significant donation to the Malta Community Chest Fund Foundation during the annual L-Istrina marathon. Our partnership with the Malta Trust Foundation also continued, marked by a donation during their annual telethon.

We further sustained our backing of the Emergency Fire and Rescue Unit, the Alive Foundation, and Lifecycle, organisations that channel their efforts into vital causes—from assisting Civil Protection to funding cancer research and supporting renal patients through challenging cycling events. Additional support was also provided to the Emergency Fire and Rescue Unit during Freshers' Week, reinforcing our commitment to safety and community engagement.



*ALIVE Foundation*



*Emergency Fire & Rescue Unit Cycling Tour 2025*

In addition to these initiatives, the Bank extended its support through donations to ALS Malta and the Kenosis Foundation, both of which play an important role in improving lives and fostering social well-being.

In addition, BNF Bank continued its sponsorship of the Malta Football Association, supporting the U14, U15, and U17 male National Leagues, as well as the U16 female league. This collaboration reflects our core values and our dedication to initiatives that promote sport and youth development across Malta. As part of this partnership, we also organised a Player Escort initiative, giving children of BNF staff members the unique opportunity to participate in a national game as player escorts—an experience that celebrates family involvement and inspires the next generation of athletes.



*MFA BNF National League Awards 2025*



*Player Escort Initiative*

## CONNECTING THROUGH CULTURE

Supporting culture and heritage is essential to preserving the identity and values of our islands. It fosters a sense of unity while contributing to social, economic, and personal well-being. At BNF Bank, we recognise the importance of these pillars and remain committed to initiatives that celebrate and safeguard Malta's rich cultural legacy.

This year, we continued our support for the opera scene in Gozo through collaborations with both the Aurora and Astra theatres, whose dedication ensures an enriching opera season and a vibrant calendar of events throughout the year. On the music front, we partnered with Festivals Malta during the Three Palaces Festival, proudly supporting a series of classical concerts held at St John's Co-Cathedral and Verdala Palace, featuring talented Maltese musicians.

Additionally, we extended our collaboration to the Malta Spring Festival, an event that showcases innovative works and serves as a platform for emerging artists through the Malta Spring Festival Academy, reinforcing our commitment to nurturing creativity and new talent.

In the realm of heritage, we maintained our corporate sponsorship of Din L-Art Helwa, a distinguished organisation devoted to the restoration and preservation of historical sites that form an integral part of Malta's cultural identity.

## COMMITTED TO SUSTAINABILITY

Environmental initiatives are fundamental to promoting sustainable development, safeguarding ecosystems, and ensuring the long-term well-being of our islands. In 2025, our efforts focused on two key themes: preserving biodiversity and raising awareness through education.

We continued our collaboration with ACT Malta, an NGO dedicated to protecting native fauna through tree and shrub propagation and planting projects. A group of BNF staff actively participated in a tree-planting initiative in Attard, reinforcing our hands-on approach to environmental stewardship.



*ACT Malta Tree Planting*

Under our Energy Efficient Bank ESG pillar, we continued our partnership with Ten Trees, providing the NGO with used coffee grounds from our Head Office and Branches to be repurposed as natural fertiliser—an innovative way to reduce waste and support green practices. The Energy Efficient Bank ESG pillar also spearheaded an internal campaign and competition to encourage employees to adopt sustainable commuting habits by walking or cycling to work, promoting healthier lifestyles and reducing carbon emissions.

As part of the Bank’s commitment to sustainability and energy efficiency, several initiatives have been implemented to reduce environmental impact and optimise resource use. UV films have been installed on windows to minimise heat penetration, improving indoor climate control and reducing reliance on air conditioning. Additionally, traditional lighting has been replaced with LED solutions across offices, significantly cutting energy usage and enhancing overall efficiency. These measures reflect the Bank’s proactive approach to creating a greener, more sustainable future.

Also, several of the Bank’s vehicles have been upgraded to mild hybrid vehicles, lowering fuel consumption and emissions while maintaining operational efficiency. This now means the Bank’s vehicles now range between fully electric, hybrid and mild hybrid.

## STRENGTHENING OUR COMMUNITY CONNECTIONS

BNF Bank’s presence within the community continued in 2025, with active participation in numerous events across Malta and Gozo. These initiatives provided our Retail teams with valuable opportunities to engage directly with customers and potential clients, strengthening relationships and giving a personal, approachable face to the Bank.



*Rabat Branch – Financial Understanding*



*Naxxar & San Gwann Branch - Paul Vella Critien Exhibition*

Educational outreach remained a priority, with our Rabat Branch delivering a talk on Financial Understanding and Scam Awareness in collaboration with Dingli Local Council. This session was tailored for the elderly community, helping them navigate their financial journey with confidence and security.

Our involvement extended to a variety of community events, including the support of local artist Paul Vella Critien during his latest exhibition (Naxxar and San Gwann Branches), Festa Familja in Mosta and Safi (Mosta & Siggiewi Branches respectively), the Malta Classic (Rabat Branch), Zejt iz-Zejtun (Paola Branch), Red Nose Day, the Sunday Running Club for Students, and the annual fundraiser by the Malta Paediatric Association (all Campus Hub Branch).



Paola Branch – Zejt iz-Zejtun



Siggiewi Branch - Festa Familja

## KNOWLEDGE FOR GROWTH AND EMPOWERMENT

Supporting communities through education is one of the most effective ways to promote social equity and empower individuals to shape brighter futures. In 2025, our initiatives placed a strong emphasis on literacy and financial literacy, reflecting our belief that knowledge is the foundation for opportunity.

We continued our collaboration with Malta Libraries, distributing books across several village libraries, and extended this effort to schools by providing titles from the popular *Karamellu* series and Ruth Frendo's *Id-Dinja tal-Orsini*, fostering a love for reading among young learners.



Mosta Branch – Reading at Mosta Primary



Siggiewi Branch – Reading at Siggiewi Primary

This year, we renewed our partnership with the Association for Students of Commercial Studies (ASCS), providing the Bank with a valuable platform to connect with students pursuing studies in banking, accounting, insurance, and marketing. Through

our support, ASCS can organise events and initiatives that enhance both the academic and professional development of its members.

We also continued our collaboration with the Department of Business Management and Enterprise within the Faculty of Economics, Management and Accountancy. This agreement is designed to strengthen research opportunities for students while fostering synergies between the Bank and the academic community.



*Freshers Week Campus Hub, MCAST Paola & Sixth Form Gozo*

Our engagement extended beyond partnerships to direct interaction with students during Freshers' Week at Campus Hub, MCAST, and the Gozo Sixth Form. We also participated in the Gozo Careers Presentation at Sixth Form, the KSU Expo, where our HR team connected with students, and the Open Day at Higher Secondary, giving us further opportunities to guide students on their financial journeys and career prospects.

## BUILDING LASTING RELATIONSHIPS IN BUSINESS

BNF Bank has built a strong reputation as a reliable partner in the corporate banking sector. Understanding the unique needs of businesses, the bank provides tailored financial solutions designed to foster growth, streamline operations, and mitigate risks.

### Malta Finance Week

Chief Legal and Compliance Officer Jean Noel Cutjar participated in Compliance Day of Malta Finance Week, where he joined a panel titled 'A Leaders View on Opportunities and Impacts for European Banks'. The session focused on the key regulatory activities for banks and payment institutions in Europe in 2025.

### Excellence In Construction Awards

The Bank also supported these newly launched Awards, aims to give a platform to Malta's construction leaders making a positive change and setting new standards for the industry.



*Chief Commercial Officer George Debono during Construction Awards*



*Chief Legal and Compliance Officer Jean Noel Cutjar during Malta Finance Week*

### Malta Institute of Accountants

BNF's Corporate Team once again participated in the Malta Institute of Accountants Biennial Conference, offering their knowledge and support to attendees during this conference which brings together individuals and companies from across the financial services industry.

### Malta Bankers Association

This year, our Corporate Team also participated in the Malta Bankers Association event 'The Fraud Landscape: Malta and Beyond'. This event organised together with EY focused on Financial Crime Compliance, and discussed fraud across various angles, from the regulatory body perspective to that of local banks.

### Malta Stock Exchange

The Bank also participated in the MSE's Governance, Risk, Compliance and ESG Summit 2025. Our Chief Risk Officer, Glen Smith participated in the panel discussion on ESG – Social Impact and Community Engagement, discussing the role of ESG

strategies in fostering sustainable business practices and community engagement, and the future of responsible corporate citizenship.

Meanwhile, our BNF Head of Information Security and IT Governance Nathan Gatt took part in the panel discussion on Cyber Security Risks in the Digital Age, where he joined industry experts to explore evolving cyber threats and strategies to safeguard organisations in an increasingly digital world.



*Head of Information Security and IT Governance, Nathan Gatt, MSE Event*



*Luis Teles, Head of Operations, Payments & RegTech Event*

**NextGen Payments & RegTech Forum Malta 2025**

Our Head of Operations, Luis Teles, joined the panel discussion titled "Cryptocurrency and Payments: Navigating the Evolving Landscape". This session delved into digital currencies and the payments ecosystem, offering valuable insights into emerging trends, challenges, and opportunities in this dynamic space.

**Finance Malta**

BNF Chief Risk Officer Glen Smith participated in a panel on "Challenges in Opening Corporate Bank Accounts in Malta" organised by FinanceMalta at the Malta Business Registry. It was a valuable opportunity to share insights and collaborate with industry leaders to address key challenges and enhance the banking experience for businesses.



*Chief Risk Officer Glen Smith, Finance Malta & MBR Event*



*Chief Legal and Compliance Officer Jean Noel Cutajar, Institute of Financial Services Event*

BNF was also well represented by its Executive Committee and London Branch during Finance Malta's annual networking event in London, Malta - Stronger Together: Malta's Commitment to UK Financial Partnerships, held this year at Mansion House.

### **Institute of Financial Services**

Chief Legal and Compliance Officer Jean Noel Cutajar participated in a seminar 'Governance: Navigating Risk, Regulation and Reputation' in a panel discussion on Risk Management: Balancing Compliance, Culture, and Control.

### **Malta Chamber of Commerce, Enterprise & Industry**

Chief Commercial Officer, George Debono participated in the Info Session: Mediation Means Business – Fast, Private, Effective, organised by the Malta Chamber. The event focused on how mediation can transform conflict into opportunity, creating workable solutions that strengthen – rather than strain – professional relationships.



*Chief Commercial Officer George Debono, Malta Chamber Event*



*Elena Valtorta & Conor Palmer, BNF London Branch at Finance Malta London Event*

Our Head of Corporate, Jordy McKay also participated as a mentor in the Young Chamber Network Speed Networking Event, sharing expert insights and guidance to help the new generation navigate their business journey.

### **Malta Business Network**

This year, BNF supported the MBN in its launch of its International Entrepreneurship Prize, in collaboration with King's College and the University of Malta. This Prize aimed to nurture the best ideas from across the participating universities that have the potential to grow into viable businesses. Participating teams had access to leading business mentors, whilst working within international teams.

### KPMG-Property Malta Conference

BNF continues to support the research produced by KPMG on the property landscape in Malta, culminating in a national conference.

## SHAPING A CULTURE OF SUPPORT AND OPPORTUNITY

In 2025, the Bank continued its commitment to fostering an environment where employees feel valued, supported, and empowered to grow. Through enhanced reward and recognition initiatives, expanded training opportunities, and open communication channels, we have strengthened our focus on professional development and employee engagement. Wellbeing remained at the heart of our efforts, with initiatives designed to promote collaboration, morale, and a positive workplace culture. Looking ahead, we aim to build on these foundations by introducing more frequent recognition, structured career pathways, and actionable improvements based on employee feedback.

### Reward and Recognition

- In 2025, the Bank revamped its Employee Awards Programme by introducing additional categories to further acknowledge and celebrate employee achievements.
- The Bank also provided additional performance bonuses for all employees, accompanied by a more transparent and structured approach to performance recognition.
- Introduce more frequent recognition opportunities to continuously celebrate and reinforce positive contributions across the Bank.

### Training

- Delivered extensive training initiatives: the first half of the year focused on the core banking system transition, while Q4 emphasised professional development, including courses related to AI and other growth areas.
- Going forward the Bank aims to expand training initiatives with a greater emphasis on professional development and structured career pathways.

### Communication

- The Bank implemented the Employee Voice Survey and identified key action points tied to training, reward and recognition and professional development from the results, which will be addressed next year.
- The Bank's HR Team conducted one-to-one meetings with all Bank employees, with action points documented and followed up in collaboration with the respective Chiefs.

### Wellbeing

- Rolled out several wellbeing initiatives to support a positive and engaging work environment.
- Organised a Bank-wide team-building event, which was highly successful in strengthening collaboration and morale across departments.

## RECOGNISING EXCELLENCE AND COMMITMENT

Celebrating the achievements of individuals and teams is essential to building a positive, motivated workplace culture. Recognition is more than a gesture—it is an investment in people and organisational success. By acknowledging contributions in meaningful ways, businesses inspire sustained excellence, engagement, and loyalty.

In 2025, the Bank enhanced its Employee Awards Programme to better reflect the diverse efforts and accomplishments of its workforce. The former Internal Excellence Award was restructured into two distinct categories: Best Supporting Function and

Best Control Function. New awards were introduced, including Rising Star and Problem Solver of the Year, alongside existing honours such as Employee of the Year, Best Performing Branch, Best Performing Corporate Banking Team, Vanguard Award, and Community Care Award.



*Best Supporting Function – Credit Operations Unit*



*Best Control Function – Risk Control & Oversight Department*



*Vanguard Award – Marketing and Communications Unit*



*Problem Solver of the Year – Samir Arab*

Equally important is recognising long-serving employees whose dedication and expertise have shaped the organisation over time. Honouring their commitment reinforces a sense of continuity and stability, strengthening the bond between employees and the Bank.



*Rising Star – Sephora Schembri*



*Best Performing Branch – Mosta*



*Best Performing Corporate Banking Team – Business Banking Team A*



*Community Care Award – Karine Laferla*



*Employee of the Year – Rowena Azzopardi*

**BUILDING STRONGER COMMUNITIES THROUGH SUSTAINABLE ACTION**

Looking ahead, we remain committed to deepening our engagement with the communities we serve while placing sustainability at the heart of our efforts. By continuing to support education, environmental responsibility, and foster partnerships that create shared value, we aim to build a foundation for long-term positive impact. Through our core values and the dedication of our people, we will continue to make meaningful contributions that not only address today’s needs but also help shape a more resilient and sustainable future.

# Report of the Compensation and Nomination Committee

## Remuneration Policy

BNF Bank p.l.c. has a Remuneration Policy in place, which is approved by the Board of Directors and is subject to annual review. The Bank's Remuneration Policy is drawn up in line with The Supervisory Review Process of Credit Institutions Authorised under the Banking Act, Banking Rule 12.

The Policy is intended to create guidelines for the Bank when offering remuneration and benefits to all the employees of the Bank and at the same time to ensure transparency in remuneration matters. It primarily aims at helping the Bank attract, retain and motivate high calibre employees within the context of the market in which it operates, keeping in mind the interest of the Bank, the shareholders and all other stakeholders. The Bank also carries a set of rules and procedures for the appraisal of performance, which are updated from time to time in line with operational requirements/realities.

BNF Bank p.l.c. remunerates employees through a system of:

- Fixed Pay for full-time and part-time salaried employees, within a published pay structure and dependant on employee's skills, experience and level of responsibility;
- Fees are payable to non-executive directors in line with the time and effort committed to the institution and industry practice;
- Benefits in kind are offered to the employees in the form of reduced fees, preferential interest rates and other benefits in line with industry practice; and
- Annual Bonuses as further detailed below.

The Bank's performance related reward system does not guarantee the levels of variable performance pay-outs to employees. On a yearly basis, the Bank's Board of Directors approve a fund for bonuses and salary increases, which reflects the efforts and the results achieved by the Bank on its short and longer-term goals. This is then distributed among employees in accordance with the Performance Appraisal Policy and Procedures and the Bank's Remuneration Policy.

The strategy of the Bank is to offer low levels of variable compensation in comparison to the employee's fixed pay. This is intended to ensure that risks taken are within acceptable parameters and that employees follow the Bank's values and vision. Individual targets are set out in a way that encourage employees to achieve individual and group targets whilst improving personal skills and competencies.

In view of the low proportion of performance related reward to fixed pay, it has hitherto not been the practice to apply deferred payment of such reward. Malus and clawback have not, to date, therefore been considered applicable.

### Non-Executive Directors

Non-executive directors are not full-time employees of the Bank and do not receive a regular salary, allowances, pension rights or other benefits. The compensation for Non-Executive Directors is based solely on a fee for their services together with reimbursement of any expenses made in the course of the Bank's business.

The Bank paid Non-Executive Directors compensation for the year 2025 was as follows:

	Chairman	Other Members
Compensation	€60,950	€513,500

### Executive Committee

The Bank's Executive Committee is made up of six Chief Officers., who are considered full-time employees of the Bank and receive a regular salary.

### Material Risk Takers (MRT) Remuneration

Fixed and variable remuneration paid to MRTs is detailed in the table below and is aggregated by distinction between senior and non-senior management. The identification of MRTs is based on the framework for prudential supervision established by Directive 2013/36/EU.

Remuneration payable to Senior Management and MRTs for the year was:

	Senior Management	MRTs
Number of Employees	17	16
Fixed	€1,565,735	€1,259,312
Variable	€405,450	€165,906

All variable remuneration was paid in cash and no shares, share linked instruments or similar instruments were used.

The members of the Bank's Executive Committee, and Heads of Department enjoy cash and non-cash benefits which in a number of cases includes the service of a company vehicle. All Bank employees benefit from life cover, health insurance and personal accident cover.

Specific information on Senior Executives, as defined in the Capital Market Rules, has not been provided beyond the above, as such information is considered commercially sensitive and falls within the scope of the exemption under clause 8.A.6 of the said Rules.

None of the members of senior management or MRTs received remuneration in excess of €1 million.

**GOING CONCERN**

The Directors have assessed the Bank’s ability to continue as a going concern. In making this assessment, the Directors considered a wide range of information relating to both present and future conditions, including, the consideration of stressed scenarios, such as those reflecting geopolitical tensions, inflation, interest rate movements, as well as other potential impacts arising from idiosyncratic risks. These matters could impact the Bank’s profitability, capital and liquidity. Furthermore, the Directors considered the intention to continue in operation for the foreseeable future.

Based on the above, and having taken into consideration the Bank’s performance and its future strategic goals, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern over the period of assessment.

**Signed on behalf of the Bank’s Board of Directors on 29 April 2026 by David Power (Chief Executive Officer and Managing Director) and Michael Frendo (Chairman) as per the Directors’ Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2025.**



**DAVID POWER**  
Chief Executive Officer & Managing Director



**MICHAEL FREND**  
Chairman



## Statement of Financial Position

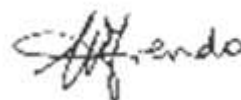
### As at 31 December 2025

	Notes	2025 €000	2024 €000
<b>ASSETS</b>			
Balances with Central Bank of Malta and cash	6	118,457	106,332
Cheques in course of collection		1,866	1,863
Financial investments	7	150,117	189,873
Loans and advances to banks	8	27,689	29,157
Loans and advances to customers	9	1,026,299	1,010,378
Derivative financial assets	10	120	-
Prepayments and accrued income	11	13,684	13,409
Property and equipment	12	5,899	5,778
Intangible assets	13	5,646	3,155
Right-of-use assets	14	1,504	1,545
Other assets	15	7,323	8,640
Deferred tax assets	16	6,539	5,572
Current tax assets		3,617	-
<b>TOTAL ASSETS</b>		<b>1,368,760</b>	<b>1,375,702</b>
<b>EQUITY</b>			
Share capital	17	74,544	74,544
Perpetual capital notes	18	10,000	10,000
Revaluation reserve	19	(776)	494
Retained earnings	19	24,826	25,466
<b>TOTAL EQUITY</b>		<b>108,594</b>	<b>110,504</b>
<b>LIABILITIES</b>			
Debt securities in issue	20	19,915	19,864
Amounts owed to banks and other institutions	21	18	405
Amounts owed to customers	22	1,210,024	1,214,401
Derivative financial liabilities	10	432	1,267
Current tax liabilities		-	4
Other liabilities	23	19,473	17,787
Accruals	24	10,304	11,470
<b>TOTAL LIABILITIES</b>		<b>1,260,166</b>	<b>1,265,198</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,368,760</b>	<b>1,375,702</b>
<b>Memorandum Items</b>			
Contingent liabilities	25	17,333	13,817
Commitments	25	211,774	197,052

The accounting policies and explanatory notes on pages 62 to 168 form an integral part of the financial statements. The financial statements on pages 56 to 168 were approved by the Board of Directors and authorised for issue on 29 April 2026 and signed on its behalf by David Power (Chief Executive Officer and Managing Director) and Michael Frendo (Chairman) as per the Directors' Declaration on the ESEF Annual Financial Report submitted in conjunction with the Annual Report 2025.



**DAVID POWER**  
Chief Executive Officer & Managing Director



**MICHAEL FREND0**  
Chairman

**Income Statement**

For the year ended 31 December 2025

	Notes	2025 €000	2024 €000
Interest receivable calculated using the effective interest method			
- on loans and advances, balances with Central Bank of Malta and other instruments	26	44,469	45,808
- on debt and other fixed income instruments	26	5,900	5,769
Interest payable and similar expense	27	(19,523)	(20,173)
<b>Net interest income</b>		<b>30,846</b>	<b>31,404</b>
Fees and commission income	28	4,245	4,364
Fees and commission expense	28	(623)	(551)
<b>Net fees and commission income</b>		<b>3,622</b>	<b>3,813</b>
<b>Net trading (loss)/income</b>	29	<b>(2,248)</b>	<b>87</b>
<b>Net (loss)/gain from financial instruments at FVTPL</b>		<b>(313)</b>	<b>632</b>
<b>Gains on disposal of debt instruments</b>		<b>2,101</b>	<b>1,387</b>
<b>Net operating income</b>		<b>34,008</b>	<b>37,323</b>
Employee compensation and benefits	30	(13,901)	(12,953)
Other administrative expenses	31	(15,400)	(11,661)
Depreciation of property and equipment and right-of-use assets	12,14	(974)	(870)
Amortisation of intangible assets	13	(1,112)	(211)
Movements in expected credit losses	33	313	1,664
<b>Profit before tax</b>		<b>2,934</b>	<b>13,292</b>
Income tax expense	32	(314)	(4,373)
<b>Profit for the year</b>		<b>2,620</b>	<b>8,919</b>
Earnings per share (Basic and Diluted) (€ cents)	34	2c7	9c0

The accounting policies and explanatory notes on pages 62 to 168 form an integral part of the financial statements.

## Statement of Comprehensive Income

### For the year ended 31 December 2025

	Note	2025 €000	2024 €000
<b>Profit for the year</b>		<b>2,620</b>	<b>8,919</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be subsequently reclassified to profit or loss</i>			
Financial investments measured at FVOCI:			
- Net gains from change in fair value, before tax	7	(660)	2,893
- Net gains reclassified to profit or loss on disposal, before tax	7	(1,293)	(1,387)
- Net movements in credit losses released to profit or loss, before tax		(1)	25
Income taxes relating to these items		684	(536)
<b>Other comprehensive income for the year, net of tax</b>		<b>(1,270)</b>	<b>995</b>
<b>Total comprehensive income for the year</b>		<b>1,350</b>	<b>9,914</b>

The accounting policies and explanatory notes on pages 62 to 168 form an integral part of the financial statements.

## Statement of Changes in Equity

### For the year ended 31 December 2025

Notes	Share capital €000	Perpetual capital notes €000	Revaluation reserve €000	Retained earnings €000	Total €000
<b>At 1 January 2024</b>	<b>74,544</b>	<b>10,000</b>	<b>(501)</b>	<b>22,143</b>	<b>106,186</b>
<b>Comprehensive income</b>					
Profit for the year	-	-	-	8,919	8,919
<b>Other comprehensive income</b>					
Fair valuation of debt instruments measured at FVOCI:					
- net movement in fair value arising during the year	7	-	1,880	-	1,880
- reclassifications - net amounts classified to profit or loss	7	-	(901)	-	(901)
- changes in allowance for expected credit losses	7	-	16	-	16
Total other comprehensive income for the year	-	-	995	-	995
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>995</b>	<b>8,919</b>	<b>9,914</b>
<b>Transactions with owners</b>					
Distributions to owners:					
Return on perpetual capital notes	18	-	-	(1,107)	(1,107)
Dividends on ordinary shares	37	-	-	(4,489)	(4,489)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,596)</b>	<b>(5,596)</b>
<b>At 31 December 2024</b>	<b>74,544</b>	<b>10,000</b>	<b>494</b>	<b>25,466</b>	<b>110,504</b>
<b>At 1 January 2025</b>	<b>74,544</b>	<b>10,000</b>	<b>494</b>	<b>25,466</b>	<b>110,504</b>
<b>Comprehensive income</b>					
Profit for the year	-	-	-	2,620	2,620
<b>Other comprehensive income</b>					
Fair valuation of debt instruments measured at FVOCI:					
- net movement in fair value arising during the year	-	-	(429)	-	(429)
- reclassifications - net amounts classified to profit or loss	-	-	(840)	-	(840)
- changes in allowance for expected credit losses	-	-	(1)	-	(1)
Total other comprehensive income for the year	-	-	(1,270)	-	(1,270)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,270)</b>	<b>2,620</b>	<b>1,350</b>
<b>Transactions with owners</b>					
Distributions to owners:					
Return on perpetual capital notes	-	-	-	(1,030)	(1,030)
Dividends on ordinary shares	-	-	-	(2,230)	(2,230)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,260)</b>	<b>(3,260)</b>
<b>At 31 December 2025</b>	<b>74,544</b>	<b>10,000</b>	<b>(776)</b>	<b>24,826</b>	<b>108,594</b>

The accounting policies and explanatory notes on pages 62 to 168 form an integral part of the financial statements.

## Statement of Cash Flows

For the year ended 31 December 2025

	Notes	2025 €000	2024 €000
<b>Cash flows from operating activities</b>			
Interest, fees and commission received		48,347	50,224
Interest, fees and commission paid		(20,916)	(18,556)
Net cash inflows from trading activities		3,240	650
Payments to employees and suppliers		(30,065)	(30,964)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>			
		606	1,354
<i>Movement in operating assets:</i>			
Reserve Deposit with Central Bank of Malta		(753)	(1,601)
Loans and advances to customers		(15,602)	(58,382)
Other assets and cheques in course of collection		1,181	(267)
<i>Movement in operating liabilities:</i>			
Amounts owed to customers		(4,449)	130,563
Other liabilities		(281)	1,809
<b>Net cash flows (used in)/generated from operating activities before tax</b>			
		(19,298)	73,476
Income tax paid		(4,230)	(4,745)
<b>Net cash flows (used in)/generated from operating activities</b>			
		(23,528)	68,731
<b>Cash flows from investing activities</b>			
Interest received on financial assets		6,487	4,496
Purchase of property, equipment and intangible assets	12,13	(4,354)	(3,147)
Purchase of financial investments	7	(67,719)	(125,193)
Proceeds from disposal and redemption of financial investments		102,689	74,949
<b>Net cash flows generated from/(used in) investing activities</b>			
		37,103	(48,895)
<b>Cash flows from financing activities</b>			
Return on perpetual capital notes		(1,030)	(1,107)
Dividends paid		-	(4,489)
Principal payments of lease liabilities		(546)	(457)
<b>Net cash flows used in financing activities</b>			
		(1,576)	(6,053)
<b>Net Increase in cash and cash equivalents</b>			
		11,999	13,785
Cash and cash equivalents at beginning of year		124,642	110,857
Effect on exchange rate fluctuations on cash and cash equivalents held		(1,716)	-
<b>Cash and cash equivalents at end of year</b>			
	35	134,925	124,642

The accounting policies and explanatory notes on pages 62 to 168 form an integral part of the financial statements.



# Notes to the Financial Statements

For the year ended 31 December 2025

## 1. STATUTORY INFORMATION

BNF Bank p.l.c. is a public limited liability company domiciled and incorporated in Malta. The Bank was incorporated on 27 March 2007 and started operating as a fully-fledged retail bank during January 2008. The Bank has issued debt instruments which are listed on the Malta Stock Exchange.

The Bank is a standalone credit institution and as from December 2015 the Bank complies with the disclosure requirements laid down in Part Eight of the Capital Requirements Regulation ('CRR'). The Pillar 3 disclosures are aimed at providing the Bank's stakeholders further insight to the Bank's capital structure and adequacy.

The disclosures have been prepared by the Bank in accordance with the Pillar III quantitative and qualitative disclosure requirements as governed by Banking Rule BR/07: Publication of Annual Report and Audited Financial Statements of Credit Institutions authorised under the Banking Act, 1994, issued by the Malta Financial Services Authority ('MFSA').

The Bank publishes full Pillar 3 Disclosures Report as a separate document on the Bank's website.

## 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The Bank's financial statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Banking Act, 1994 (Chapter 371 of the Laws of Malta) and the Companies Act, 1995 (Chapter 386 of the Laws of Malta). These financial statements are prepared under the historical cost convention, except for the following which are measured at fair value: financial investments (those measured at fair value through profit or loss (FVTPL) and at fair value through comprehensive income (FVOCI)) and derivatives.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgment in the process of applying the Bank's accounting policies (see Note 4.1 - Critical accounting estimates, and judgments in applying the Bank's accounting policies).

### 2.2 Standards, interpretations and amendments to published standards effective in 2025

In 2025, the Bank adopted amendments and interpretations to existing standards that are mandatory for the Bank's accounting period beginning on 1 January 2025. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Bank's accounting policies impacting the Bank's financial performance and position.

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

A number of new accounting standards and amendments to accounting standards are effective for annual period beginning on or after 1 January 2026 and earlier application is permitted. The Bank has not early adopted any new or amended accounting standards in preparing these financial statements.

#### *Classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7) (endorsed on 27 May 2025)*

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to

- recognition and derecognition, including accounting for the settlement of financial liabilities using an electronic payment system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability linked features.

Such amendments are not expected to have a significant impact on the Bank.

#### *IFRS 18 Presentation and Disclosure in Financial Statements (endorsed on 13 February 2026)*

IFRS 18, which replaces IAS 1 “Presentation of Financial Statements”, will be effective for annual reporting periods beginning on or after 1 January 2027. The standard introduces a revised framework for the presentation of financial performance, aimed at improving comparability and enhancing the transparency of financial information for users of financial statements. While IFRS 18 does not affect the recognition or measurement of balances, it is expected to have a significant impact on presentation and disclosure, particularly within the statement of profit or loss, including the introduction of management-defined performance measures.

The Bank will adopt IFRS 18 from its mandatory effective date and will not apply the standard early. As retrospective application is required, comparative information for the year ending 31 December 2026 will be restated accordingly. Management is currently assessing the implications of the new standard, with particular focus on the reclassification of income and expenses, the introduction of new required subtotals, the alignment of internal performance measures with disclosure requirements, and the system and process changes necessary to support implementation. The most significant impact is expected to relate to the presentation and disaggregation of performance information in the statement of profit or loss.

#### *Other accounting standards*

The following amendment to accounting standards is not expected to have a significant impact on the Bank’s financial statements:

- Annual Improvements to IFRS Accounting Standards (IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IFRS 7) (endorsed on 9 July 2025).

### 2.4 Segment reporting

For management purposes, the Bank is organised into business units based on its products and services and has four reportable segments, as follows:

- Retail banking - Principally handling customers' deposits, providing consumer loans, overdrafts and funds transfer facilities.
- Corporate banking - Principally handling local loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
- International - Principally consisting of exposures originated by the Bank's branch in London which finance prime property in the UK. The UK branch is licenced to raise deposits which form part of the funding mix.
- Other - Principally treasury and other central functions.

No operating segments have been aggregated to form the above reportable operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors which together with board committees is the Bank's chief decision-maker. Day-to-day decisions also take place at the level of the Bank's Executive Committee and its sub committees, and by persons classified as material risk takers.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are managed on a group basis and are not allocated to operating segments.

An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision-maker.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income or expense.

No reconciliation of differences is required since there are no differences between the measurements of the reportable segments' profits or losses, assets and liabilities and the entity's profit or loss, assets and liabilities.

The Bank does not carry-out transactions between reportable segments.

## 2.5 Foreign currency translation

### 2.5.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in euro (€), which is the Bank's functional and presentation currency.

### 2.5.2 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 the Income Statement.

## 2.6 Financial assets

### 2.6.1 Initial recognition and measurement

The Bank recognises a financial asset in its 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 Bank commits to purchase or sell the asset. Accordingly, the Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

At initial recognition, the Bank 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. At 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 Bank 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 observable markets inputs, the difference is recognised immediately as a gain or loss in the Income Statement.
- In all other cases, the difference between the fair value and the transaction price is deferred. The deferred day-one gain or loss is recognised in profit or loss only to the extent that it arises from the emergence of observable market inputs that market participants would consider in setting the price of the instrument, or upon derecognition of the financial asset.

### 2.6.2 Classification and subsequent measurement

The Bank classifies its financial assets in the following measurement categories:

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

The classification requirements for debt and equity investments are described below.

#### 2.6.2.1 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.

Classification and subsequent measurement of debt instruments depend on:

- The Bank's business model for managing the asset; and

- The cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following two 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 FVTPL, 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 3.2.3. Interest income from these financial assets is included in 'Interest receivable and similar income' using the effective interest rate method.
- *Fair value through other comprehensive income (FVOCI)*: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (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 within 'Gains on disposal of debt instruments at FVOCI'. Interest income from these financial assets is included in 'Interest receivable and similar income' using the effective interest rate method.

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 credit 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 credit loss 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.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial asset 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 Bank 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

Key management personnel determine the Bank's business model by considering the way financial instruments are managed in order to generate cash flows, that is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or 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 FVTPL. Such assessment is performed at a 'portfolio level' as it best reflects the way the business is managed and information is provided to management. 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 Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; 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 Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Bank may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

- b) Cash flows that represent solely payments 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 Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank 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 that is consistent with a basic lending arrangement. 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 FVTPL.

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 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).

### 2.6.2.2 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 Bank subsequently measures all equity investments at FVTPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments at FVOCI when those investments are held for purposes other than to generate investment returns. This election is made on an investment-by-investment basis. 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.

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, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the Income Statement.

### 2.6.3 Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses associated with its debt instruments measured at amortised cost and FVOCI and on the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

Note 3.2.3 provides more detail of how the ECL allowance is measured. ECL allowances are presented in the Statement of Financial Position as follows:

- *Financial assets measured at amortised cost:* As a deduction from the gross carrying amount of the assets;
- *Loan commitments and financial guarantee contracts:* Generally, as a provision;
- *Financial instrument with both a drawn and undrawn component, whereby the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* The Bank 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 Statement of Financial Position against the carrying amount of the asset since the carrying amount of these assets is their fair value. Impairment gains or

losses are recognised in profit or loss, with a corresponding amount recognised in other comprehensive income, and accumulated in equity.

#### 2.6.4 Modification of loans and advances to customers

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

The Bank renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms, and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, revision of interest rate and changing the timing of interest payments. Both retail and corporate loans are subject to the forbearance policy.

When modification happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for expected credit losses calculation purposes. The Bank assesses whether the newly recognised financial asset is credit-impaired at initial recognition. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss.

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The impact of modifications of financial assets on the expected credit loss calculation is discussed in Note 3.2.8.

#### 2.6.5 Derecognition of financial assets (other than on a modification)

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of

ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

Where the Bank neither transfers nor retains substantially all the risks and rewards of ownership and retains control, the Bank continues to recognise the asset to the extent of its continuing involvement.

## 2.7 Derivative financial instruments recorded at fair value through profit or loss

Derivative financial instruments, such as cross-currency swaps and forward foreign exchange contracts are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at their fair value. Fair values are obtained utilising valuation techniques for over-the-counter derivatives, including discounted cash flow models. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair values for currency forwards and swaps are determined using forward exchange market rates at the end of the reporting period. Discounting techniques are applied to reflect the fact that the respective exchange or settlement will occur at a future date and to incorporate the time value of money in the fair valuation of these instruments.

The Bank does not apply hedge accounting. Accordingly, changes in the fair value of derivative financial instruments are recognised immediately in profit or loss.

## 2.8 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at amortised cost less loss allowances. Cash and cash equivalents comprise balances with original maturity of less than three months, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

## 2.9 Property and equipment

All property and equipment used by the Bank is initially recorded at historical cost, including transaction costs, for qualifying assets, borrowing costs. 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank 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.

Property and equipment is stated at historical cost less accumulated depreciation.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Freehold buildings	20-50
Leasehold buildings	10
Computer equipment	4
Other equipment	3-10

The asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, at each financial period end. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

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 (see Note 2.12).

Property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

## 2.10 Intangible assets

Intangible assets consist of computer software and other intangibles. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment on an annual basis and whenever there is an indication that the intangible asset may be impaired (Note 2.12). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial period end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives. Computer software is amortised over 4 - 10 years.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Other intangibles are assessed as having an indefinite useful life.

Subscription fees incurred with respect to Software-as-a-Service (SaaS) arrangements that do not meet the definition of an intangible asset are recognised as an expense throughout the contract term. Implementation and connected staff costs are capitalised on the basis of whether they constitute an intangible asset.

Costs incurred to acquire and bring to use specific software that meet the recognition criteria of IAS 38 are considered intangible assets and are recognised as 'intangible assets not yet available for use' until their implementation process is finalised and the intangible assets are made available for use, at which point, they are amortised over their useful economic life.

Costs that do not meet the recognition criteria of IAS 38 to be recognised as intangible assets are expensed in the year they are incurred. Implementation costs that are not considered to be distinct from the SaaS arrangement and are incurred before the SaaS is put in use, are recognised as a prepayment and expensed over the term of the SaaS arrangement.

## 2.11 Property acquired through judicial action

In certain circumstances, property is acquired by the Bank in settlement of outstanding loans following judicial action.

Upon acquisition, such property is recognised at fair value less costs to sell, with any difference between the carrying amount of the loan and the fair value of the property recognised in profit or loss. Subsequently, property acquired through judicial action is measured at the lower of its carrying amount and fair value less costs to sell.

## 2.12 Impairment of non-financial assets

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

## 2.13 Current and deferred income 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 income tax is recognised 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 income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation

authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.14 Share capital

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

## 2.15 Perpetual capital notes

Perpetual capital notes qualify as Additional Tier 1 capital instruments, are undated and subordinated obligations. These instruments contain no contractual obligation for the Bank to deliver cash or another financial asset. These instruments are redeemable at par at the discretion of the Bank and are classified as equity. Distributions on perpetual capital notes are fully discretionary and non-cumulative and may be cancelled by the Bank at its sole discretion without constituting an event of default. Perpetual capital notes are accounted for within equity in the Statement of Financial Position. Any interest coupon payments are accounted for under transactions with owners within 'Statements of Changes in Equity'.

## 2.16 Financial liabilities

### 2.16.1 Initial recognition and measurement

The Bank recognises a financial liability on its 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.

### 2.16.2 Classification and subsequent measurement

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 (which are mandatorily measured at FVTPL) 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 in 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 guarantee contracts and loan commitments (see Note 2.26).

Financial liabilities measured at amortised cost comprise principally amounts owed to banks and other institutions, amounts owed to customers, debt securities in issue together with other liabilities.

### 2.16.3 Derecognition

The Bank derecognises a financial liability from its Statement of Financial Position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

The exchange between the Bank 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.

### 2.17 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the Statement of Financial Position as an asset with a corresponding obligation to return it (i.e. the repurchase agreement), including accrued interest, as a liability, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate.

When the counterparty has the right to sell or repledge the securities, the Bank reclassifies the presentation of those securities in its Statement of Financial Position to financial assets recognised as FVTPL pledged as collateral or to financial investments recognised as FVOCI pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

### 2.18 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method where applicable.

### 2.19 Provisions for legal and other claims

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

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

## 2.20 Provisions for pension obligations

The Bank contributes towards the government pension defined contribution plan in accordance with local and UK legislation as applicable and to which it has no commitment beyond the payment of fixed contributions. These obligations are recognised as an expense in the Income Statement as they accrue. The Bank does not contribute towards any other retirement benefit plans.

## 2.21 Interest income and expense

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that are not purchased or originated credit-impaired 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).

## 2.22 Fees and commissions

Fees and commissions income and expenses that are an integral part of the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate and treated as part of effective interest. Other material fees and commissions are recognised on an accrual basis when the service has been provided.

Fees and commissions income, comprising account servicing fees, investment management fees, placement fees, fee income from financial guarantees and other similar fees, are recognised as the related services are performed. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. When a loan commitment is not expected to result in the drawdown of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commissions expense, relating mainly to transaction and service fees, are expensed as the services are received.

## 2.23 Dividend income

Dividends are recognised in profit or loss in 'other income' when the entity's right to receive payment is established.

## 2.24 Net trading income

The line item includes income from foreign exchange activities and net income from derivatives (such as cross-currency swaps and forward exchange contracts).

## 2.25 Leases

A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank leases a number of properties and motor vehicles as well as low value items such as photocopiers and note counting machines. Rental contracts are typically made for fixed periods but may have extension options. The lease term reflects the exercise of such options when it is reasonably certain that such extension options will be exercised. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 2.26 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances.

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

- The amount of the loss allowance (calculated as described in Note 3.2.3); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

'Loan commitments' are the Bank's commitments to provide credit under pre-specified terms and conditions and are measured as the amount of the loss allowance (calculated as described in Note 3.2.3).

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn

commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses in excess of the gross carrying amount are recognised as a provision.

#### **2.27 Dividend distribution**

Dividend distribution to the Bank's shareholders is recognised as a liability in the Bank's financial statements in the period in which the dividends are approved by the Bank's shareholders.

#### **2.28 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Introduction

The Board of Directors holds ultimate responsibility for the Bank's risk management framework. To assist in this, the Board has set up board committees tasked with monitoring risk in their respective areas. The committees provide regular reports to the Board of Directors regarding their activities. Additionally, the Bank has management committees that monitor and manage the various risk areas.

Risk management policies, procedures, frameworks and processes have been developed to identify and evaluate the risks the Bank faces, establish appropriate limits and controls, and track risks along with compliance to these limits. These risk management policies and systems undergo regular reviews to ensure they reflect changes in market conditions, regulatory requirements and the Bank's product and services. The Bank also offers relevant risk related training tailored to the specific needs of its staff members.

The Bank's business model exposes it to financial risks and non-financial risks. The key elements of the Bank's business model include: the corporate lending portfolio, which consists of loans to Maltese corporations; the retail lending portfolio, primarily consisting of residential mortgages to Maltese customers; and the international lending portfolio, which includes loans to UK corporations.

The Bank is exposed to risks, categorised as follows:

- *Credit risk*: The risk of losses arising from untimely or non-repayment of existing or contingent credit obligations, generally resulting from deterioration in the financial condition of a borrower. The Bank is exposed to credit risk on customers, clients or market counterparties, through interbank, commercial and consumer loans and advances, loan commitments arising from such lending activities, and credit enhancement provided, such as financial guarantees, documentary credits, endorsements and acceptances. The Bank is also exposed to credit risk on investments in debt securities and derivatives as well as settlement balances with market counterparties.

Credit risk could impair the quality and hence the value of the Bank's lending assets. Country risk and settlement risk are included in this category. Country risk refers to the risk of losses arising from economic or political changes that affect the country of origination of an asset. Settlement risk refers to the risk of losses through failure of a counterparty to settle outstanding dues on the settlement date.

- *Market risk*: The risk of losses arising from fluctuations in fair value or future cash flows of financial instruments, due to changes in market variables such as prices, interest rates and currencies, the correlations between them, and their levels of volatility.
- *Liquidity risk*: The risk of losses due to:
  - i. The Bank's funding costs increasing disproportionately;
  - ii. Lack of funding preventing the Bank from establishing new business; and
  - iii. Lack of funding which will ultimately prevent the Bank from meeting its obligations.

Liquidity risk arises from:

- i. Market (product) liquidity risk: The risk of losses arising from the inability to easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption; and
- ii. Funding liquidity risk: The risk of losses arising from a timing mismatch between investing, placements and

fundraising activities resulting in obligations missing the settlement date or satisfied at higher than normal rates.

- *Operational risk*: The risk of direct or indirect losses arising from inadequate or failed internal processes, system failure, human error, fraud or from external events (including legal risk). When controls fail to perform or underperform, operational risks can cause damage to reputation, have legal or regulatory implications, and/or lead to financial loss.
- *Environmental, Social and Governance (ESG) risks*: The risks of any negative financial impact on the Bank stemming from the current or prospective impacts of ESG factors on its counterparties or invested assets and their interaction with traditional risk categories such as credit, market and liquidity risk. ESG factors refer to environmental, social and governance factors that may have a positive or negative impact on the financial performance or solvency of the Bank.

The Bank has in place a Risk Management Framework which establishes the principles and standards for effective financial risk management and control. This establishes the Bank's Risk Appetite, Governance, Policies and Procedures as well as monitoring and reporting practices. The Risk Management Framework is an integral part of the Bank's organisational and governance structure, the details of which are set out in the Statement of Compliance with the Principles of Good Corporate Governance.

### Three lines of defence

The Bank's Risk Management Framework is modelled on the Three Lines of Defence Principle:

- **The first line of defence**

The first line of defence comprises of the internal entities which own and manage the risks. The control duties in the first line underline the dual responsibility which is to generate business for the organisation while remaining cognisant of the associated risks and controls. The first line is composed primarily of all commercial, customer-facing and operational or internal support departments.

- **The second line of defence**

The second line of defence comprises of all functions, including risk and compliance control functions, providing oversight and support to the first line of defence. The key duties of the second line are to monitor and report risk-related practices and information, and to oversee all types of compliance and financial controlling issues. The second line of defence defines preventive and detective control requirements and ensures that such requirements are embedded in the policies and procedures of the first line.

- **The third line of defence**

The third line of defence comprises the Internal Audit Function, which provides independent assurance to Management and the Board of Directors on a broad range of objectives, including efficiency and effectiveness of operations, safeguarding of assets, reliability and integrity of reporting processes and compliance with laws and regulations. The Internal Audit Function has a direct reporting line to the Audit Committee.

### Risk Culture

The Board of Directors is responsible for the Bank's risk culture, and for outlining its long-term objectives. Furthermore, the Board has the responsibility for ensuring that the Executive Committee implements a strategy which enables the Bank to meet its objectives while respecting its risk appetite.

To this end, the Board of Directors continuously challenges the Bank's management and their performance and has delegated the responsibility of the oversight of risk management to the Risk Committee. Through the Risk Committee, the Board of Directors regularly and comprehensively engages in analysis of the Bank's risk position. The primary tools used by the Risk Committee to address their responsibility are the Risk Appetite and the Risk Management Process.

### **Risk Appetite**

The Board has approved a Risk Appetite Statement which sets out the Bank's tolerance to risk exposure with respect to all risks identified. The Risk Appetite Statement is reviewed and approved by the Board on an annual basis, or more frequently, if required, to remain consistent with the Bank's strategy, business and any regulatory requirements.

This statement is translated into a system of risk limits for all risks which the Bank considers as material, to ensure that the Risk Appetite is fully embedded throughout the Bank. The established limits are grouped and have different triggers and thresholds including escalation requirements, for further action.

The Bank allocates resources to monitor ongoing compliance with approved limits and has a fixed reporting cycle to ensure that Management and the Board of Directors are informed of all material matters in this respect.

### **Risk Management Process**

The Bank's risk management process forms an integral part of its Risk Management Framework, and is outlined as follows:

- **Identification and assessment of material risks and controls**

The Bank carries out an analysis of its business model and strategy on a regular basis. As part of that analysis, the Bank endeavours to identify its key vulnerabilities, being the areas that drive its risks and potential scenarios of stress.

The Bank maintains a risk taxonomy which is updated on a regular basis, identifying risk categories and sub-categories of risk exposure.

- **Risk measurement and mitigation**

The Bank aims to mitigate risk with controls where possible, by ensuring that adequate processes, procedures, and systems of internal control are in place at all times. Systems of internal control also support accurate financial reporting, which in turn aids effective decision making.

Identified risks are evaluated both on a holistic and micro level, across different levels and different business lines. Following risk identification, the inherent level of risk is assessed by considering the risk drivers, probability of occurrence and potential impact. The availability and effectiveness of mitigating controls is also assessed in order to derive the level of residual risk.

Subsequent to the identification of the residual risk, the Bank initiates a process whereby further risk mitigation action plans are implemented to further treat such residual risk.

In cases where residual risk remains beyond the Board's risk appetite or where the residual risk is not considered acceptable, further risk treatment is considered. Additionally, such risks are often targeted as part of the Bank's stress testing framework and may be considered as part of the Pillar 2 add-on.

- **Monitoring and reporting**

The Risk function is involved in aggregating and reporting risks, ongoing reporting and overseeing the risk mitigation activity being recommended.

The Bank's risk profile is not static but changes according to internal and external risk drivers and factors. The regular monitoring and reporting of risks in line with the framework of various committees within the Bank, ensures that limits are being observed and analysed by different structures within the Bank and where needed, the risk profile is adjusted accordingly to better reflect the Bank's business model.

Qualitative and quantitative aspects of the Bank's risk position are regularly reported to and discussed by top management. This includes the Board of Directors and its sub-committees i.e. the Audit Committee and Risk and Compliance Committee, the Executive Committee, as well as management committees, such as the Asset and Liabilities Committee ('ALCO').

Regulatory risk reporting also takes place regularly through the ICAAP and ILAAP reports and the Recovery Plan.

### 3.2 Credit risk

Credit risk is the single largest financial risk for the Bank. In this regard, as an integral component of the second line of defence, management has established a framework that delineates distinct responsibilities pertaining to various facets of credit risk. This framework embodies two discrete and segregated functions:

- *Credit Analysis Department:* Responsible for credit risk management activities by way of analysis of credit requests, implementation of credit policies, and participation in credit committees where credit decisions are taken by consensus; and
- *Risk Control and Oversight Department:* Responsible for credit, concentration, and correlation risk control and oversight activities. This Department does not actively participate in credit decisions, and is responsible for the maintenance of credit policies, risk models, metrics, tools, monitoring and reporting on adherence or otherwise to the Bank's Risk Appetite Framework on credit and other risks.

The above-mentioned functions report to the Chief Risk Officer (CRO) who forms part of the Bank's Executive Committee. In terms of organisational structure, the CRO has a duty to report inter alia to the Risk and Compliance Committee and is frequently invited to report to the Audit Committee on credit and other financial risks.

Credit decisions are taken within credit committees where, at each discretionary level, the risk function is represented through the Credit Analysis Department.

The Bank's Credit Committees' structure is composed of various levels ranging from Level 1 to Level 2, Executive Credit Committee (ECC) / Executive Committee (EC), the Credit Approval Committee (CAC) / the Board of Directors (BoD). The BoD acts as the highest approval body within the Bank whilst the CAC is a board committee. The role of the CAC is to approve credit applications within an established range, and to make recommendations to the Board in respect of credit applications that fall within the approval range of the BoD.

The CAC may escalate to the Board any credit application where it considers that action is needed, with recommendations as to the steps to be taken. Furthermore, the BoD also delegated oversight functions related to credit risk to several board committees, such as the Audit Committee and the Risk and Compliance Committee.

### 3.2.1 Credit risk management

Lending decisions should achieve a reasonable balance between the risks and returns of extending credit to a customer. The Bank has a credit authorisation structure, made up of various credit committee levels; ranging from the lowest level, which includes authorisation by a Branch/Senior Manager and an Analyst/Manager from the Credit Analysis Department to the highest level, being the Board of Directors. Each credit committee level is assigned a sanctioning limit, under which it can operate within specific guidelines. Within its discretionary limit, a credit committee can approve new credit, increase, reduce or otherwise amend the terms and conditions of existing facilities, or simply renew existing facilities without altering the terms and conditions at original sanction. A credit committee has the onus to ensure that the facility carries acceptable credit risk and meets credit rating requirements. Lending is not primarily based on the existence of collateral but on the customer's perceived ability to repay the exposure from the primary repayment source.

At the same time, the existence of security acts as a fall-back option available in case of need. Where applicable the Bank ensures that security held is perfected. The majority of facilities are secured either by cash, financial assets, property and/or guarantees.

Facilities are generally reviewed periodically. In a facility review, the Bank analyses factors such as the customer profile, credit quality, non-financial considerations, adherence to internal policies and procedures, and profitability.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

The Bank rigorously applies a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular revisions to collateral.

In addition, exposures which are technically performing but exhibit early signs of deterioration (e.g. days past due and/or other early warning signals), are separately analysed on a monthly basis by the Risk Department in liaison with the business units. This often results in prompt revision of individual risk rating, revised expected loss quantification, and instigation of corrective action.

Credit quality is also reviewed in aggregate by portfolio, to provide early identification of possible changes in the creditworthiness of relevant portfolio segments.

The Bank has in place policies and procedures which formalise the above internal control mechanisms.

The Bank continued to adapt its credit risk management processes for the purposes of identifying deterioration in credit risk within its portfolios and estimating expected credit loss allowances using the best possible judgement.

#### *Credit risk and the economy*

During the financial year ended 31 December 2025, global macro-economic conditions showed signs of gradual stabilisation after a prolonged period of volatility. Inflation continued to moderate as supply chain pressures eased and the effects of earlier monetary tightening filtered through, prompting major central banks to maintain a more accommodative policy stance.

Malta's economy remained resilient, supported by strong labour market conditions, sustained domestic demand, and ongoing investment activity. Economic growth continued to outperform the euro area average, while unemployment remained at historically low levels and is expected to decline further to 2.8%.

The Bank also continued to monitor developments in the UK debt market as part of its credit risk assessment framework. This includes regular analysis of UK specific macroeconomic indicators, such as interest rates, inflation, unemployment, and GDP growth, to evaluate their potential impact on borrower repayment capacity. In addition, the Bank utilises credit risk tools to monitor Probability of Default (PD) metrics and conducts internal credit reviews to assess borrower creditworthiness on an ongoing basis.

### 3.2.2 Credit risk measurement

Measurement of credit risk considers that an exposure varies with changes in market conditions, expected cash flows and the passage of time. The Bank's internal models measure expected credit losses by portfolio using probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters. Refer to Note 3.2.3.3 for more details.

- Loans and advances to customers

The Bank uses internal credit risk gradings (see Note 3.2.7) to reflect its assessment of the probability of default of individual counterparties or facilities. Internal credit risk gradings are based on payment behaviour, loan specific information and expert judgement of the Bank's credit committees.

Information considered by the Bank when determining the internal credit risk grades includes the payment behaviour of the borrower and other information about borrowers which impact their creditworthiness, including level of income and/or financial performance.

The internal credit risk gradings are calibrated such that they reflect the increased risk of default at each higher risk grade.

#### *Corporate*

For corporate business, which includes both the local and international segments, the rating is determined at the borrower level. A Bank official will incorporate any updated or new information/credit assessments into the Bank's credit system on an ongoing basis. In addition, a Bank's official will also update information about the creditworthiness of the borrower from sources such as financial statements.

The creditworthiness of the borrower is considered in every periodic review. This will determine the updated internal credit risk grading.

#### *Retail*

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on an ongoing basis. Any other known information about the borrower which impacts their creditworthiness, such as unemployment and previous delinquency history, is also captured.

- Other financial assets

Other financial assets include balances with the Central Bank of Malta, investments and loans and advances to banks. The Bank considers external risk grades to reflect its assessment of the probability of default of individual counterparties. These published grades are continuously monitored and updated. The PD associated with each grade are determined based on realised default rates over the recent periods.

In determining the probability of default of individual counterparties, the Bank distinguishes between exposures considered as investment-grade and non-investment grade.

**3.2.3 Expected credit loss measurement**

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

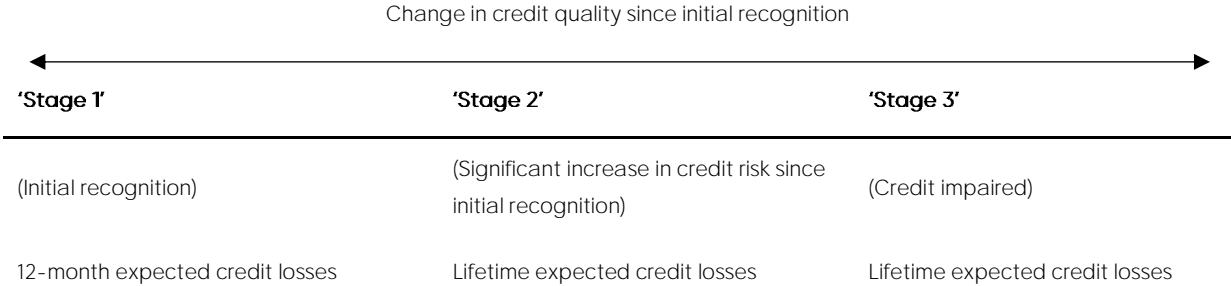
- A financial instrument that is not credit-impaired upon initial recognition is classified in 'Stage 1'.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to Note 3.2.3.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument becomes credit-impaired, the financial instrument is moved to 'Stage 3'. Refer to Note 3.2.3.2 for the Bank's definition of credit-impaired.
- 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. Refer to Note 3.2.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that forward looking information is considered. Note 3.2.3.4 includes an explanation of how the Bank has incorporated forward looking information into ECL models.

Further explanation is also provided of how the Bank determines appropriate groupings of loans and advances to customers for ECL measurement (see Note 3.2.3.5).

The expected credit loss requirements apply to financial assets measured at amortised cost and FVOCI, and 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").

The Bank recognises loss allowances at an amount equal to 12-month ECL for debt investment securities that are determined to have low credit risk at the reporting date. The Bank considers a debt security to have low credit risk when it is considered 'investment-grade', defined by recognised external rating agencies.

The following diagram summarises the impairment requirements under IFRS 9:



**3.2.3.1 Significant increase in credit risk (SICR)**

To determine whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank 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 Bank's historical experience, credit assessment and forward-looking information.

The Bank primarily identifies whether a SICR has occurred for an exposure within the loans and advances to customers, through the Bank's internal risk gradings. The Bank allocates each exposure to an internal rating grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different internal rating grade (refer to Note 3.2.7). Exposures which exhibit a SICR are subject to extended ongoing monitoring. The Bank identifies SICR and classifies non-defaulted exposures as 'Stage 2' when these fulfil at least one of the following conditions:

- The exposure is considered forbore and allocated a forbearance flag under the Bank's definition of forbearance (set out in section 3.2.7);
- The credit quality of any other exposure to the same customer is not considered 'regular' (except where otherwise stated in the Bank's Credit Policy e.g. cash covered facilities); and
- The borrower's internal rating grade is not considered 'high-grade', as defined in Note 3.2.7.

The Bank has utilised segmentation techniques for the purposes of identifying indicators of SICR within both retail and corporate portfolios, local and international exposures.

In relation to retail portfolios, SICR is generally determined on the basis of delinquency related indicators since less information is available at asset level to enable the timely identification of a SICR. Due to the heightened risks, the Bank continued to rigorously apply its credit assessment and oversight processes, which include monitoring of arrears.

In the context of the corporate portfolio for both local and international segments, the Bank continues to rigorously assess and monitor its borrowers through credit assessments. Judgement is exercised in evaluating all relevant information on indicators of impairment, particularly where factors indicate deterioration in the financial condition and outlook of borrowers, affecting their ability to pay and potential breach of any covenants. During 2025, the Bank continued to intensify its efforts to obtain updated recent financial information on the underlying business of the borrowers with a view to continue carrying out further enhanced assessments.

Monitoring typically involves use of the following data:

#### Corporate Exposures\*

- Information obtained during periodic review of customer files - e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with contractual conditions, quality of management and senior management changes.
- Data from credit reference agencies, press articles and data available

#### Retail Exposures

- Internally collected data on customer behaviour - e.g. utilisation of credit card facilities.
- Affordability metrics.

#### All Exposures\*

- Payment record - this includes overdue status as well as a range of variables about payment ratios.
- Utilisation of the granted limit.
- Requests for and granting of forbearance.
- Existing and forecast changes in business, financial and economic conditions.
- Monitoring of any days in arrears and payment patterns.

**Corporate Exposures\***

- through credit risk assessment platforms.
- Data and reports available on loan syndication platforms.
  - Covenant certification analysis. Monitoring of covenants in place, through requested reports, data available and monitoring (particularly for international syndicated facilities).
  - Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
  - Management / shareholders / internal conflict which threatens the business viability.
  - Demise of key person.
  - Privilege creditors default including failed repayment arrangements, erosion of collateral held and/or result in non-sustainable repayment positions.
  - Negative news which could affect the business's viability.
  - Loss of a big customer &/or market share.

**Retail Exposures****All Exposures\***

- Legal / regulatory issues (including ESG considerations).
- Court cases instituted against client/business which could jeopardise repayment.

*\*Corporate exposures cover both the local and international segments.*

The assessment of SICR incorporates forward-looking information (see Note 3.2.3.4) and is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Analysis Department.

As a backstop, and as required by IFRS 9, the Bank presumes that SICR has occurred when a loan to a customer is more than 30 days past due. The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

In the case of other financial assets (including loans and advances to banks and investments in debt securities), the Bank 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' to 'non-investment grade' does not automatically mean that there has been a SICR.

During 2025 management continued to closely monitor the portfolio in the context of ongoing macroeconomic developments. In this respect, following the subsiding of inflationary pressures, the lowering of market interest rates, as well as management's

experience with limited credit rating downgrades and default events being observed, the remaining management overlay on the corporate portfolio was no longer deemed to be required and was fully released as at 31 December 2025.

Further details on the macroeconomic forecasts used in the ECL calculations are provided in Note 3.2.3.4.

### 3.2.3.2 Definition of default and credit-impaired assets

The Bank'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.

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

The Bank determines that a financial instrument is credit-impaired or in default (and accordingly stage 3 for IFRS 9 purposes) by considering relevant objective evidence, primarily whether:

- The debtor is deemed unlikely to meet financial commitments with the Bank;
- The exposure is more than 90 days past due;
- An exposure in the form of a commitment that, was drawn down or otherwise used, would likely not be paid back in full without realisation of collateral;
- An exposure where additional forbearance measures are granted, or where whilst the exposure is under probation following the granting of forbearance measures, becomes more than 30 days past due; and
- An exposure in the form of a financial guarantee that is likely to be called by the guaranteed party, including where the underlying guaranteed exposure meets the criteria to be considered to be non-performing.

As set out in this section, the Bank's definitions of credit-impaired and default are fully aligned.

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

- Qualitative - such as non-adherence to terms and conditions of sanction and/or other breaches of covenant;
- Quantitative - such as overdue status and non-payment of another obligation of the same obligor to the Bank; and
- Based on data developed internally and obtained from external sources.

The default definition is applied consistently when modelling the PD, EAD and LGD parameters throughout the Bank's expected credit loss calculations.

Except for forbore exposures, an instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of at least three months. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. In the case of forbore exposures, as stated in Note 3.2.8, the cure period comprises 12 consecutive monthly repayments made in a timely manner with a minimal grace period of one day (i.e. one or more repayments may be made no more than one day late).

The Bank considers other financial assets to be in default when a payment due including a coupon payment is not effected.

### 3.2.3.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

Expected credit losses are measured on either a 12-month 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. Further details are set out in Note 3.2.3.4.

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

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 derived from internally developed statistical models and other historical 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 assets' above), either over the next 12 months, or over the remaining lifetime of the obligation. Accordingly, the 12-month and lifetime PD represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

PD estimates are estimates at a certain date, which, for loans and advances to customers are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on compiled data comprising both quantitative and qualitative factors using internal and external sources.

With respect to the retail portfolio (as defined in Note 3.2.3.5), the PD calculation is based on fitting theoretical distribution to historical default rates in particular periods after origination ('months on book') for each homogeneous portfolio, to produce term structure of point-in-time PD.

In the case of the local corporate portfolio (as defined in Note 3.2.3.5), the PD calculation is based on a transition matrix approach which determines the probability of a borrower's transition from one internal rating class to another (or staying within the same class) by tracking the historical movement of loans between stages over a defined period of time. The PD is calculated on the basis of a 12-month horizon, with quarterly frequencies. The main assumptions underlying this approach is that the PD does not depend on 'months on book' and that the future PD depends on current characteristics of the exposure or borrower.

Due to the lack of internal history of defaults on the international lending portfolio (as defined in Note 3.2.3.5), the Bank applies PDs which are sourced from renowned external service providers which assess the credit risk of small and medium-sized enterprises ('SMEs'), and determine PDs by reference to financial and non-financial aspects namely the entity size, country, industry sector, corporate governance and the macroeconomic environment in which the entity operates. Furthermore, these PDs are Point in Time PDs and only take into account the situation of the company at the moment of assessment.

Market data is used for the PD of loans and advances to banks and investment securities. If a counterparty or exposure migrates between internal rating grades or external credit ratings, such will lead to a change in PD.

The Lifetime PD is developed as follows:

- *Retail portfolio*: Obtaining an average PD profile for homogenous groups by fitting a parametric distribution to the Bank's historical default rates. Homogenous grouping is based on similar months on book, days past due and internal ratings. The average PD profile is adjusted to consider forward-looking information through macroeconomic modelling to arrive to the final unconditional PD..
- *Corporate portfolio*: Obtaining a transition matrix which shows the probability of a borrower's transition from one internal rating class to another (or staying in the same class) within a given horizon, raised to a particular power. The conditional PD is adjusted to consider forward-looking information through macroeconomic modelling to arrive to the final unconditional PD.
- *International portfolio*: Case by case PDs are obtained by reference to financial and non-financial aspects namely the entity size, country, industry sector, corporate governance and the macroeconomic environment in which the entity operates. Lifetime PDs are derived by applying the 10-year multipliers to the entity's point-in-time PD, while also taking into consideration the entity's bond equivalent rating to arrive to the final unconditional PD.

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

The 12-month and lifetime EAD 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; and
- For revolving products, the exposure at default is predicted by taking the 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 the analysis of the Bank's default data.

Loss Given Default ('LGD') represents the Bank's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD assuming an event of default. LGD takes into account among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money. The 12 month and lifetime LGD are determined based on the factors which impact the recoveries post default.

For secured products, LGD is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed. The LGD for exposures secured by real estate is derived from the adjusted loan-to value ratio of the individual facilities, and takes into account the expected recovery by applying haircuts for the cost to sell the property. Also taken into account are the sales ratio and sales ratio volatility, and the effect of discounting (using the effective interest rate) over a projected time to sell period. The sales ratio resembles a market value haircut while the sales ratio volatility captures the standard deviation of the sales ratio.

For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

ECL are measured from the initial recognition of a financial asset. The maximum period considered when measuring ECL (whether 12-month or lifetime ECL) is the maximum contractual period over which the Bank is exposed to credit risk. With respect to non-revolving credit facilities, the contractual life of the facility is considered. In the case of revolving credit facilities, provided that such facilities do not have a fixed term or repayment structure, the Bank considers the lifetime of such exposures

to be 6 months, in cases where the next substantive credit review is within the next 6 months. Otherwise, for the purpose of measuring ECL, the Bank considers a lifetime of 12 months. For the credit cards portfolio, the Bank considers a lifetime of 36 months. These behavioural lifetimes reflect the period over which the Bank is exposed to credit risk, taking into account contractual features, historical customer behaviour and the frequency of substantive credit reviews.

Forward-looking economic information is considered in determining the 12-month and lifetime PD and LGD. Refer to Note 3.2.3.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculations are monitored and reviewed on a regular basis. For individually significant credit impaired loans, management determines the size of the allowance required based on a range of factors such as the realisable value of security, the viability of the customer's business model and the capacity to generate cash flow to service debt obligations, under different scenarios. Judgement is applied in estimating the expected future cash flows from each borrower and the time to recover these cash flows under the different scenarios as well as to attach probabilities to those scenarios. The assumptions around forecasted recoveries from the sale of collateralised properties, including around valuation haircuts and time to recovery, are key drivers in the estimation of credit loss allowances in respect of individually assessed loans.

Judgement is applied in estimating the expected future cash flows from each borrower and the time to recover these cash flows under the different scenarios as well as to attach probabilities to those scenarios. The assumptions around forecasted recoveries from the sale of collateralised properties, including around valuation haircuts and time to recovery, are key drivers in the estimation of credit loss allowances in respect of individually assessed loans.

A level of expert judgement is required to predict with reasonable accuracy the recoverability of exposures through cashflows from the sale of collateral. The estimated ECL remains subject to a moderately high degree of uncertainty around the time to repossess properties held as collateral and to resell such properties in the open market.

### 3.2.3.4 Forward-looking information incorporated in the ECL model

#### *Methodology*

The calculation of ECL incorporates forward-looking information. The Bank performs a historical analysis to identify the key economic variables affecting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD may vary by portfolio.

In this respect, the Bank has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. These key drivers include:

- *Corporate exposure:* The Average Gross Salary Growth, Unemployment Rate and the Real Estate Price Index, were incorporated due to the significant influence these indicators exert on local investment activity and the overall performance of corporate entities.
- *Retail exposure:* The Real GDP Growth, Unemployment Rate, Real Estate Price Index and Average Gross Salary Growth, given the significant impact they have on local investment and labour market. The performance of these economic indicators affects repayment feasibility of secured and unsecured retail borrowers.
- *International Portfolio:* The UK GDP Growth, UK Inflation Rate, UK Unemployment Rate and BOE Bank Rate are being considered, given that together these four macro-economic indicators contribute best to the model.

The impact of these economic variables on the PD is determined by performing statistical regression analysis to understand the historical impact that changes in these variables had on the Bank's default rates.

Three possible scenarios are considered to capture non-linearity across credit portfolios. The 'Baseline' 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 over the next three years. Apart from the 'baseline' scenario, the Bank considers an 'upside' and a 'downside' macro-economic scenario; which respectively represent a more optimistic and a more pessimistic outcome. Such scenarios reflect the current top and emergent risks and opportunities. The Bank considers economically plausible upside and downside scenarios, and the downside scenario is not necessarily 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 into 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). Probability-weighted ECL 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).

For the international portfolio as highlighted in section 3.2.3.3, due to the lack of internal history of defaults specific to the portfolio, the Bank applies PDs which are sourced from a renowned external service provider which assesses the credit risk of small and medium-sized enterprises ('SMEs'), and determines PDs by reference to financial and non-financial aspects namely the entity size, country, industry sector, corporate governance and the macroeconomic environment in which the entity operates. In line with the IFRS9 Methodology, upside and downside scenarios are also calculated for each customer. Baseline financial data is stressed by the annually revised financial data multipliers which are developed based on the current and forecasted macro-economic scenarios.

Market data is used for the PD of loans and advances to banks and investment securities. If a counterparty or exposure migrates between internal rating grades or external credit ratings, such will lead to a change in PD.

#### *The economic context and economic scenarios considered*

During the financial year ended 31 December 2025, global economic growth remained moderate as overall demand remained subdued amid heightened uncertainty, driven by geopolitical tensions and increased trade fragmentation. Ongoing conflicts in Eastern Europe and the Middle East, together with threats of trade wars and concerns about supply chain disruptions further impacted overall investment sentiment.

Economic growth in the euro area exceeded expectations and remains supported by a resilient labour market, improved financial conditions and decreasing inflation. Indeed, in 2025, euro area inflation rates neared the 2% medium-term target, with projections indicating further decreases in 2026. Nevertheless, economic forecasts remain characterised by high uncertainty as the economic outlook could be impacted by lingering geopolitical events, which increase the likelihood of cyberattacks, ongoing trade tensions as well as higher tariffs introduced by the US.

While global economic prospects for 2026 remain subdued, the Maltese economy is expected to grow at a stable rate in the next three years, driven by private consumption and investment. Inflation in Malta remained close to the 2% ECB target, with forecasts for the next three years estimating the rate to ease further driven primarily by lower services inflation. Public finances are also projected to continue to improve as public debt remains below 50% of GDP. As a small open economy, a significant worsening of global economic or geopolitical conditions could affect Malta through higher energy and import prices or a slowdown in exports and tourism activity.

The UK economy grew at a slow pace during 2025. Lower underlying productivity growth continues to prevail in the forecasts pointing to sub-1% to 1% growth, reflecting a period of subdued economic momentum. While the inflation rate in the UK dropped in 2024, it rose in 2025, prompting the BoE to implement four rate cuts totalling one percentage point in the course of 2025. Further cuts could continue to alleviate cost pressures and debt repayment burdens on the UK corporate market. Effective risk management remains paramount in proactively identifying any underlying signs of vulnerabilities.

Despite the above-mentioned challenges and economic uncertainties, the Bank's portfolio did not show any meaningful signs of credit quality deterioration. The Bank's credit portfolio remained sound, with asset quality indicators broadly stable throughout the year. The non-performing exposure (NPE) ratio remained low supported by conservative underwriting practices, strong collateralisation levels, and the continued resilience of the domestic economy.

Nonetheless, the Bank maintains a cautious stance, applying affordability stress tests and applying sector specific risk assessments, with heightened scrutiny of exposures to more cyclical industries.

As with any macro-economic forecast, the projections and likelihoods of occurrence are subject to a degree of uncertainty and actual outcomes could vary from those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes after analysing different simulations to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

An element of expert judgement has also been applied particularly in terms of the calibration of scenario weightings.

The most significant period-end assumptions used for the ECL estimate as at 31 December 2025 are set out below. The 'baseline', 'upside' and 'downside' scenarios were used for all portfolios:

- The 'baseline' scenario captures business-as-usual macroeconomic expectations, whereby the current rhythm of economic activity is maintained;
- The 'downside' scenario is based on a subdued level of economic activity hypothesized to correspond to an economic recession;
- The 'upside' scenario is based on the assumption that it would be possible to marginally improve further over the already benign economic conditions.

	As at 31 December 2025		
	2026	2027	2028**
<b>Average gross salary rate (YoY)*</b>			
'Baseline'	4.50%	4.34%	4.23%
Range of forecasts for alternative scenarios	[2.3 – 4.8]%	[1.4 – 4.7]%	[1.1 – 4.7]%
<b>Real GDP rate (YoY)*</b>			
'Baseline'	4.63%	4.08%	4.11%
Range of forecasts for alternative scenarios	[2.9 – 5.4]%	[1.9 – 5.1]%	[1.7 – 5.2]%
<b>Unemployment rate (YoY)*</b>			
'Baseline'	3.45%	3.61%	3.67%
Range of forecasts for alternative scenarios	[3.4 – 3.6]%	[3.5 – 3.8]%	[3.6 – 3.9]%
<b>Real Estate Price Growth rate (REPI) (YoY)*</b>			
'Baseline'	5.74%	5.74%	5.74%
Range of forecasts for alternative scenarios	[5.1 – 5.9]%	[5.0 – 6.0]%	[4.9 – 6.0]%

\*YoY = year on year

\*\* 2028 Q3 data forecast

	As at 31 December 2024		
	2025	2026	2027**
Average gross salary rate (YoY)*			
'Baseline'	1.93%	3.20%	3.48%
Range of forecasts for alternative scenarios	[-0.1 – 2.3]%	[0.4 – 3.7]%	[0.3 – 4.0]%
Gross Fixed Capital Formation (GFCF) (YoY)*			
'Baseline'	-5.90%	-3.06%	-1.45%
Range of forecasts for alternative scenarios	[-9.3 – -2.0]%	[-7.7 – 2.1]%	[-6.8 – 4.5]%
Real GDP rate (YoY)*			
'Baseline'	4.98%	4.88%	4.80%
Range of forecasts for alternative scenarios	[2.6 – 6.2]%	[1.7 – 6.5]%	[1.1 – 6.6]%
Unemployment rate (YoY)*			
'Baseline'	3.43%	3.62%	3.71%
Range of forecasts for alternative scenarios	[3.3 – 3.6]%	[3.4 – 3.8]%	[3.5 – 3.9]%
Real Estate Price Growth rate (REPI) (YoY)*			
'Baseline'	5.66%	5.65%	5.65%
Range of forecasts for alternative scenarios	[5.1 – 6.0]%	[5.0 – 6.1]%	[4.9 – 6.1]%

\*YoY = year on year

\*\* 2027 Q3 data forecast

The weightings assigned to each economic scenario were 50% (2024: 50%) for the 'baseline' scenario, 25% (2024: 25%) for the 'downside' scenario and 25% (2024: 25%) for the 'upside' scenario. The number of scenarios used is based on the analysis of each major product type to ensure that non-linearities are captured.

The number of scenarios and their attributes including the macroeconomic variables are reassessed at each reporting date. The economic scenarios were simulated over a full economic cycle. There were no significant changes in the estimation techniques during the year.

#### *Economic scenarios sensitivity analyses of ECL estimates*

The outcome of the Bank's credit loss allowances estimation process is sensitive to judgements and estimations made throughout the incorporation of forward-looking macro-economic conditions. Management has assessed the sensitivity of the Bank's expected credit losses by assigning a 100% weighting to the baseline, downside and upside scenario respectively. The Bank's credit loss allowances would decrease by €0.6 million (2024: €0.6 million) if the provisions had to be calculated solely on the baseline scenario; ECLs would increase by €1.9 million (2024: €2.2 million) if these had to be estimated using only the downside scenario and would reduce by €1.8 million (2024: €1.7 million) if the upside scenario only were to be taken into consideration. This analysis illustrates the sensitivity of the Bank's expected credit loss allowances to changes in macroeconomic assumptions. Considering any of these scenarios, the Bank would remain in a profitable position. In the directors' view this demonstrates the Bank's resilience in overcoming negative shocks and the ability to absorb such changes, if necessary.

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 matter is reviewed and monitored for appropriateness on an ongoing basis.

#### **3.2.3.5 Categorisation of loans and advances to customers for ECL measurement**

As part of the ECL model, the Bank classifies its exposures to loans and advances to customers into groups with similar characteristics that include instrument type. In this respect, the Bank considers the following categories when measuring ECL:

- Retail portfolio, which includes loans and advances to individual customers such as mortgages, credit cards and other consumer credit.
- Corporate portfolio, which includes local loans and advances to local business entities.
- International portfolio, which includes international loans, presently corporate exposure originated by the Bank's branch in the United Kingdom which finances prime properties.

### 3.2.4 Maximum exposure to credit risk

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

- Financial assets recognised on-balance sheet comprising principally balances with Central Bank of Malta, debt instruments measured at FVOCI and amortised costs, and loans and advances to banks and customers. The maximum exposure to credit risk of these financial assets is equal to their gross carrying amounts. Refer to section 3.2.11 for information on the impact of collateral held for loans and advances to customers.
- Documentary credits and guarantee obligations incurred on behalf of third parties. The latter carry the same credit risk as loans, whilst documentary credits are collateralised by the underlying shipments of goods to which they relate, and therefore carry less risk than a loan to a customer. The maximum exposure to credit risk is the full amount that the Bank would have to pay if the guarantees are called upon or if documentary credits are exercised.
- Lending commitments and other credit related commitments that are irrevocable over the life of the respective facilities and are off-balance sheet items. 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 lending commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. These exposures are monitored similarly to on-balance sheet loans and advances.

The Bank's credit risk exposure relating to on-balance sheet assets and off-balance sheet instruments, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, include the following:

	2025		2024	
	Gross exposure €000	ECL allowance €000	Gross exposure €000	ECL allowance €000
<b>Credit risk exposure relating to on-balance sheet assets</b>				
<i>Subject to IFRS 9 impairment allowance</i>				
Financial assets measured at amortised cost				
Balances with Central Bank of Malta	108,657	(2)	97,282	(11)
Cheques in course of collection	1,866	-	1,863	-
Financial investments	13,032	-	34,983	(52)
Loans and advances to banks	27,694	(5)	29,162	(5)
Loans and advances to customers				
- Corporate	272,798	(9,305)	273,209	(10,498)
- Retail	644,601	(3,550)	644,142	(2,699)
- International	122,137	(382)	106,582	(358)
Accrued income	5,076	-	5,363	-
Financial investments measured at FVOCI	136,703	(177)	154,244	(178)
<i>Not subject to IFRS 9 impairment allowance</i>				
Financial investments measured at FVTPL	382	-	698	-
Derivative financial instruments	120	-	-	-
<b>Credit risk exposure</b>	<b>1,333,066</b>	<b>(13,421)</b>	<b>1,347,528</b>	<b>(13,801)</b>
<b>Credit risk exposure relating to off-balance sheet instruments</b>				
Contingent liabilities	17,333	(33)	13,817	(116)
Undrawn commitments to lend	211,589	(112)	196,928	(165)
<b>Credit risk exposure</b>	<b>228,922</b>	<b>(145)</b>	<b>210,745</b>	<b>(281)</b>

Accrued income substantially arises from loans and advances to customers. Expected credit losses in respect of accrued income, which are not deemed material, have been allocated to loans and advances to customers.

### 3.2.5 Credit concentration risk

Concentration risk results from limited diversification. This risk is managed by regular measurement and monitoring of industry sector, counterparties and geographical region concentration levels.

#### *Credit concentration risk by industry sector*

The Bank's financial investments (gross of credit loss allowance) were composed of local and foreign government debt securities, and other debt instruments as shown in the following table:

	2025 €000	2024 €000
Governments	78,360	58,681
Corporate		
Financial services	68,396	127,857
Other sectors	3,361	3,387
	150,117	189,925

The industry sector analysis of the Bank's loans and advances to customers (gross of credit loss allowances) is set out in the following table:

	2025 €000	2024 €000
Manufacturing	3,261	4,699
Accommodation	19,288	43,971
Financial services	27,046	29,441
Households and individuals	660,954	661,041
Construction	88,276	120,839
Wholesale and retail	43,768	43,369
Real estate activities	106,248	91,094
Other sectors	90,695	29,479
<b>Gross loans and advances to customers</b>	<b>1,039,536</b>	<b>1,023,933</b>

#### *Credit concentration risk for counterparties*

As at 31 December 2025, no loans and advances to customers were deemed to be prohibited large exposures in accordance with the requirements of Part Four: Large Exposures, of the CRR. A limited number of customers amount to over 10% of the Bank's regulatory own funds, which customers are monitored more frequently and rigorously.

Within its daily operations, the Bank transacts with counterparty banks and other financial institutions. To mitigate the risk of losses in respect of such transactions, the Bank places short-term funds solely with pre-approved counterparties subject to pre-established limits, which limits are determined after having considered the respective institution's external credit rating. Open positions for such transactions are checked against limits on a daily basis and are available in real time.

#### *Credit concentration risk by geographical region*

The Bank monitors credit concentration risk by geographical region. The majority of the Bank's exposures were in Malta at the end of the year under review, the country in which the Bank is incorporated. The Bank originated a number of exposures in the United Kingdom (as defined in Note 3.2.3.5), which as at 31 December 2025 had a carrying amount of €122.14 million (2024:

€106.6 million). Moreover, the Bank also held balances with correspondent banks in foreign jurisdictions and investments in debt securities issued by foreign entities. The following tables represent financial instruments and loans and advances to banks split by geographical region.

	2025 €000	2024 €000
<b>Financial Investments at FVOCI and FVTPL</b>		
Malta	67,375	46,917
Austria	1,008	1,997
Belgium	-	3,971
Canada	5,443	3,042
Czech Republic	1,044	4,187
Finland	3,635	2,633
France	12,590	21,948
Germany	2,061	13,417
Iceland	5,585	5,719
Japan	-	3,051
Lithuania	3,013	2,046
Luxembourg	7,452	2,557
Netherlands	4,015	14,657
Norway	2,936	-
Poland	1,806	2,003
Portugal	-	5,034
Slovenia	-	3,098
Spain	6,368	9,403
Switzerland	1,032	1,046
United Kingdom	3,260	3,306
United States	8,462	4,910
	137,085	154,942
	2025 €000	2024 €000
<b>Financial Investments measured at amortised cost</b>		
Malta	-	10,054
Canada	4,973	4,942
France	-	5,000
Netherlands	5,064	5,099
Norway	-	4,949
Spain	2,995	3,988
United States	-	951
	13,032	34,983
	2025 €000	2024 €000
<b>Loans and advances to banks</b>		
United Kingdom	10,739	16,840
Qatar	16,955	10,500
United States	-	1,822
	27,694	29,162
<b>Gross loans and advances to banks</b>		

### 3.2.6 Information on credit quality of balances with banks and debt securities

During 2025, the Bank mainly held debt securities and similar instruments issued by investment grade sovereign and non-sovereign counterparties. The issuers are approved and regularly reviewed, focusing on market developments. The debt securities held by the Bank are listed on the Malta Stock Exchange, a regulated market in Malta, or on other recognised exchanges.

Loans and advances to banks included money market placements and balances held with counterparty banks. The credit risk associated with these balances is considered low, given that funds are placed with reputable institutions holding investment grade credit ratings.

At the end of the reporting period, none of these financial assets mentioned were past due or impaired.

The following tables set out information on the credit quality of financial assets measured at amortised cost and financial investments measured at FVOCI. The credit quality of the financial assets is determined by credit ratings applicable to issuers or counterparties. Explanation of the terms 12-month ECL, lifetime ECL and credit impaired are included in Note 3.2.3.

The credit rating of Malta was classified as investment grade by external rating agencies as at 31 December 2025 and 2024. Balances held with the Central Bank of Malta are considered to have a low credit risk, as they are placed with a central bank counterparty.

	2025				Total
	IFRS 9 12 -month PD ranges	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
		€000	€000	€000	
<b>Balances with Central Bank of Malta measured at amortised cost</b>					
Gross carrying amount		108,657	-	-	108,657
Loss allowance	0-0.02	(2)	-	-	(2)
<b>Carrying amount</b>		<b>108,655</b>	<b>-</b>	<b>-</b>	<b>108,655</b>
2024					
	IFRS 9 12 -month PD ranges	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		€000	€000	€000	€000
Balances with Central Bank of Malta measured at amortised cost					
Gross carrying amount		97,282	-	-	97,282
Loss allowance	0-0.15	(11)	-	-	(11)
<b>Carrying amount</b>		<b>97,271</b>	<b>-</b>	<b>-</b>	<b>97,271</b>

2025					
	IFRS 9 12-month PD ranges	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		€000	€000	€000	€000
<b>Financial investments measured at FVOCI</b>					
Aaa to Aa3	0-0.17	20,912	-	-	20,912
A1 to A3	0-0.79	92,585	-	-	92,585
Baa1 to Baa3	0-0.02	9,997	-	-	9,997
Ba1 to Ba3	0-0.01	3,841	-	-	3,841
Unrated	0-1.39	9,368	-	-	9,368
<b>Carrying amount – fair value</b>		<b>136,703</b>	<b>-</b>	<b>-</b>	<b>136,703</b>
Loss allowance		(177)	-	-	(177)

2024					
	IFRS 9 12-month PD ranges	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		€000	€000	€000	€000
<b>Financial investments measured at FVOCI</b>					
Aaa to Aa3	0-0.16	26,415	-	-	26,415
A1 to A3	0-0.91	78,876	-	-	78,876
Baa1 to Baa3	0-0.05	40,476	-	-	40,476
Ba1 to Ba3	0-0.29	4,030	-	-	4,030
Unrated	0.08-1.74	4,447	-	-	4,447
<b>Carrying amount – fair value</b>		<b>154,244</b>	<b>-</b>	<b>-</b>	<b>154,244</b>
Loss allowance		(178)	-	-	(178)

Unrated financial investments disclosed in the table above represent bonds listed on the Malta Stock Exchange which are unrated by international credit rating agencies.

	2025				
	IFRS 9 12-month PD ranges	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		€000	€000	€000	€000
<b>Financial investments measured at amortised cost</b>					
Aaa to Aa3	0-0.01	7,969	-	-	7,969
Baa1 to Baa3	-	5,063	-	-	5,063
Gross carrying amount		13,032	-	-	13,032
Loss allowance		-	-	-	-
<b>Carrying amount</b>		<b>13,032</b>	<b>-</b>	<b>-</b>	<b>13,032</b>
	2024				
	IFRS 9 12-month PD ranges	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		€000	€000	€000	€000
<b>Financial investments measured at amortised cost</b>					
Aaa to Aa3	0-0.06	19,830	-	-	19,830
Baa1 to Baa3	0-0.01	15,153	-	-	15,153
Gross carrying amount		34,983	-	-	34,983
Loss allowance		(52)	-	-	(52)
<b>Carrying amount</b>		<b>34,931</b>	<b>-</b>	<b>-</b>	<b>34,931</b>

	2025				
	IFRS 9 12-month PD ranges	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		€000	€000	€000	€000
<b>Loans and advances to banks measured at amortised cost</b>					
A1 to A3	0.02-0.08	18,532	-	-	18,532
Baa1 to Baa3	-	9,162	-	-	9,162
Gross carrying amount		27,694	-	-	27,694
Loss allowance		(5)	-	-	(5)
<b>Carrying amount</b>		<b>27,689</b>	-	-	<b>27,689</b>
<b>2024</b>					
	IFRS 9 12-month PD ranges	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		€000	€000	€000	€000
<b>Loans and advances to banks measured at amortised cost</b>					
Aaa to Aa3	0-0.12	12,322	-	-	12,322
A1 to A3	0-0.02	16,840	-	-	16,840
Gross carrying amount		29,162	-	-	29,162
Loss allowance		(5)	-	-	(5)
<b>Carrying amount</b>		<b>29,157</b>	-	-	<b>29,157</b>

The Bank did not hold any purchased credit-impaired assets throughout current and comparative financial years.

After the end of the reporting period there were no significant changes in credit ratings reflected in the tables above which would have a material impact on the credit quality of the financial assets.

### 3.2.7 Information on credit quality of loans and advances to customers

The credit quality of loans and advances to customers is managed by the Bank using internal credit ratings. The Bank applies an internal rating system ('IRS') which encapsulates the risk profile associated with every customer lending relationship.

The IRS comprises 13 credit rating levels which constitute a continuum of progressively increasing risk profiles ranging from A1 (best rating, least risky) to E (loss, worst case representing full risk materialisation).

The Bank's IRS is broken down as follows:

#### *Performing*

- **High Grade (Internal rating of A1 to A3)**

A customer having an internal risk rating between A1 through A3 generally would not have any interest and/or capital payments overdue by more than 30 days or a recent history of default. High grade exposures typically do not exhibit indicators of future losses.

- **Standard (Internal rating of A4 and B)**

An exposure with more than 30 days past-due is not graded higher than B under the Bank's IRS.

An exposure is assessed as per section 3.2.8 and potentially classified as A4 if days past-due are not more than 30 but it exhibits one or more of the following indicators: a tight debt-service ratio, a deterioration in financial standing, operations or collateral in an industry under distress, overdraft facilities experiencing hardcore elements, or a high loan-to-value ratio. Other quantitative or qualitative factors may be considered in such assessments as may be deemed necessary by the Bank's credit committees.

- **Substandard (Internal rating of C)**

Customers having an internal risk rating of C, thus classified within the 'Substandard' category, generally have interest and/or capital payments overdue by more than 60 days but not overdue by more than 90 days. Further or prolonged deterioration in the indicators set out in the above section on exposures rated as 'Standard' could result in a C rating.

#### *Non-performing*

- **Doubtful (Internal rating of D1 to D6 and E)**

All credit-impaired or defaulted exposures (see definition in Note 3.2.3.2) fall within this category of the IRS. Exposures past due by more than 90 days automatically fall within this category. Customers granted additional forbearance measures on already forborne exposures will also fall within this category.

The Bank's credit impaired loans and advances mainly relate to a number of independent customers which are not meeting repayment obligations or deemed by the Bank as unlikely to pay their obligations to the Bank without recourse by the Bank to realising the collateral.

The following tables set out information about the credit quality of loans and advances to customers measured at amortised cost. Explanation of the terms 12-month ECL, lifetime ECL and credit-impaired are included in Note 3.2.3.

	IFRS 9 12-month PD ranges	Stage 1 12-month ECL €000	2025 Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
<b>Loans and advances to measured at amortised cost</b>					
<i>Corporate</i>					
High grade	0.07 – 0.81	241,720	11	-	241,730
Standard	0.02 – 14.12	-	14,885	-	14,885
Substandard	9.23 – 32.13	-	1,168	-	1,168
Doubtful	100.00	-	-	15,014	15,014
<b>Gross carrying amount</b>		<b>241,720</b>	<b>16,064</b>	<b>15,014</b>	<b>272,798</b>
Loss allowance		(253)	(71)	(8,981)	(9,305)
<b>Carrying amount</b>		<b>241,467</b>	<b>15,993</b>	<b>6,033</b>	<b>263,493</b>
<i>Retail</i>					
High grade	0.03 – 5.59	621,005	36	-	621,041
Standard	0.54 – 17.55	-	10,396	-	10,396
Substandard	1.19 – 17.55	-	2,787	-	2,787
Doubtful	100.00	-	-	10,377	10,377
<b>Gross carrying amount</b>		<b>621,005</b>	<b>13,219</b>	<b>10,377</b>	<b>644,601</b>
Loss allowance		(254)	(188)	(3,108)	(3,550)
<b>Carrying amount</b>		<b>620,751</b>	<b>13,031</b>	<b>7,269</b>	<b>641,051</b>
<i>International</i>					
High grade	0.35 – 1.95	122,137	-	-	122,137
<b>Gross carrying amount</b>		<b>122,137</b>	<b>-</b>	<b>-</b>	<b>122,137</b>
Loss allowance		(382)	-	-	(382)
<b>Carrying amount</b>		<b>121,755</b>	<b>-</b>	<b>-</b>	<b>121,755</b>
<i>Total</i>					
High grade	0.03 – 5.59	984,862	47	-	984,909
Standard	0.02 – 17.55	-	25,281	-	25,281
Substandard	1.19 – 32.13	-	3,955	-	3,955
Doubtful	100.00	-	-	25,391	25,391
<b>Gross carrying amount</b>		<b>984,862</b>	<b>29,283</b>	<b>25,391</b>	<b>1,039,536</b>
Loss allowance		(889)	(259)	(12,089)	(13,237)
<b>Carrying amount</b>		<b>983,973</b>	<b>29,024</b>	<b>13,302</b>	<b>1,026,299</b>

	IFRS 9 12-month PD ranges	2024 Stage 1 12-month ECL €000	2024 Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	Total €000
<b>Loans and advances to measured at amortised cost</b>					
<i>Corporate</i>					
High grade	0.01 – 2.27	246,285	29	-	246,314
Standard	0.65 – 35.53	-	11,158	-	11,158
Substandard	100.00	-	676	-	676
Doubtful	100.00	-	-	15,061	15,061
<b>Gross carrying amount</b>		246,285	11,863	15,061	273,209
Loss allowance		(861)	(254)	(9,383)	(10,498)
<b>Carrying amount</b>		245,424	11,609	5,678	262,711
<i>Retail</i>					
High grade	0.01 – 5.91	625,959	13	-	625,972
Standard	0.16 – 14.21	-	7,200	-	7,200
Substandard	3.84 – 14.21	-	1,549	-	1,549
Doubtful	100.00	-	-	9,421	9,421
<b>Gross carrying amount</b>		625,959	8,762	9,421	644,142
Loss allowance		(215)	(104)	(2,380)	(2,699)
<b>Carrying amount</b>		625,744	8,658	7,041	641,443
<i>International</i>					
High grade	1.07 – 3.56	106,582	-	-	106,582
<b>Gross carrying amount</b>		106,582	-	-	106,582
Loss allowance		(358)	-	-	(358)
<b>Carrying amount</b>		106,224	-	-	106,224
<i>Total</i>					
High grade	0.01 – 5.91	978,826	42	-	978,868
Standard	0.16 – 35.53	-	18,358	-	18,358
Substandard	3.84 – 100.00	-	2,225	-	2,225
Doubtful	100.00	-	-	24,482	24,482
<b>Gross carrying amount</b>		978,826	20,625	24,482	1,023,933
Loss allowance		(1,434)	(358)	(11,763)	(13,555)
<b>Carrying amount</b>		977,392	20,267	12,719	1,010,378

The following table sets out information about the credit quality of loans and advances to customers, guarantees, documentary credits and undrawn commitments to lend on an aggregate basis:

	2025			Total €000
	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	
High grade	1,206,309	46	-	1,206,355
Standard	-	32,165	-	32,165
Substandard	-	4,329	-	4,329
Doubtful	-	-	25,607	25,607
<b>Gross amount</b>	<b>1,206,309</b>	<b>36,540</b>	<b>25,607</b>	<b>1,268,456</b>
Loss allowance	(956)	(289)	(12,136)	(13,381)
	<b>1,205,353</b>	<b>36,251</b>	<b>13,471</b>	<b>1,255,075</b>
	2024			Total €000
	Stage 1 12-month ECL €000	Stage 2 Lifetime ECL €000	Stage 3 Lifetime ECL €000	
High grade	1,187,351	45	-	1,187,396
Standard	-	20,049	-	20,049
Substandard	-	2,421	-	2,421
Doubtful	-	-	24,812	24,812
<b>Gross amount</b>	<b>1,187,351</b>	<b>22,515</b>	<b>24,812</b>	<b>1,234,678</b>
Loss allowance	(1,601)	(400)	(11,835)	(13,836)
	<b>1,185,750</b>	<b>22,115</b>	<b>12,977</b>	<b>1,220,842</b>

As at 31 December 2025 and 2024, there were no purchased credit-impaired assets.

The following table analyses the credit impaired loans and advances, gross of credit loss allowances, by industry sector:

	2025 €000	2024 €000
Manufacturing	606	606
Households and individuals	11,178	10,315
Construction	227	320
Wholesale and retail	8,162	7,788
Other	5,218	5,453
	<b>25,391</b>	<b>24,482</b>

The following table provides a detailed analysis of the credit quality of the Bank's lending portfolio at 31 December 2025:

	Non-forborne Exposures 2025 €000	Forborne Exposures 2025 €000	Total 2025 €000
<b>Performing - Stage 1</b>			
Loans which are not past due	967,705	-	967,705
Loans which are past due by not more than 30 days	17,157	-	17,157
	<b>984,862</b>	<b>-</b>	<b>984,862</b>
<b>Underperforming - Stage 2</b>			
Loans which are not past due			
High grade	-	45	45
Standard	19,945	127	20,072
Substandard	3,061	334	3,395
	<b>23,006</b>	<b>506</b>	<b>23,512</b>
Loans which are past due by not more than 90 days			
Past due by not more than 30 days	4,370	35	4,405
Past due by not more than 60 days but more than 30 days	863	-	863
Past due by not more than 90 days but more than 60 days	503	-	503
	<b>5,736</b>	<b>35</b>	<b>5,771</b>
	<b>28,742</b>	<b>541</b>	<b>29,283</b>
<b>Non-performing - Stage 3</b>			
Past due loans by more than 90 days and credit impaired	19,151	6,240	25,391
<b>Gross loans and advances to customers</b>	<b>1,032,755</b>	<b>6,781</b>	<b>1,039,536</b>
<b>Expected credit losses</b>			
12-month ECL	(889)	-	(889)
Lifetime ECL	(10,640)	(1,708)	(12,348)
<b>Net loans and advances to customers</b>	<b>1,021,226</b>	<b>5,073</b>	<b>1,026,299</b>

Interest income recognised during the financial year ended 31 December 2025 in respect of forborne exposures amounted to €98,000 (2024: €163,000).

The following table provides a detailed analysis of the credit quality of the Bank's lending portfolio at 31 December 2024:

	Non-forborne Exposures 2024 €000	Forborne Exposures 2024 €000	Total 2024 €000
<b>Performing - Stage 1</b>			
Loans which are not past due	962,979	-	962,979
Loans which are past due by not more than 30 days	15,847	-	15,847
	<b>978,826</b>	<b>-</b>	<b>978,826</b>
<b>Underperforming - Stage 2</b>			
Loans which are not past due			
High grade	-	42	42
Standard	16,004	130	16,134
Substandard	1,248	353	1,601
	<b>17,252</b>	<b>525</b>	<b>17,777</b>
Loans which are past due by not more than 90 days			
Past due by not more than 30 days	2,388	43	2,431
Past due by not more than 60 days but more than 30 days	102	-	102
Past due by not more than 90 days but more than 60 days	310	5	315
	<b>2,800</b>	<b>48</b>	<b>2,848</b>
	<b>20,052</b>	<b>573</b>	<b>20,625</b>
<b>Non-performing - Stage 3</b>			
Past due loans by more than 90 days and credit impaired	17,768	6,714	24,482
<b>Gross loans and advances to customers</b>	<b>1,016,646</b>	<b>7,287</b>	<b>1,023,933</b>
<b>Expected credit losses</b>			
12-month ECL	(1,434)	-	(1,434)
Lifetime ECL	(9,770)	(2,351)	(12,121)
<b>Net loans and advances to customers</b>	<b>1,005,442</b>	<b>4,936</b>	<b>1,010,378</b>

### 3.2.8 Modification of financial assets

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. The Bank categorises loans on which concessions have been granted under conditions of financial difficulties as 'forborne loans' when their contractual payment terms have been revised, because of significant concerns about the customer's ability to meet contractual payments when due.

When considering whether there is significant concern regarding a customer's ability to meet contractual loan repayments when due, the Bank assesses the customer's delinquency status, account behaviour, repayment history, current financial situation and continued ability to repay.

If the customer is not meeting contractual repayments or it is evident that they will be unable to do so without the renegotiation, there will be a significant concern regarding the ability to meet contractual payments. Indicators of significant concerns regarding a borrower's ability to pay include:

- The customer is currently in default on any of its debt;
- The customer has declared or is in the process of declaring bankruptcy or entering into a similar process;
- There is significant doubt as to whether the customer will continue to be a going concern;
- The customer has breached the covenants of a credit facility; and
- The Bank forecasts that the customer's entity-specific cash flows will be insufficient to service the debt (both interest and principal) in accordance with the contractual terms of the existing agreement through maturity.

A range of forbearance measures are employed by the Bank in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default or call-in of facilities. They include extended payment terms, a reduction in principal repayments, the deferral of call-in of facilities and other forms of loan modifications. The Bank's policies and procedures in this area allow the Bank to provide a customer with terms and conditions that are more favourable than those provided initially. Loan forbearance is only granted in situations where the customer has shown a willingness to repay the loan and is expected to be able to meet the revised obligations. The Bank's credit risk management policies set out restrictions on the number and frequency of forbearance measures and the minimum period an account must have been opened before any forbearance measure can be considered.

For the purposes of determining whether changes to a customer's agreement should be treated as forbearance the following types of modification could be regarded as concessionary in cases where the customer is in financial difficulty:

- Reduction of the stated interest rate for the remaining original life of the debt;
- Extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk;
- Reduction of the face amount or maturity amount of the debt; and
- Reduction of accrued interest.

Term extension is the most common type of modification granted by the Bank.

In assessing whether forbearance is a sustainable strategy, the customer's entire exposures are reviewed and the customer's ability to meet the terms in relation to the revised obligations and other unchanged credit facilities is considered. In all cases, forbearance is only granted when the customer is expected to be able to meet the revised terms. When considering acceptable modified terms the Bank considers the ability of the customer to be able to service the revised interest payments as a necessity. When principal payment modifications are utilised, the Bank requires the customer to be able to comply with the revised terms as a necessary pre-condition for the restructuring to proceed.

Forbearance is a qualitative indicator of a significant increase in credit risk and may be considered evidence of credit impairment.

The risk of default of modified assets after forbearance is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (Note 2.6.5).

The Bank monitors the subsequent performance of modified assets and may determine that the credit risk has significantly improved after restructuring:

- Modified assets are moved from Stage 3 (Lifetime ECL) to Stage 1 (12-month ECL) only if they have performed in accordance with the new terms for 36 consecutive months or more.

- Modified assets are moved from Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL) only if they have performed in accordance with the new terms for 24 consecutive months or more.

There are no modified assets classified as Stage 1 as at 31 December 2025.

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to modified assets that moved from Stage 3 (Lifetime ECL) or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL).

The movement in the carrying amount of forborne loans and advances, before impairment allowances, is analysed below.

	Forborne exposures	
	2025 €000	2024 €000
At 1 January	7,287	7,623
Loans to which forbearance measures have been extended during the year	39	430
Repayments	(98)	(107)
Retired from forborne	(447)	(659)
<b>At 31 December</b>	<b>6,781</b>	<b>7,287</b>

As at 31 December 2025 and 2024, the net modification gain or loss from financial assets with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities was insignificant.

Forborne loans, gross of credit loss allowances, are analysed by industry sector as follows:

	2025 €000	2024 €000
Manufacturing	606	606
Financial services	1,770	1,770
Households and individuals	785	1,088
Wholesale and retail	2,953	3,115
Other sectors	667	708
	<b>6,781</b>	<b>7,287</b>

As at 31 December 2025 and 2024 forborne loans comprise exposures to customers based in Malta.

### 3.2.9 Loss allowances

#### *Reconciliation of 12-month and lifetime ECL provision*

The loss allowance recognised is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PD, LGD or EAD in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period. In respect of loans and advances to customers, the recovery in ECL throughout the year was mainly due to improvements in the staging of the loan book, including but not limited to repayments of previously granted moratoria with no indicators of arrears, SICR or UTP, and the release of the remaining management overlay that the Bank had retained since 2021, as explained in Note 3.2.3.1.

	2025			
	Stage 1		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
<b>Balances with Central Bank of Malta measured at</b>				
At 1 January 2025	97,282	(11)	97,282	(11)
New financial assets originated or purchased	93,752	-	93,752	-
Net movement in EAD and changes in risk parameters	(947)	9	(947)	9
Financial assets derecognised during the year	(81,430)	-	(81,430)	-
<b>At 31 December 2025</b>	<b>108,657</b>	<b>(2)</b>	<b>108,657</b>	<b>(2)</b>
<b>Total net Income statement credit for the year</b>				<b>9</b>
	2024			
	Stage 1		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
<b>Balances with Central Bank of Malta measured at</b>				
At 1 January 2024	104,119	(5)	104,119	(5)
New financial assets originated or purchased	81,430	-	81,430	-
Net movement in EAD and changes in risk parameters	9,082	(6)	9,082	(6)
Financial assets derecognised during the year	(97,349)	-	(97,349)	-
<b>At 31 December 2024</b>	<b>97,282</b>	<b>(11)</b>	<b>97,282</b>	<b>(11)</b>
<b>Total net Income statement charge for the year</b>				<b>(6)</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.







2025

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses
	€000	€000	€000	€000	€000	€000	€000	€000
<b>Loans and advances to customers measured at amortised cost</b>								
<i>Corporate portfolio</i>								
At 1 January 2025	246,285	(861)	11,863	(254)	15,061	(9,383)	273,209	(10,498)
New and further lending	57,526	(102)	200	(12)	701	(535)	58,427	(649)
Repayments	(55,041)	691	(3,445)	157	(352)	946	(58,838)	1,794
Transfers of financial instruments								
Stage 1 to Stage 2	(9,885)	20	9,885	(20)	-	-	-	-
Stage 2 to Stage 1	2,432	(42)	(2,432)	42	-	-	-	-
Stage 2 to Stage 3	-	-	(7)	4	7	(4)	-	-
Stage 3 to Stage 1	403	(1)	-	-	(403)	1	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	42	-	12	-	(6)	-	48
<b>At 31 December 2025</b>	<b>241,720</b>	<b>(253)</b>	<b>16,064</b>	<b>(71)</b>	<b>15,014</b>	<b>(8,981)</b>	<b>272,798</b>	<b>(9,305)</b>
<b>Total net income statement credit for the year</b>								<b>1,193</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	2025							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
<b>Loans and advances to customers measured at amortised cost</b>								
<i>Retail portfolio</i>								
At 1 January 2025	625,959	(215)	8,762	(104)	9,421	(2,380)	644,142	(2,699)
New and further lending	61,908	(105)	127	(34)	450	(656)	62,485	(795)
Repayments	(59,697)	62	(784)	24	(1,545)	233	(62,026)	319
Transfers of financial instruments								
Stage 1 to Stage 2	(6,496)	4	6,496	(4)	-	-	-	-
Stage 1 to Stage 3	(1,154)	1	-	-	1,154	(1)	-	-
Stage 2 to Stage 1	108	(2)	(108)	2	-	-	-	-
Stage 2 to Stage 3	-	-	(1,574)	19	1,574	(19)	-	-
Stage 3 to Stage 1	377	(22)	-	-	(377)	22	-	-
Stage 3 to Stage 2	-	-	300	(31)	(300)	31	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	23	-	(60)	-	(338)	-	(375)
<b>At 31 December 2025</b>	<b>621,005</b>	<b>(254)</b>	<b>13,219</b>	<b>(188)</b>	<b>10,377</b>	<b>(3,108)</b>	<b>644,601</b>	<b>(3,550)</b>
<b>Total net income statement charge for the year</b>								<b>(851)</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	2025							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
<b>Loans and advances to customers measured at amortised cost</b>								
<i>International portfolio</i>								
At 1 January 2025	106,582	(358)	-	-	-	-	106,582	(358)
New and further lending	36,025	(291)	-	-	-	-	36,025	(291)
Repayments	(20,470)	267	-	-	-	-	(20,470)	267
<b>At 31 December 2025</b>	<b>122,137</b>	<b>(382)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,137</b>	<b>(382)</b>
<b>Total net income statement charge for the year</b>								<b>(24)</b>

	2025							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
<b>Loans and advances to customers measured at amortised cost</b>								
<i>Total</i>								
At 1 January 2025	978,826	(1,434)	20,625	(358)	24,482	(11,763)	1,023,933	(13,555)
New and further lending	155,459	(498)	327	(46)	1,151	(1,191)	156,937	(1,735)
Repayments and disposals	(135,208)	1,020	(4,229)	181	(1,897)	1,179	(141,334)	2,380
Transfers of financial instruments								
Stage 1 to Stage 2	(16,381)	24	16,381	(24)	-	-	-	-
Stage 1 to Stage 3	(1,154)	1	-	-	1,154	(1)	-	-
Stage 2 to Stage 1	2,540	(44)	(2,540)	44	-	-	-	-
Stage 2 to Stage 3	-	-	(1,581)	23	1,581	(23)	-	-
Stage 3 to Stage 1	780	(23)	-	-	(780)	23	-	-
Stage 3 to Stage 2	-	-	300	(31)	(300)	31	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	65	-	(48)	-	(344)	-	(327)
<b>At 31 December 2025</b>	<b>984,862</b>	<b>(889)</b>	<b>29,283</b>	<b>(259)</b>	<b>25,391</b>	<b>(12,089)</b>	<b>1,039,536</b>	<b>(13,237)</b>
<b>Total net income statement credit for the year</b>								<b>318</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	2025							
	Stage 1		Stage 2		Stage 3		Total	
	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000
<b>Total loans and advances to customers measured at amortised guarantees, documentary credits and undrawn commitments to lend</b>								
At 1 January 2025	1,187,351	(1,601)	22,514	(400)	24,813	(11,836)	1,234,678	(13,837)
New and further lending	280,285	(520)	3,939	(56)	1,079	(1,183)	285,303	(1,759)
Repayments and disposals	(244,466)	1,138	(5,097)	208	(1,962)	1,202	(251,525)	2,548
Transfers of financial instruments								
Stage 1 to Stage 2	(19,287)	27	19,287	(27)	-	-	-	-
Stage 1 to Stage 3	(1,168)	1	-	-	1,168	(1)	-	-
Stage 2 to Stage 1	2,789	(44)	(2,789)	44	-	-	-	-
Stage 2 to Stage 3	-	-	(1,618)	24	1,618	(24)	-	-
Stage 3 to Stage 1	805	(26)	-	-	(805)	26	-	-
Stage 3 to Stage 2	-	-	304	(32)	(304)	32	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	69	-	(50)	-	(352)	-	(333)
<b>At 31 December 2025</b>	<b>1,206,309</b>	<b>(956)</b>	<b>36,540</b>	<b>(289)</b>	<b>25,607</b>	<b>(12,136)</b>	<b>1,268,456</b>	<b>(13,381)</b>
<b>Total net income statement credit for the year</b>								<b>456</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

2024

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses
	€000	€000	€000	€000	€000	€000	€000	€000
<b>Loans and advances to customers measured at amortised cost</b>								
<i>Corporate portfolio</i>								
At 1 January 2024	255,915	(1,239)	9,176	(214)	15,768	(9,034)	280,859	(10,487)
New and further lending	69,247	(215)	514	(62)	592	(795)	70,353	(1,072)
Repayments	(73,110)	587	(3,500)	55	(1,393)	461	(78,003)	1,103
Transfers of financial instruments								
Stage 1 to Stage 2	(5,779)	6	5,779	(6)	-	-	-	-
Stage 1 to Stage 3	(4)	-	-	-	4	-	-	-
Stage 2 to Stage 1	16	(1)	(16)	1	-	-	-	-
Stage 2 to Stage 3	-	-	(90)	14	90	(14)	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	1	-	(42)	-	(1)	-	(42)
<b>At 31 December 2024</b>	<b>246,285</b>	<b>(861)</b>	<b>11,863</b>	<b>(254)</b>	<b>15,061</b>	<b>(9,383)</b>	<b>273,209</b>	<b>(10,498)</b>
<b>Total net income statement charge for the year</b>								<b>(11)</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

2024

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses
	€000	€000	€000	€000	€000	€000	€000	€000
<b>Loans and advances to customers measured at amortised cost</b>								
<i>Retail portfolio</i>								
At 1 January 2024	613,156	(1,391)	8,209	(335)	9,785	(2,695)	631,150	(4,421)
New and further lending	73,555	(110)	79	(28)	56	(80)	73,690	(218)
Repayments	(58,293)	17	(849)	2	(1,556)	528	(60,698)	547
Transfers of financial instruments								
Stage 1 to Stage 2	(1,725)	4	1,725	(4)	-	-	-	-
Stage 1 to Stage 3	(981)	2	-	-	981	(2)	-	-
Stage 2 to Stage 1	246	(12)	(246)	12	-	-	-	-
Stage 2 to Stage 3	-	-	(164)	2	164	(2)	-	-
Stage 3 to Stage 1	1	(1)	-	-	(1)	1	-	-
Stage 3 to Stage 2	-	-	8	(8)	(8)	8	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	1,275	-	255	-	(138)	-	1,392
<b>At 31 December 2024</b>	<b>625,959</b>	<b>(215)</b>	<b>8,762</b>	<b>(104)</b>	<b>9,421</b>	<b>(2,380)</b>	<b>644,142</b>	<b>(2,699)</b>
<b>Total net income statement credit for the year</b>								<b>1,722</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

	2024							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000	Gross carrying amount €000	Expected credit losses €000
<b>Loans and advances to customers measured at amortised cost</b>								
<i>International portfolio</i>								
At 1 January 2024	53,542	(385)	-	-	-	-	53,542	(385)
New and further lending	64,256	(234)	-	-	-	-	64,256	(234)
Repayments	(11,216)	261	-	-	-	-	(11,216)	261
<b>At 31 December 2024</b>	<b>106,582</b>	<b>(358)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106,582</b>	<b>(358)</b>
<b>Total net income statement charge for the year</b>								<b>27</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

2024

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses
	€000	€000	€000	€000	€000	€000	€000	€000
<b>Loans and advances to customers measured at amortised cost</b>								
<i>Total</i>								
At 1 January 2024	922,613	(3,015)	17,385	(549)	25,553	(11,729)	965,551	(15,293)
New and further lending	207,058	(558)	593	(90)	648	(875)	208,299	(1,523)
Repayments and disposals	(142,619)	865	(4,349)	57	(2,949)	989	(149,917)	1,911
Transfers of financial instruments								
Stage 1 to Stage 2	(7,504)	10	7,504	(10)	-	-	-	-
Stage 1 to Stage 3	(985)	2	-	-	985	(2)	-	-
Stage 2 to Stage 1	262	(13)	(262)	13	-	-	-	-
Stage 2 to Stage 3	-	-	(254)	16	254	(16)	-	-
Stage 3 to Stage 1	1	(1)	-	-	(1)	1	-	-
Stage 3 to Stage 2	-	-	8	(8)	(8)	8	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	1,276	-	213	-	(139)	-	1,350
<b>At 31 December 2024</b>	<b>978,826</b>	<b>(1,434)</b>	<b>20,625</b>	<b>(358)</b>	<b>24,482</b>	<b>(11,763)</b>	<b>1,023,933</b>	<b>(13,555)</b>
<b>Total net income statement credit for the year</b>								<b>1,738</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

2024

	Stage 1		Stage 2		Stage 3		Total	
	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000	Gross amount €000	Expected credit losses €000
<b>Total loans and advances to customers measured at amortised guarantees, documentary credits and undrawn commitments to lend</b>								
At 1 January 2024	1,155,600	(3,246)	20,686	(633)	25,908	(11,847)	1,202,194	(15,726)
New and further lending	295,208	(573)	479	(91)	659	(882)	296,346	(1,546)
Repayments and disposals	(255,028)	946	(5,789)	101	(3,044)	1,042	(263,861)	2,089
Transfers of financial instruments								
Stage 1 to Stage 2	(7,804)	9	7,804	(9)	-	-	-	-
Stage 1 to Stage 3	(998)	2	-	-	998	(2)	-	-
Stage 2 to Stage 1	369	(17)	(369)	17	-	-	-	-
Stage 2 to Stage 3	-	-	(304)	15	304	(15)	-	-
Stage 3 to Stage 1	4	(2)	-	-	(4)	2	-	-
Stage 3 to Stage 2	-	-	8	(8)	(8)	8	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters	-	1,280	-	208	-	(142)	-	1,346
<b>At 31 December 2024</b>	<b>1,187,351</b>	<b>(1,601)</b>	<b>22,515</b>	<b>(400)</b>	<b>24,813</b>	<b>(11,836)</b>	<b>1,234,679</b>	<b>(13,837)</b>
<b>Total net income statement credit for the year</b>								<b>1,889</b>

Remeasurement of loss allowance arising from foreign-exchange movements was not considered significant.

Off-balance sheet exposures increased between 2024 and 2025, driven primarily by growth in the local corporate portfolio. Corporate off-balance sheet exposures in Malta increased by €21.1 million, from €126.0 million in 2024 to €147.1 million in 2025. The international portfolio increased by €5.5 million, from €4.0 million in 2024 to €9.5 million in 2025. The increase in the corporate and international portfolio was partially offset by a reduction in local retail off-balance sheet exposures, which declined by €8.5 million from €88.8 million to €72.3 million. During 2025, new off-balance sheet exposures amounting to €145.3 million were granted, while €127.1 million of the balances reported in 2024 were drawn down.

Despite the increase in the value of undrawn exposures, provisions relating to off-balance sheet exposures decreased by €0.1 million, from €0.3 million in 2024 to €0.1 million in 2025. This decrease was mainly attributable to the corporate portfolio, where provisions fell by €0.1 million, while retail off-balance sheet provisions declined by €0.02 million.

Transfers of off-balance-sheet exposures between impairment stages during the year mainly comprised movements from Stage 1 to Stage 2, amounting to €2.9 million in 2025 (2024: €0.3 million). Transfers of off-balance-sheet exposures between other impairment stages were not material.

### 3.2.10 Write-off policy

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

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written-off during the year ended 31 December 2025 amounted to €72,000 (2024: €163,000). The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

### 3.2.11 Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank's Board establishes a policy regarding the acceptability of types of collateral and valuation parameters.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are at times unsecured.

The main types of collateral obtained are as follows:

- For corporate lending: charges over real estate properties, cash or securities;
- For international lending: charges over real estate properties and cash;
- For retail lending (including home loans and consumer credit): mortgages over residential properties, cash or securities; and
- For exposures arising from reverse repurchase transactions: a pledge on liquid sovereign debt securities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. These financial assets are generally unsecured.

Management assesses the market value of collateral as part of the loan origination process. This assessment is reviewed periodically through ongoing credit file reviews. The Bank requests additional collateral in accordance with the underlying agreement when necessary.

The Bank's policies regarding obtaining collateral have not changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

A portion of the Bank's loans and advances to customers, secured by cash, have no loss allowance being recognised in accordance with the Bank's expected credit loss model. The carrying amount of such financial assets as at 31 December 2025 was €25,163,000 (2024: €29,290,000).

The extendible value of the collateral is the lower of the fair value of a pledged asset for lending purposes and the gross carrying amount of the secured loans.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and in respect of which related collateral is held in order to mitigate potential losses are shown below:

	As at 31 December 2025			Extendible value of collateral held
	Gross carrying amount €000	ECL allowance €000	Carrying amount €000	€000
<i>Retail</i>				
Credit cards	9	4	5	4
Fixed term loans	665	54	611	628
Mortgages	8,271	1,618	6,653	7,950
<i>Corporate</i>				
Small and medium-sized enterprises (SMEs)	12,607	6,574	6,033	11,139
	<b>21,552</b>	<b>8,250</b>	<b>13,302</b>	<b>19,721</b>
	As at 31 December 2024			Extendible value of collateral held
	Gross carrying amount €000	ECL allowance €000	Carrying amount €000	€000
<i>Retail</i>				
Credit card	6	2	4	4
Fixed term loans	902	58	844	885
Mortgages	7,493	1,300	6,193	7,493
<i>Corporate</i>				
Small and medium-sized enterprises (SMEs)	12,844	7,166	5,678	10,021
	<b>21,245</b>	<b>8,526</b>	<b>12,719</b>	<b>18,404</b>

Financial assets that are credit-impaired and in respect of which no collateral is held are shown below:

	As at 31 December 2025		
	Gross	ECL	Carrying
	carrying	allowance	amount
	amount	€000	€000
	€000	€000	€000
<i>Retail</i>			
Overdrafts	390	390	-
Credit cards	438	438	-
Fixed term loans	497	497	-
Mortgages	54	54	-
<i>Corporate</i>			
Small and medium-sized enterprises (SMEs)	2,460	2,460	-
	<b>3,839</b>	<b>3,839</b>	<b>-</b>

	As at 31 December 2024		
	Gross	ECL	Carrying
	carrying	allowance	amount
	amount	€000	€000
	€000	€000	€000
<i>Retail</i>			
Overdrafts	313	313	-
Credit cards	192	192	-
Fixed term loans	438	438	-
Mortgages	77	77	-
<i>Corporate</i>			
Small and medium-sized enterprises (SMEs)	2,217	2,217	-
	<b>3,237</b>	<b>3,237</b>	<b>-</b>

There were no credit-impaired loans and advances within the international portfolio in 2024 and 2025.

The following tables show the distribution of LTV ratios for the Bank's credit-impaired loans and advances to customers secured by immovable property:

	Gross carrying amount of credit-impaired loans and advances to customers as at 31 December 2025			
	Corporate	Retail	Retail	Retail
	exposures	mortgages	credit cards	consumer credit
	€000	€000	€000	€000
Lower than 25%	367	278	-	217
25 to 50%	3,481	1,837	-	186
51 to 75%	966	3,191	-	175
76 to 100%	603	2,089	-	-
Higher than 100%	7,185	854	1	48
<b>Total</b>	<b>12,602</b>	<b>8,249</b>	<b>1</b>	<b>626</b>

## Gross carrying amount of credit-impaired loans and advances to customers as at 31 December 2024

	Corporate exposures €000	Retail mortgages €000	Retail credit cards €000	Retail consumer credit €000
Lower than 25%	329	255	-	240
25 to 50%	3,472	1,326	-	248
51 to 75%	1,243	2,656	1	330
76 to 100%	100	3,147	-	30
Higher than 100%	7,677	88	-	24
<b>Total</b>	<b>12,821</b>	<b>7,472</b>	<b>1</b>	<b>872</b>

It is the Bank's policy to dispose of properties acquired through judicial action in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. Generally, the Bank does not occupy properties acquired through judicial action for business use.

The following is an analysis of the extendible value of the collateral and other credit enhancements held by the Bank against exposures of loans and advances to customers.

	Non-forborne exposures 2025 €000	Forborne Exposures 2025 €000
<b>Performing – Stage 1</b>		
<i>Loans which are not past due</i>		
Total maximum exposure	967,705	-
Extendible value of collateral		
Secured by cash and quasi cash	(25,487)	-
Residential immovable property	(697,701)	-
Commercial immovable property	(206,506)	-
Other collateral	(11,821)	-
Total extendible value of collateral	(941,515)	-
Residual exposure	26,190	-
Loss allowance	(863)	-
<i>Past due by not more than 30 days</i>		
Total maximum exposure	17,157	-
Extendible value of collateral		
Secured by cash and quasi cash	(13)	-
Residential immovable property	(14,431)	-
Commercial immovable property	(2,412)	-
Other collateral	-	-
Total extendible value of collateral	(16,856)	-
Residual exposure	301	-
Loss allowance	(26)	-

	Non-forborne exposures 2025 €000	Forborne Exposures 2025 €000
<b>Underperforming – Stage 2</b>		
<i>Loans which are not past due</i>		
Total maximum exposure	23,006	506
Extendible value of collateral		
Secured by cash and quasi cash	(607)	(2)
Residential immovable property	(17,877)	(391)
Commercial immovable property	(3,463)	-
Other collateral	(20)	-
Total extendible value of collateral	(21,967)	(393)
Residual exposure	1,039	113
Loss allowance	(194)	(23)
<i>Past due by not more than 90 days</i>		
Total maximum exposure	5,736	35
Extendible value of collateral:		
Secured by cash and quasi cash	(32)	-
Residential immovable property	(4,534)	(29)
Commercial immovable property	(1,073)	-
Other collateral	-	-
Total extendible value of collateral	(5,639)	(29)
Residual exposure	97	6
Loss allowance	(41)	-
<b>Non-performing – Stage 3</b>		
Total maximum exposure	19,151	6,240
Extendible value of collateral:		
Secured by cash and quasi cash	(9)	-
Residential immovable property	(12,384)	(1,819)
Commercial immovable property	(1,751)	(3,854)
Total extendible value of collateral	(14,144)	(5,673)
Residual exposure	5,007	567
Loss allowance	(10,404)	(1,685)

	Non-forborne exposures 2024 €000	Forborne Exposures 2024 €000
<b>Performing – Stage 1</b>		
<i>Loans which are not past due</i>		
Total maximum exposure	962,979	-
Extendible value of collateral		
Secured by cash and quasi cash	(33,328)	-
Residential immovable property	(699,102)	-
Commercial immovable property	(194,159)	-
Other collateral	(12,746)	-
Total extendible value of collateral	(939,335)	-
Residual exposure	23,644	-
Loss allowance	(1,384)	-
<i>Past due by not more than 30 days</i>		
Total maximum exposure	15,847	-
Extendible value of collateral		
Secured by cash and quasi cash	(45)	-
Residential immovable property	(7,683)	-
Commercial immovable property	(7,370)	-
Other collateral	(3)	-
Total extendible value of collateral	(15,101)	-
Residual exposure	746	-
Loss allowance	(50)	-

	Non-forborne exposures 2024 €000	Forborne Exposures 2024 €000
<b>Underperforming – Stage 2</b>		
<i>Loans which are not past due</i>		
Total maximum exposure	17,252	525
Extendible value of collateral		
Secured by cash and quasi cash	(590)	(16)
Residential immovable property	(11,110)	(346)
Commercial immovable property	(4,207)	(39)
Other collateral	(57)	-
Total extendible value of collateral	(15,964)	(401)
Residual exposure	1,288	124
Loss allowance	(266)	(61)
<i>Past due by not more than 90 days</i>		
Total maximum exposure	2,800	48
Extendible value of collateral:		
Secured by cash and quasi cash	(30)	-
Residential immovable property	(931)	(41)
Commercial immovable property	(1,609)	-
Other collateral	-	-
Total extendible value of collateral	(2,570)	(41)
Residual exposure	230	7
Loss allowance	(27)	(4)
<b>Non-performing – Stage 3</b>		
Total maximum exposure	17,768	6,714
Extendible value of collateral:		
Secured by cash and quasi cash	(63)	-
Residential immovable property	(10,904)	(1,915)
Commercial immovable property	(1,585)	(3,937)
Total extendible value of collateral	(12,552)	(5,852)
Residual exposure	5,216	862
Loss allowance	(9,477)	(2,286)

### 3.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as prices and interest rates, the correlations between them and their levels of volatility.

Market risk for the Bank comprises of two types of risks, namely:

- Interest rate risk, which results from fluctuations in the future cash flows of financial assets and liabilities and fair value of financial instruments due to interest rate repricing gaps, changes in the yield curves and volatilities in the market interest rates; and
- Foreign exchange risk, which results from exposure to changes in prices, spot or forward, and volatility of currency rates.

### 3.3.1 Management of market risk

The primary objective of market risk management is to ensure that the risk-reward relationship entrenched in managing the Bank's resources is optimised in a manner that it does not expose the Bank to losses over and above its risk appetite. To achieve this objective, the Bank establishes limits and controls positions rigorously. The Bank carries out regular assessments of how the outcome of business activities in terms of multiple risk metrics impacts financial results.

The Bank's market risk appetite is defined by the Board of Directors and implemented by the Treasury Department, which coordinates the setup of risk limits and controls the Bank's market exposures in the financial markets. The Risk function oversees adherence to limits and carries out oversight activity. Exposures and limits are reviewed on a regular basis by senior management in the Executive Committee and in the 'ALCO' (Asset and Liabilities Committee).

### 3.3.2 Interest rate risk

Interest rate risk arises in the Bank's operations due to interest rate fluctuations resulting from interest-earning assets and interest-bearing liabilities, which mature or are repriced at different times or in different amounts. Floating rate assets and liabilities are also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. 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. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. As outlined previously, the Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice within different time periods or on different terms. The Bank adopts a policy to predominantly match the currency and maturity of transactions through treasury operations, as much as is practicable, to minimise the risk of adverse fluctuations in interest rates affecting financial assets and financial liabilities. The Bank accepts deposits from customers at both fixed and floating rates and for varying terms. This poses a risk to the Bank, which risk is managed by monitoring on a continuous basis the level of mismatch of interest rate repricing taking cognisance of the terms of the Bank's principal assets, loans and advances to customers, that are re-priceable at the Bank's discretion. The Bank, through its Treasury function, also invests in highly liquid quality assets, namely listed government and corporate debt securities, for the purposes of mitigating exposures to fluctuations in interest rates.

The level of interest rate risk is monitored using a number of risk measures, such as prescribed regulatory metrics, the risk appetites as set by the Board of Directors and other risk measures that are considered appropriate. Interest rate risk is measured from two perspectives - the earnings based approach and the economic value of equity (EVE) and exposure is monitored by the Risk and Treasury Functions and reported to ALCO, Executive Committee and Risk and Compliance Committee on a quarterly basis. The tables and figures below show the Bank's total interest rate sensitivity in the banking book. Moreover, the Bank is in a position to manage the interest rate terms of its financial assets and simultaneously to effect changes to the interest rate terms of liabilities reflecting the Bank's strategy together with market developments. In this manner, the Bank manages the interest repricing gaps highlighted within the tables below. The Bank's ALCO is primarily responsible for oversight over the Bank's interest rate risk management process and monitors actively the interest rate risk measures utilised by the Bank. Credit facilities and commitments to lend funds to customers are granted at prevailing market interest rates at drawdown date.

The following tables summarise the Bank's exposures to interest rate risks. These analyse the Bank's financial instruments, which were interest-bearing, at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2025	Carrying amount €000	Effective interest rate %	Less than 3 months €000	Between 3 months and 1 year € 000	Between 1 year and 5 years €000	More than 5 years €000	Non-interest bearing €000
<b>Financial assets</b>							
Balances with Central Bank of Malta and cash	118,457	2.12%	108,655	-	-	-	9,802
Financial investments	150,117	3.36%	3,398	16,356	23,824	106,157	382
Loans and advances to banks	27,689	3.26%	27,689	-	-	-	-
Loans and advances to customers	1,026,299	3.88%	1,024,698	1,601	-	-	-
<b>Total financial assets</b>	<b>1,322,562</b>		<b>1,164,440</b>	<b>17,957</b>	<b>23,824</b>	<b>106,157</b>	<b>10,184</b>
<b>Financial liabilities</b>							
Amounts owed to banks and other institutions	18	-	18	-	-	-	-
Amounts owed to customers	1,210,024	1.15%	905,168	242,066	62,694	96	-
Debt securities in issue	19,915	4.50%	-	-	-	19,915	-
<b>Total financial liabilities</b>	<b>1,229,957</b>		<b>905,186</b>	<b>242,066</b>	<b>62,694</b>	<b>20,011</b>	<b>-</b>
<b>Interest repricing gap</b>			<b>259,254</b>	<b>(224,109)</b>	<b>(38,870)</b>	<b>86,146</b>	
<b>Cumulative gap</b>			<b>259,254</b>	<b>35,145</b>	<b>(3,725)</b>	<b>82,421</b>	

As at 31 December 2024	Carrying amount €000	Effective interest rate %	Less than 3 months €000	Between 3 months and 1 year € 000	Between 1 year and 5 years €000	More than 5 years €000	Non-interest bearing €000
Financial assets							
Balances with Central Bank of Malta and cash	106,332	2.51%	97,271	-	-	-	9,061
Financial investments	189,873	3.48%	14,768	29,358	66,844	78,903	-
Loans and advances to banks	29,157	2.96%	29,157	-	-	-	-
Loans and advances to customers	1,010,378	4.24%	1,007,711	2,667	-	-	-
<b>Total financial assets</b>	<b>1,335,740</b>		<b>1,148,907</b>	<b>32,025</b>	<b>66,844</b>	<b>78,903</b>	<b>9,061</b>
Financial liabilities							
Amounts owed to banks and other institutions	405	-	177	-	-	-	228
Amounts owed to customers	1,214,401	1.77%	714,283	338,691	161,427	-	-
Debt securities in issue	19,864	4.50%	-	-	-	19,864	-
<b>Total financial liabilities</b>	<b>1,234,670</b>		<b>714,460</b>	<b>338,691</b>	<b>161,427</b>	<b>19,864</b>	<b>228</b>
Interest repricing gap			434,447	(306,667)	(94,583)	59,039	8,833
Cumulative gap			434,447	127,781	33,198	92,237	

*Interest rate profile*

The table below analyses interest-earning assets and interest-bearing liabilities between those that have a fixed rate and a variable rate.

	2025		2024	
	Fixed €000	Variable €000	Fixed €000	Variable €000
<b>Interest-earning assets</b>				
Balances with Central Bank of Malta	93,751	14,905	81,429	15,842
Financial investments	122,169	27,565	121,746	68,127
Loans and advances to banks	26,111	1,578	20,157	9,000
Loans and advances to customers	13,613	1,012,686	12,924	997,454
	<b>255,644</b>	<b>1,056,734</b>	236,256	1,090,423
<b>Interest-bearing liabilities</b>				
Amounts owed to banks and other institutions	-	18	-	177
Amounts owed to customers	506,017	704,007	639,952	574,449
Debt securities in issue	19,915	-	19,864	-
	<b>525,932</b>	<b>704,025</b>	659,816	574,626

*Fair value sensitivity for fixed rate instruments*

Financial instruments issued at fixed rates potentially expose the Bank to fair value interest rate risk. Loans and advances to customers and to banks and amounts owed to customers and to banks are measured at amortised cost and are not expected to be disposed of and are therefore not subject to fair value interest rate risk.

The Bank's instruments exposing the Bank to fair value interest rate risk consist of quoted debt securities measured at FVOCI, as described in Note 7, since these are fair valued with fair value changes recognised in other comprehensive income. At the end of the reporting period, if market prices on fixed rate financial investments measured at fair value had increased by 5%, with all other variables held constant, the fair value of these investments would increase by €5,913,000 (2024: €5,098,000). Likewise, if market prices on fixed rate financial investments measured at fair value had decreased by 5%, with all other variables held constant, the fair value of these investments would decrease by €5,913,000 (2024: €5,098,000).

*Cash flow sensitivity for variable rate instruments*

The Bank is exposed to cash flow interest rate risk principally in respect of the financial assets and liabilities which are subject to floating interest rates, including financial investments measured at amortised cost.

At the end of the reporting period, if interest rates had increased by 200/250 basis points<sup>1</sup> (assuming a parallel shift of 200/250 basis points in yields) with all other variables held constant, in particular foreign currency rates, the result for the year would increase by €1,123,209 (2024: €3,182,721). Likewise, if interest rates had decreased by 200/250 basis points (assuming a parallel shift of 200/250 basis points in yields) with all other variables held constant, in particular foreign currency rates, the post-tax result for the year would decrease by €983,559 (2024: €3,247,628).

<sup>1</sup> A 200 bps shift is assumed for EUR and other minor currencies, while a 250 bps shift is assumed for GBP.

In respect of the cash flow sensitivity for variable rate instruments, a selected number of interest bearing assets were simulated not to reprice immediately.

### 3.3.3 Currency risk

Currency risk is the risk of the exposure of the Bank's financial position and cash flow to adverse movements in foreign exchange rates.

The Bank manages currency risk 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. This mechanism is reflected in the figures reported in the tables below.

The Bank has in place limits on the level of exposure by currency and in total, which are monitored daily, and hedging strategies are used to ensure that positions are maintained within established limits. The Bank does not apply hedge accounting with respect to its derivative contracts such as foreign currency swap agreements.

The table below summarises the Bank's exposures to foreign currency risk. Included in the tables are the Bank's financial instruments at carrying amounts, categorised by currency.

	Total €000	EUR €000	GBP €000	USD €000	Other €000
<b>As at 31 December 2025</b>					
<b>Financial assets</b>					
Balances with Central Bank of Malta and cash	118,457	107,782	9,777	898	-
Financial investments	150,117	142,337	-	7,780	-
Loans and advances to banks	27,689	7,997	10,739	8,953	-
Loans and advances to customers	1,026,299	904,363	121,842	94	-
Other assets	20,400	18,334	1,560	506	-
<b>Total financial assets</b>	<b>1,342,962</b>	<b>1,180,813</b>	<b>143,918</b>	<b>18,231</b>	<b>-</b>
<b>Financial liabilities</b>					
Amounts owed to banks and other institutions	18	3	-	14	1
Amounts owed to customers	1,210,024	1,161,215	44,406	4,403	-
Other liabilities	29,777	29,004	476	297	-
Debt securities in issue	19,915	19,915	-	-	-
<b>Total financial liabilities</b>	<b>1,259,734</b>	<b>1,210,137</b>	<b>44,882</b>	<b>4,714</b>	<b>1</b>
Net currency position			99,036	13,517	(1)
Notional value of derivatives			(96,279)	(16,991)	-
<b>Residual exposure</b>			<b>2,757</b>	<b>(3,474)</b>	<b>(1)</b>

For presentation purposes, the other assets comprise of 'Other assets' and 'Prepayments and Accrued Income' line items presented within the Statement of Financial Position. Other liabilities comprise of 'Current tax liabilities', 'Other liabilities' and 'Accruals and deferred income'.

	Total €000	EUR €000	GBP €000	USD €000	Other €000
As at 31 December 2024					
Financial assets					
Balances with Central Bank of Malta and cash	106,332	106,203	67	62	-
Financial investments	189,873	169,797	4,822	15,254	-
Loans and advances to banks	29,157	10,496	16,839	1,822	-
Loans and advances to customers	1,010,378	904,044	106,223	111	-
Other assets	21,450	20,028	1,328	94	-
<b>Total financial assets</b>	<b>1,357,190</b>	<b>1,210,568</b>	<b>129,279</b>	<b>17,343</b>	<b>-</b>
Financial liabilities					
Amounts owed to banks and other institutions	405	401	-	3	1
Amounts owed to customers	1,214,401	1,129,709	81,513	3,179	-
Other liabilities	29,261	28,115	931	215	-
Debt securities in issue	19,864	19,864	-	-	-
<b>Total financial liabilities</b>	<b>1,263,931</b>	<b>1,178,089</b>	<b>82,444</b>	<b>3,397</b>	<b>1</b>
Net currency position			46,835	13,946	(1)
Notional value of derivatives			(45,367)	(13,466)	-
Residual exposure			1,468	480	(1)

In view of the levels of net currency positions reflected in the tables above, 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 periods would not reflect significant impacts (after hedging transactions).

In fact, under the scenario that the euro appreciates by 20% against all currencies, the effect would be a gain of €144,000 (2024: gain of €389,000) in the carrying amount of financial instruments with the favourable impact recognised in profit or loss. Should the euro depreciate against all currencies by 20%, the effect would be a loss of €144,000 (2024: loss of €389,000) in the carrying amount of financial instruments and the adverse impact would be recognised in profit or loss.

### 3.4 Liquidity Risk

Liquidity risk is defined as the risk of losses due to:

- The Bank's funding costs increasing disproportionately;
- Lack of funding preventing the Bank from establishing new business; and
- Lack of funding which will ultimately prevent the Bank from meeting its obligations.

Liquidity risk may result from the Bank's inability to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, as well as the inability to sell a financial asset quickly at close to its fair value. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan drawdowns and guarantees.

Such risk is inherent in all banking operations, which is generally affected by a range of institution-specific and market-wide events including, but not limited to, credit events, systemic shocks and natural disasters.

The objective of the Bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. It is the Bank's objective to maintain a diversified and stable funding base with the objective of enabling the Bank to respond quickly and smoothly to unforeseen liquidity requirements.

The Bank manages this risk by ensuring that its assets and liabilities are matched in terms of maturities as much as is practicable. However, the Bank manages its net interest spread by advancing credit to customers with longer terms to maturity than the liabilities funding such loans. To mitigate exposures arising in this respect, the Bank holds significant liquid assets in the form of listed debt securities, money market placements and other short-term instruments for managing liquidity risk to support payment obligations and contingent funding in a stressed market environment.

As at 31 December 2025, the Bank's advances-to-deposit ratio stood at 84.82% (2024: 83.20%).

- *Liquidity Coverage Ratio*

The LCR metric is designed to promote the short-term resilience of a bank's liquidity profile, and became a minimum regulatory standard from 1 October 2015, under European Commission ('EC') Delegated Regulation 2015/61. It aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. HQLA consist of cash or assets that can be converted into cash at little or no loss of value in markets.

During the years ended 31 December 2025 and 2024 the LCR ratio was within both the regulatory minimum and the risk appetite set by the Bank.

- *Net Stable Funding Ratio*

The NSFR requires institutions to maintain sufficient available stable funding relative to required stable funding and reflects a bank's long-term funding profile. It is designed to complement the LCR.

The NSFR methodology is calculated in line with the amendments of the Capital Requirements Regulation (EU) No 575/2013 (CRR II) with effect from 28 June 2021.

During the years ended 31 December 2025 and 2024 the NSFR was within both the regulatory minimum and the risk appetite set by the Bank.

The Bank's ALCO focuses on the Bank's management process with respect to market and funding liquidity risks and adherence to limits. Key Liquidity Risk indicators are also included in the Bank's Risk Appetite.

- Management of day-to-day funding, by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The starting point for projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets;
- 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 of the Bank against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The Bank also monitors the level and type of undrawn lending commitments and the impact of contingent liabilities such as guarantees as part of the liquidity management process previously referred to.

The following table discloses financial assets and liabilities at the end of the reporting period by remaining period to maturity:

At 31 December 2025

	Total €000	Within 3 months €000	Between 3 months and 1 year €000	Over 1 but less than 5 years €000	Over 5 years €000	No maturity date €000
<b>Financial assets</b>						
Balances with Central Bank of Malta and cash	118,457	107,247	-	-	-	11,210
Financial investments	150,117	3,398	11,293	24,670	110,374	382
Loans and advances to banks	27,689	27,689	-	-	-	-
Loans and advances to customers	1,026,299	53,464	29,039	151,108	792,688	-
Other assets	6,718	-	-	-	-	6,718
<b>Total financial assets</b>	<b>1,329,280</b>	<b>191,798</b>	<b>40,332</b>	<b>175,778</b>	<b>903,062</b>	<b>18,310</b>
<b>Financial liabilities</b>						
Amounts owed to banks and other institutions	18	18	-	-	-	-
Amounts owed to customers	1,210,024	905,168	242,066	62,694	96	-
Other liabilities	29,777	16,016	407	670	318	12,366
Debt securities in issue	19,915	-	-	-	19,915	-
<b>Total financial liabilities</b>	<b>1,259,734</b>	<b>921,202</b>	<b>242,473</b>	<b>63,364</b>	<b>20,329</b>	<b>12,366</b>
<b>Maturity gap</b>		<b>(729,404)</b>	<b>(202,141)</b>	<b>112,414</b>	<b>882,733</b>	
<b>Cumulative gap</b>		<b>(729,404)</b>	<b>(931,545)</b>	<b>(819,131)</b>	<b>63,602</b>	

Liquidity available to settle these liabilities and support outstanding commitments includes balances with the Central Bank of Malta, cash, marketable securities and undrawn credit facilities with other counterparties. Although the maturity analysis below shows a mismatch in the earlier time band, this is mitigated by the high liquidity of the investment portfolio and the stable behavioural profile of the deposit base. The position is monitored on an ongoing basis using the liquidity metrics and regulatory ratios.

Management does not expect the timing of recovery or settlement to differ from that reflected in the maturity analysis disclosed above.

Amounts owed to customers of €703,485,000 (2024: €574,449,000) as at 31 December 2025 are repayable on demand and included in the “within 3 months” bucket in the tables. However, the Bank’s experience is that a significant portion of such deposits remains stable. Additionally, a significant part of other deposits maturing within 3 months from the end of the reporting period is typically renewed.

An amount of €3,371,000 comprising financial investments measured at FVOCI have been pledged in favour of the Depositor Compensation Scheme as at 31 December 2025 (31 December 2024: €3,293,000).

At 31 December 2024

	Total €000	Within 3 months €000	Between 3 months and 1 year €000	Over 1 but less than 5 years €000	Over 5 years €000	No maturity date €000
Financial assets						
Balances with Central Bank of Malta and cash	106,332	95,875	-	-	-	10,457
Financial investments	189,873	9,733	27,358	61,956	90,128	698
Loans and advances to banks	29,157	29,157	-	-	-	-
Loans and advances to customers	1,010,378	26,335	26,851	184,515	772,677	-
Other assets	21,450	13,409	-	-	-	8,041
<b>Total financial assets</b>	<b>1,357,190</b>	<b>174,509</b>	<b>54,209</b>	<b>246,471</b>	<b>862,805</b>	<b>19,196</b>
Financial liabilities						
Amounts owed to banks and other institutions	405	405	-	-	-	-
Amounts owed to customers	1,214,401	716,466	337,548	160,387	-	-
Other liabilities	29,261	15,445	353	854	360	12,249
Debt securities in issue	19,864	-	-	-	19,864	-
<b>Total financial liabilities</b>	<b>1,263,931</b>	<b>732,316</b>	<b>337,901</b>	<b>161,241</b>	<b>20,224</b>	<b>12,249</b>
Maturity gap		(557,807)	(283,692)	85,230	842,582	
Cumulative gap		(557,807)	(841,499)	(756,269)	86,313	

The tables below analyse the Bank's principal non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Total €000	Within 3 months €000	Between 3 months and 1 year €000	Over 1 but less than 5 years €000	Over 5 years €000
<b>At 31 December 2025</b>					
<b>Financial liabilities</b>					
Amounts owed to banks and other institutions	18	18	-	-	-
Amounts owed to customers	1,222,989	909,766	247,606	65,509	108
Lease liabilities	1,539	144	407	670	318
<b>Total financial liabilities</b>	<b>1,224,546</b>	<b>909,928</b>	<b>248,013</b>	<b>66,179</b>	<b>426</b>
<b>At 31 December 2024</b>					
<b>Financial liabilities</b>					
Amounts owed to banks and other institutions	405	405	-	-	-
Amounts owed to customers	1,234,790	718,494	346,751	169,545	-
Lease liabilities	1,660	93	353	854	360
<b>Total financial liabilities</b>	<b>1,236,855</b>	<b>718,992</b>	<b>347,104</b>	<b>170,399</b>	<b>360</b>

	Total €000	Within 3 months €000	Between 3 months and 1 year €000	Over 1 but less than 5 years €000	Over 5 years €000
<b>At 31 December 2025</b>					
<b>Derivative liabilities</b>					
Outflow	(86,527)	(17,707)	(68,820)	-	-
Inflow	85,978	17,657	68,321	-	-
<b>Total derivative liabilities</b>	<b>(549)</b>	<b>(50)</b>	<b>(499)</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2024</b>					
<b>Derivative liabilities</b>					
Outflow	(58,834)	(6,034)	(49,145)	(3,655)	-
Inflow	58,311	6,011	48,703	3,597	-
<b>Total derivative liabilities</b>	<b>(523)</b>	<b>(23)</b>	<b>(442)</b>	<b>(58)</b>	<b>-</b>

Through the ILAAP, the robustness of the Bank's liquidity and funding was assessed using various tools and metrics, including a risk assessment and a stress testing exercise. The ILAAP report concluded that the Bank's liquidity and funding profile is sound, and liquidity controls are sufficiently robust. The ILAAP report was duly submitted to the Regulator.

### 3.5 Operational risk

The Bank adopts the Capital Requirements Regulation definition of operational risk, which is the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems or from external events, and includes Legal risk.

Operational Risk is inherent in all the Bank's products, services and activities, including outsourced activities and encompasses a broad range of sub-risk categories. These include Internal Fraud, External Fraud, Legal, Regulatory Compliance, Cyber Security, Money Laundering, Sanctions, Conduct, ICT, Reputational, Business Process, Third-party, Staff Dependency, Business Continuity, Change Management, Data Privacy and Confidentiality and Transformation.

The Bank proactively manages and mitigates these risks through its robust control framework, continuous monitoring and by responding to emerging risks. Operational risk management is an integral part of the Bank's overall risk management framework and is a shared responsibility across all employees, rather than being solely confined to the Risk function. To this end, operational risk managers have been appointed across all areas of the Bank, ensuring coverage and effective identification of operational risk events at the point of occurrence.

The operational risk management framework entails a set of interrelated tools and processes designed to ensure effective identification, assessment and mitigation of the Bank's operational risks. This framework enables the Bank to adopt a risk-based approach in line with its operational risk tolerance level while supporting its strategic objectives. The risk tolerance level is defined in the Bank's Risk Appetite Framework, through the Risk Appetite Statement and established indicators. Risk indicators and respective thresholds are characterised by a generally risk-averse approach intended to achieve a reasonable risk/return equilibrium position.

In addition to recording operational risk events, the Bank maintains a risk register, which is updated bi-annually following a thorough assessment conducted across all functions to record the identified risks the Bank is exposed to. The key risks across the institution are analysed and the prevailing risk level is assessed, as well as the efficacy and performance of control measures in place. Thus, making it possible to differentiate between inherent and residual risk levels.

In recent years, the Bank has continued to strengthen its risk management through the adoption of innovative tools and methodologies to enhance the identification and reporting of risks. This commitment is evidenced by the integration of systems that facilitate the recording and management of operational risk events, as well as the enhancement of the risk assessment management process.

The Risk function is responsible for the coordination of all operational risk activities within the Bank as well as their control and oversight. Every effort is made to ensure that operational risks are curtailed, minimised and/or mitigated to inhibit, or at least to significantly reduce, the incidence of operational risks materialising into operational losses.

The Bank's operational risk management applies proactive measures to ensure business continuity, and the accuracy of information used internally and reported externally, availability of competent and well-informed staff, and adherence to established rules and procedures including security arrangements to protect the physical and ICT infrastructure of the Bank.

These efforts are reinforced by fostering a strong risk culture through the 'tone from the top', and well-defined objectives that observe the Bank's risk appetite. This culture is embedded through policies, procedures, effective communication, and ongoing staff training to enhance awareness and accountability.

The Bank endeavours to mitigate operational risk by defining, documenting and updating the relevant business processes. Furthermore, the Bank mitigates operational risk by following strict rules for the assignment of duties and responsibilities among and within the functions and by having in place a system of internal control and supervision.

### 3.6 Capital risk management

It is the Bank's policy to actively manage its capital base to cover inherent risks in the business and at the same time to support the development of the business, to maximise shareholders' value and to meet all the regulatory requirements. Capital management policy is monitored by the Executive Committee and the ALCO.

Accordingly, the purpose of the Bank's capital management is essentially to ensure an efficient use of capital, taking cognisance of the Bank's risk appetite and profile as well as its objectives for business development. The Bank is a licensed credit institution and must therefore comply with the capital requirements under the relevant laws and regulations. During the years ended 31 December 2025 and 2024, the Bank complied with the imposed regulatory capital requirements.

The Bank also implemented the revised requirements introduced by Capital Requirements Regulation 3 (CRR3), effective from 1 January 2025, including updates to the approaches for credit and operational risk. The adoption of CRR3 did not have a material impact on the Bank's regulatory capital position. In line with the CRR framework, the Bank's regulatory capital is classified into Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 capital, as disclosed below.

	2025	2024
	€000	€000
<b>Common Equity Tier 1 capital</b>		
Ordinary share capital	74,544	74,544
Retained earnings	24,826	25,461
Other reserves	(776)	494
Deductions:		
Intangible assets	(5,646)	(3,155)
Other regulatory adjustments	(3,614)	(3,242)
Total Common Equity Tier 1 capital	<u>89,334</u>	<u>94,102</u>
<b>Additional Tier 1 capital</b>		
Instruments classified as equity under IFRS Accounting Standards	10,000	10,000
Total Tier 1 Capital	<u>99,334</u>	<u>104,102</u>
<b>Tier 2 capital</b>		
Qualifying subordinated liabilities	20,000	20,000
Total Tier 2 capital	<u>20,000</u>	<u>20,000</u>
Total regulatory capital	<u>119,334</u>	<u>124,102</u>

Further detail on capital risk management and capital adequacy requirements is set out in the 'Pillar 3 Disclosures Report' published as a separate document on the Bank's website.

### 3.7 Fair values of financial assets and liabilities

The Bank is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the Statement of Financial Position at fair value:

- 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 i.e. as prices, or indirectly i.e. derived from prices (Level 2).
- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (Level 3).

The IFRS 13 hierarchy of valuation techniques is based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The following tables reflect an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
<b>At 31 December 2025</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	120	-	120
<b>Financial investments</b>				
Government debt instruments	20,354	58,006	-	78,360
Corporate debt and equity instruments	48,974	9,369	382	58,725
<b>Total financial assets</b>	<b>69,328</b>	<b>67,495</b>	<b>382</b>	<b>137,205</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	432	-	432
<b>Total financial liabilities</b>	<b>-</b>	<b>432</b>	<b>-</b>	<b>432</b>
<b>At 31 December 2024</b>				
<b>Financial assets</b>				
<b>Financial investments</b>				
Government debt instruments	57,730	-	-	57,730
Corporate debt instruments	96,514	-	698	97,212
<b>Total financial assets</b>	<b>154,244</b>	<b>-</b>	<b>698</b>	<b>154,942</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	1,267	-	1,267
<b>Total financial liabilities</b>	<b>-</b>	<b>1,267</b>	<b>-</b>	<b>1,267</b>

During the year, management determined that classifying local debt securities within Level 2 of the fair value hierarchy would provide a more appropriate reflection of market conditions, particularly given the limited observable market activity (i.e. no active market). As a result, securities with a carrying amount of €67,375,000 were transferred from Level 1 to Level 2. No other movements between hierarchy levels were noted during the year.

#### *Financial instruments in Level 1*

The fair value of 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 instruments held by the Bank is the current bid price at 31 December of the respective year.

#### *Financial instruments in Level 2*

Level 2 includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Fair values for the Bank's derivative contracts, which are classified as level 2, are generally determined utilising valuation techniques, involving primarily the use of discounted cash flow techniques. The fair values referred to are determined by reference to market prices or rates (forward foreign exchange rates) quoted at the end of the reporting period. The valuation techniques used are supported by observable market prices or rates since their variables include only data from observable markets.

#### *Financial instruments in Level 3*

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Instruments included in Level 3 are immaterial in the context of the Bank's Statement of Financial Position.

#### *Financial instruments not measured at fair value*

Loans and advances to banks and customers and amounts owed to banks, other institutions and customers are measured at amortised cost in the Statement of Financial Position. The Board considers the carrying amounts of loans and advances to banks and customers 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. The fair values of fixed interest deposits and amounts owed to banks and other institutions are not deemed to be significantly different from their carrying amounts, based on the discounted cash flows at current market interest rates, particularly due to the relatively short periods to maturity.

Financial investments measured at amortised cost had a fair value of €13,131,000 (level 1) as at 31 December 2025 (2024: €36,197,000), compared to the carrying amount of €13,032,000 (2024: €34,931,000). Debt securities issued measured at amortised cost had a fair value of €19,400,000 (level 2) as at 31 December 2025 (2024: €20,000,000), compared to the carrying amount of €19,915,000 (2024: €19,864,000). As at 31 December 2025, financial investments and debt securities in issue were listed on an active market and the fair value was based on the market price at the reporting date.

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

## 4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statement relates primarily to determining criteria for significant increase in credit risk, choosing appropriate models and assumptions for the measurement of ECL, and establishing the number and relative weightings of forward-looking scenarios and associated ECL.

## 4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year relates to the measurement of expected credit loss on loans and advances to customers.

Assumptions and estimation uncertainties in the measurement of expected credit loss on loans and advances to customers are:

- Determining criteria for significant increase in credit risk

The identification of financial assets that have experienced a significant increase in credit risk or credit impairment is subject to estimation uncertainty, particularly in an environment of elevated economic uncertainty. This arises mainly from limitations in the availability, granularity and timeliness of customer specific credit information, which may affect the timing and identification of changes in credit risk across portfolios.

To address these inherent data limitations, segmentation techniques are applied across the corporate, retail and international portfolios to identify indicators of changes in credit risk. For retail portfolios, ECL estimates rely primarily on delinquency based indicators as proxies for default emergence, reflecting the limited availability of forward looking information at individual exposure level. Consequently, ECL estimates are sensitive to assumptions regarding the behavioural relationship between arrears status, loan to value ratios and default risk. The Bank's established credit monitoring processes, including the ongoing review of arrears and collateral values, are applied to mitigate this uncertainty.

For corporate exposures, SICR and unlikelihood to pay ("UTP") assessments are based on the evaluation of available quantitative and qualitative information, including indicators of impairment and observable deterioration in borrowers' financial performance or outlook. ECL estimates for these exposures remain sensitive to changes in borrower specific conditions and macroeconomic developments that may occur after the reporting date (see Note 3.2.3).

- Forward looking economic scenarios and scenario weightings

The measurement of ECL is sensitive to the number, severity and relative weightings of forward looking economic scenarios. Estimation uncertainty arises from the inherent unpredictability of macroeconomic conditions and their impact on key variables used to derive forward looking PD and LGD estimates.

Expert judgement was also applied by management when determining the relevance of selected macroeconomic scenarios and their respective probability weights. For the UK portfolio different stress factors reflecting the current economic conditions, expected outlook and anticipated risks are applied to the pessimistic and optimistic scenarios.

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 economic uncertainty on the ECL outcome is disclosed in the sensitivity analysis presented in Note 3.2.3.4 within the section entitled 'Economic scenarios sensitivity analysis of ECL estimates'. The ECL calculated for the upside and downside scenarios should not be taken to represent the

upper and lower limits of possible ECL outcomes as there is a high degree of estimation uncertainty in the numbers representing tail risk scenarios when assigned a 100% weighting (see Note 3.2.4.)

- Estimation of future cash flows for credit impaired loans

For individually significant credit impaired loans, the measurement of ECL is sensitive to assumptions regarding the timing and amount of expected future cash flows. These estimates depend on factors such as the realisable value of security, the viability of the customer's business model and the capacity to generate cash flow to service debt obligations under different recovery scenarios.

Key assumptions include forecast recoveries from the sale of collateralised properties, valuation haircuts and time to recovery. The heightened level of uncertainty in the local property market, driven by current macroeconomic conditions, increases the sensitivity of ECL estimates to these assumptions.

Further details on inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.2.3.

#### *Management overlay and changes in estimation uncertainty*

As explained in Note 3.2.3.1, in prior financial years the Bank applied management overlays to its retail and corporate portfolios to reflect heightened estimation uncertainty arising from delayed identification of SICR events during periods of significant economic volatility, including the COVID 19 pandemic, subsequent inflationary pressures, Malta's temporary inclusion on the Financial Action Task Force ("FATF") grey list and the elevated interest rate environment.

During 2025, the Bank continued to monitor credit risk in the context of evolving macroeconomic conditions. As economic indicators stabilised and pandemic related risks subsided, the level of estimation uncertainty underpinning these overlays reduced. As a result, the remaining management overlay on the corporate portfolio was fully released as at 31 December 2025. No further adjustments were considered necessary, as emerging risks are assessed and reflected through ongoing borrower level credit risk monitoring.

## 5. SEGMENTAL REPORTING

The following tables present income, profit and certain asset and liability information regarding the Bank's business segments for the years ended 31 December 2025 and 2024:

	2025				
	Retail banking €000	Corporate banking €000	International €000	Other €000	Total €000
Net interest income	13,831	10,070	3,045	3,900	30,846
Net fees and commission income	1,374	1,892	356	-	3,622
Net trading income (including net gains from financial instruments at FVTPL and gains on disposal of debt instruments at FVOCI)	-	-	-	(460)	(460)
<b>Net operating income</b>	<b>15,205</b>	<b>11,962</b>	<b>3,401</b>	<b>3,440</b>	<b>34,008</b>
Employee compensation and benefits	(7,606)	(4,659)	(573)	(1,063)	(13,901)
Other administrative expenses	(7,113)	(4,958)	(506)	(2,823)	(15,400)
Depreciation of property and equipment,					

depreciation of right-of-use assets and amortisation of intangible assets	(1,254)	(645)	-	(187)	(2,086)
Credit impairment losses	(883)	1,157	(24)	63	313
<b>Profit before tax</b>					<b>2,934</b>
Income tax expense					(314)
<b>Profit for the year</b>					<b>2,620</b>
<b>Assets</b>					
Segment assets	636,094	246,919	121,793	341,399	1,346,205
Unallocated assets					22,555
<b>Total assets</b>					<b>1,368,760</b>
<b>Liabilities</b>					
Segment liabilities	963,926	230,285	2,281	17,235	1,213,727
Unallocated liabilities					46,439
<b>Total liabilities</b>					<b>1,260,166</b>
Additions to non-current assets	131	36	-	4,443	4,610

Revenue generated in the Bank's country of domicile (Malta) is reported within the Retail Banking, Corporate Banking and Other segments, while revenue generated in the United Kingdom is reported within the International segment. All non-current assets are located in Malta.

	2024				Total €000
	Retail banking €000	Corporate banking €000	International €000	Other €000	
	Net interest income	11,355	12,471	2,057	
Net fees and commission income	1,341	2,277	195	-	3,813
Net trading income (including net gains from financial instruments at FVTPL and gains on disposal of debt instruments at FVOCI)	-	-	-	2,106	2,106
<b>Net operating income</b>	<b>12,696</b>	<b>14,748</b>	<b>2,252</b>	<b>7,627</b>	<b>37,323</b>
Employee compensation and benefits	(5,897)	(4,654)	(500)	(1,902)	(12,953)
Other administrative expenses	(4,541)	(4,072)	(341)	(2,707)	(11,661)
Depreciation of property and equipment, depreciation of right-of-use assets and amortisation of intangible assets	(675)	(269)	-	(137)	(1,081)
Credit impairment losses	1,499	249	27	(111)	1,664
<b>Profit before tax</b>					<b>13,292</b>
Income tax expense					(4,373)
<b>Profit for the year</b>					<b>8,919</b>
<b>Assets</b>					
Segment assets	638,505	255,411	106,256	347,943	1,348,115
Unallocated assets					27,587
<b>Total assets</b>					<b>1,375,702</b>
<b>Liabilities</b>					
Segment liabilities	885,480	219,174	39,524	73,129	1,217,307
Unallocated liabilities					47,891
<b>Total liabilities</b>					<b>1,265,198</b>
Additions to non-current assets	492	-	-	3,025	3,517

## 6. BALANCES WITH CENTRAL BANK OF MALTA AND CASH

	2025 €000	2024 €000
Balances with Central Bank of Malta	108,657	97,282
Cash	9,802	9,061
	<hr/>	<hr/>
Gross carrying amount	118,459	106,343
Less credit impairment losses	(2)	(11)
	<hr/>	<hr/>
Net carrying amount	118,457	106,332
	<hr/>	<hr/>

The average balance of the reserve deposit required at year end in terms of Article 32 of the Central Bank of Malta Act, Cap. 204 of the Laws of Malta held with the Central Bank of Malta was €11,210,000 (2024: €10,457,000).

## 7. FINANCIAL INVESTMENTS

Financial investments include the following:

	2025 €000	2024 €000
<b>Financial investments measured at FVTPL</b>		
Equity instruments measured at FVTPL	382	698
	<hr/>	<hr/>
<b>At 31 December</b>	382	698
	<hr/>	<hr/>
<b>Debt instruments measured at FVOCI</b>		
Government debt securities		
Local and listed on the Malta Stock Exchange	58,006	41,128
Foreign and listed on other exchanges	20,354	16,602
Other debt securities		
Local and listed on the Malta Stock Exchange	9,369	5,789
Foreign and listed on other exchanges	48,974	90,725
	<hr/>	<hr/>
<b>At 31 December</b>	136,703	154,244
	<hr/>	<hr/>
<b>Debt instruments measured at amortised cost</b>		
Local and listed on the Malta Stock Exchange	-	10,082
Foreign and listed on other exchanges	13,032	24,901
Less expected credit loss allowances	-	(52)
	<hr/>	<hr/>
<b>At 31 December</b>	13,032	34,931
	<hr/>	<hr/>

The movement in the carrying amount of financial investments is summarised as follows:

	2025 €000	2024 €000
<b>Equity instruments measured at FVTPL</b>		
At 1 January	698	485
Changes in fair value	(316)	632
Disposals	-	(419)
<b>At 31 December</b>	<b>382</b>	<b>698</b>
<b>Debt instruments measured at FVOCI</b>		
At 1 January	154,244	100,855
Additions	67,719	123,285
Disposals	(83,540)	(73,397)
Foreign exchange	(921)	492
Amortisation of discount/(premium)	(139)	116
Changes in fair value	(660)	2,893
<b>At 31 December</b>	<b>136,703</b>	<b>154,244</b>
<b>Debt instruments measured at amortised cost</b>		
At 1 January	34,931	33,875
Additions	-	1,908
Maturities	(11,887)	(982)
Disposals	(10,110)	-
Amortisation of discount	45	126
Movement in credit loss allowances	53	4
<b>At 31 December</b>	<b>13,032</b>	<b>34,931</b>

As at 31 December 2025, the impairment allowance on debt instruments measured at FVOCI was €177,000 (2024: €178,000).

Debt securities pledged in favour of the Depositor Compensation Scheme as at 31 December 2025 amounted to €3,371,000 (2024: €3,293,000).

Investments with a nominal value of €21.4 million have been pledged against the provision of credit lines by the Central Bank of Malta. Investments were valued at €21.0 million as at 31 December 2025.

During the financial year ended 31 December 2025, debt instruments measured at FVOCI with a total carrying amount of €83,540,000 (2024: €73,397,000) were disposed of, resulting in a gain on disposal of €1,293,000 (2024: €1,387,000). During the financial year ended 31 December 2025, debt instrument measured at amortised cost with a total carrying amount of €10,110,000 (2024: nil) were disposed of, for liquidity purposes, resulting in a gain of €796,000. Gains on disposals were recorded and recognised in profit or loss under 'Gains on disposal of debt instruments'.

## 8. LOANS AND ADVANCES TO BANKS

	2025 €000	2024 €000
Repayable on call and at short notice	1,578	9,001
Term placements	26,116	20,161
	<b>27,694</b>	29,162
Less expected credit loss allowances	(5)	(5)
Net loans and advances to banks	<b>27,689</b>	29,157

## 9. LOANS AND ADVANCES TO CUSTOMERS

	2025 €000	2024 €000
Repayable on call and at short notice	46,827	42,084
Term loans and advances	992,709	981,849
Gross loans and advances to customers	<b>1,039,536</b>	1,023,933
Less expected credit loss allowances	(13,237)	(13,555)
Net loans and advances to customers	<b>1,026,299</b>	1,010,378
<b>Impairment allowances</b>		
Stage 1	889	1,434
Stage 2	259	358
Stage 3	12,089	11,763
	<b>13,237</b>	13,555

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

During the current and prior years, the Bank entered into foreign exchange swap transactions, exchanging a specific amount in one currency with a specific amount in another currency and agreed to re-exchange at a specified exchange rate and date in the future.

The table below shows the fair values of derivative financial assets and liabilities.

	2025		2024	
	Notional €000	Fair value €000	Notional €000	Fair value €000
<b>Derivative assets</b>				
Foreign exchange swaps	26,743	120	-	-
<b>Derivative liabilities</b>				
Foreign exchange swaps	86,526	432	58,833	1,267

## 11. PREPAYMENTS AND ACCRUED INCOME

	2025 €000	2024 €000
Prepayments	8,608	8,046
Accrued income	5,076	5,363
	<b>13,684</b>	<b>13,409</b>

## 12. PROPERTY AND EQUIPMENT

	Land and buildings €000	Computer equipment €000	Other equipment €000	Total €000
<b>Year ended 31 December 2024</b>				
At 1 January 2024	4,920	273	247	5,440
Acquisitions	106	543	136	785
Depreciation charge for the year	(193)	(141)	(113)	(447)
<b>At 31 December 2024</b>	<b>4,833</b>	<b>675</b>	<b>270</b>	<b>5,778</b>
<b>At 31 December 2024</b>				
Cost	8,386	3,330	2,490	14,206
Accumulated depreciation	(3,553)	(2,655)	(2,220)	(8,428)
<b>Net book amount</b>	<b>4,833</b>	<b>675</b>	<b>270</b>	<b>5,778</b>
<b>Year ended 31 December 2025</b>				
At 1 January 2025	4,833	675	270	5,778
Acquisitions	306	180	133	619
Depreciation charge for the year	(205)	(193)	(100)	(498)
<b>At 31 December 2025</b>	<b>4,934</b>	<b>662</b>	<b>303</b>	<b>5,899</b>
<b>At 31 December 2025</b>				
Cost	8,692	3,510	2,623	14,825
Accumulated depreciation	(3,758)	(2,848)	(2,320)	(8,926)
<b>Net book amount</b>	<b>4,934</b>	<b>662</b>	<b>303</b>	<b>5,899</b>

Property and equipment include assets amounting to €422,000 (2024: €192,000) which were still not put to use at year end.

### 13. INTANGIBLE ASSETS

	Purchased Computer software €000	Other intangibles €000	Total €000
<b>Year ended 31 December 2024</b>			
At 1 January 2024	858	146	1,004
Acquisitions	2,362	-	2,362
Amortisation for the year	(211)	-	(211)
<b>At 31 December 2024</b>	<b>3,009</b>	<b>146</b>	<b>3,155</b>
<b>At 31 December 2024</b>			
Cost	7,477	146	7,623
Accumulated amortisation	(4,468)	-	(4,468)
Net book amount	3,009	146	3,155
<b>Year ended 31 December 2025</b>			
At 1 January 2025	3,009	146	3,155
Acquisitions	3,761	-	3,761
Disposals	(13)	(146)	(159)
Amortisation for the year	(1,111)	-	(1,111)
<b>At 31 December 2025</b>	<b>5,646</b>	<b>-</b>	<b>5,646</b>
<b>At 31 December 2025</b>			
Cost	11,225	-	11,225
Accumulated amortisation	(5,579)	-	(5,579)
Net book amount	5,646	-	5,646

At 31 December 2025, no amount had been contracted but not provided for in the financial statements (Note 25) (2024: €124,000). There were no intangible assets which were still not put to use at year end (2024: €2,398,000).

### 14. RIGHT-OF-USE ASSETS

The Bank leases its Head Office, four branches and motor vehicles as well as low value items such as photocopiers and note counting machines. Rental contracts are typically made for fixed periods but may have extension options. The lease term reflects the exercise of such options.

Photocopiers and note counting machines, in view of the underlying low value lease arrangement are not deemed to be in scope of IFRS 16.

	Premises €000	Motor Vehicles €000	Total €000
Right-of-use assets			
Opening balance	1,147	193	1,340
Additions	514	114	628
Lease contracts discontinued during the year	(344)	(79)	(423)
Depreciation for the year			
At 31 December 2024	1,317	228	1,545
<b>Right-of-use assets</b>			
Opening balance	1,317	228	1,545
Additions	-	435	435
Depreciation for the year	-	(26)	(26)
	(356)	(94)	(450)
At 31 December 2025	961	543	1,504

The income statement reflects the following amounts relating to leases:

	2025 €000	2024 €000
Depreciation charge of right-of-use assets	475	423
Interest expense on lease liabilities (Note 27)	34	27
Expenses relating to short-term leases	355	520
Expenses relating to leases of low-value assets	63	35

The total cash payments for leases, including short-term and low-value leases, in 2025 was €965,000 (2024: €1,055,000). The contractual undiscounted cash flows attributable to lease liabilities as at 31 December 2025 and 2024 are analysed in Note 3.4.

	2025 €000	2024 €000
<b>Lease liabilities (Other liabilities)</b>		
Current	551	448
Non-current	988	1,212
	1,539	1,660

## 15. OTHER ASSETS

	2025 €000	2024 €000
Security deposit held as collateral	5,492	5,384
Other	1,831	3,256
	7,323	8,640

## 16. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets 2025 €000	Liabilities 2025 €000	Net 2025 €000	Assets 2024 €000	Liabilities 2024 €000	Net 2024 €000
Differences between depreciation and capital allowances	-	(474)	(474)	-	(242)	(242)
Impairment allowances	5,820	-	5,820	6,009	-	6,009
Fair value movements on securities and other investments	501	(107)	394	(181)	(14)	(195)
Tax losses carried forward	799	-	799	-	-	-
	<b>7,120</b>	<b>(581)</b>	<b>6,539</b>	<b>5,828</b>	<b>(256)</b>	<b>5,572</b>

Movement in temporary differences during the year 2025 related to:

	At 1 January 2025 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	At 31 December 2025 €000
Differences between depreciation and capital allowances	(242)	(232)	-	(474)
Impairment allowances	6,009	(189)	-	5,820
Fair value movements on securities and other investments	(195)	(95)	684	394
Tax losses carried forward	-	799	-	799
	<b>5,572</b>	<b>283</b>	<b>684</b>	<b>6,539</b>

Movement in temporary differences during the year 2024 related to:

	At 1 January 2024 €000	Recognised in profit or loss €000	Recognised in other comprehensive income €000	At 31 December 2024 €000
Differences between depreciation and capital allowances	(181)	(61)	-	(242)
Impairment allowances	6,625	(607)	(9)	6,009
Fair value movements on securities and other investments	332	-	(527)	(195)
	<b>6,776</b>	<b>(668)</b>	<b>(536)</b>	<b>5,572</b>

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax assets/liabilities reflected in other comprehensive income relate to the fair valuation of financial investments measured at FVOCI.

## 17. SHARE CAPITAL

	2025		2024	
	No. of shares	€	No. of shares	€
<b>Authorised</b>				
Ordinary shares of €0.7552 each	132,415,254	100,000,000	132,415,254	100,000,000
<b>Issued and fully paid up</b>				
Ordinary shares of €0.7552 each	98,707,626	74,544,000	98,707,626	74,544,000

The issued ordinary shares rank *pari passu* for all purposes and, in the event that a poll is demanded, each share entitles the holder thereof to one vote, to dividends as declared from time to time, and residual assets on liquidation.

## 18. PERPETUAL CAPITAL NOTES

In October 2016, the Bank issued floating rate perpetual capital notes amounting to an aggregate amount of €5,000,000 at a rate of 6 month Euribor plus 10% paid semi-annually to JUD Investment Group Limited.

In December 2018 and March 2019, the Bank issued two additional fixed rate perpetual capital notes amounting to an aggregate amount of €5,000,000 to JUD Investment Group Limited (€4,882,000) and PG Holdings Limited (€118,000). These notes are subject to an interest rate of 8% paid semi-annually.

All interest payments on perpetual capital notes are cancellable at the discretion of the Bank.

The notes constitute unsecured, undated and subordinated obligations of the Bank; these instruments were redeemable at par at the discretion of the issuer on 31 December 2021 and are also redeemable at six-month intervals thereafter. These capital instruments qualify as Additional Tier 1 instruments in accordance with the requirements of Article 52 of the Regulations (EU) No 575/2013 and are categorised as equity within the Bank's Statement of Financial Position under the requirements of IFRSs as adopted by the EU.

## 19. RESERVES

### *Retained earnings*

Retained earnings represent earnings not paid out as dividends. Interim profits form part of regulatory Own Funds only once they are verified by an independent external auditor. The Bank may only make distributions out of eligible profits.

### *Revaluation reserve*

The revaluation reserve is used to record movements in the fair value of debt securities measured at FVOCI, net of deferred taxation thereon. The revaluation reserve is not available for distribution.

## 20. DEBT SECURITIES IN ISSUE

	2025 €000	2024 €000
<b>Face value of bonds</b>		
200,000 4.5% Unsecured Euro Bonds 2032	20,000	20,000
Gross amount of bond issue costs	(250)	(250)
Amortisation up to end of year (refer to table below)	165	114
Unamortised bond issue costs	(85)	(136)
<b>Amortised cost and closing carrying amount of bonds</b>	<b>19,915</b>	<b>19,864</b>
Accumulated amortisation of bonds issue costs:		
At beginning of year	114	65
Amortisation charge for the year	51	49
At end of year	<b>165</b>	<b>114</b>

On 28 June 2022, the Bank announced the issue of €20,000,000 4.5% subordinated unsecured bonds maturing on 29 July 2032 with an early redemption option held by the Bank on 29 July 2027 and annually thereafter. The bonds were issued on the Malta Stock Exchange with a fixed interest rate of 4.5% and which are redeemable at their nominal value.

The subordinated unsecured bonds will, in the event of winding up of the Bank, be subordinated to the claims of depositors and all other creditors. As at 31 December 2025, the contractual amount due at maturity is of €20,000,000 (2024: €20,000,000).

## 21. AMOUNTS OWED TO BANKS AND OTHER INSTITUTIONS

	2025 €000	2024 €000
Repayable on demand	18	405

## 22. AMOUNTS OWED TO CUSTOMERS

	2025 €000	2024 €000
Term deposits	506,017	639,952
Repayable on demand	704,007	574,449
	<b>1,210,024</b>	<b>1,214,401</b>

Included in 'Amounts owed to customers' are deposits of €35,743,000 (2024: €18,994,000) held as collateral for loan commitments, irrevocable commitments under guarantees and import letters of credit.

## 23. OTHER LIABILITIES

	2025 €000	2024 €000
Bills payable	4,645	5,550
Accounts payable and sundry creditors	5,567	3,879
Lease liabilities (Note 14)	1,539	1,660
Obligations under guarantees and other documentary credits	7,577	6,417
Expected credit losses arising on off-balance sheet items	145	281
	<b>19,473</b>	<b>17,787</b>

The movement in 'Obligations under guarantees and other documentary credits' is as follows:

	2025 €000	2024 €000
At 1 January	6,417	7,828
Arising during the year	3,269	3,094
Utilised	(2,070)	(4,489)
Unused amounts reversed	(39)	(16)
	<b>7,577</b>	<b>6,417</b>

### Depositor Compensation Scheme

The Bank meets its obligations to the Depositor Compensation Scheme (DCS) by settling 70% of the required contribution in cash, with the remaining 30% maintained as irrevocable payment commitments ("IPCs"). As at 31 December 2025, IPCs amounted to €3,318,000 (2024: €3,078,000). The IPCs are irrevocable, legally binding and enforceable, as confirmed by recent EU jurisprudence. An outflow under the IPCs would arise only if the Bank had to surrender its credit institution licence or upon the occurrence of a DCS determination event within the Maltese banking sector. Management assessed the likelihood of such events, having regard to the Bank's financial position, regulatory compliance, business model and prevailing macroeconomic conditions. Based on this assessment, any resulting outflow is expected to occur sufficiently far in the future such that a provision recognised as at 31 December 2025 is negligible. The Bank will continue to monitor regulatory developments, local banking sector conditions, and economic indicators, and will reassess its position at each reporting date.

## 24. ACCRUALS

	2025 €000	2024 €000
Accrued interest	6,687	7,506
Accrued operating expenditure	2,988	3,293
Accrued capital expenditure	127	137
Other accrued income	502	534
	<b>10,304</b>	<b>11,470</b>

Accrued operating expenditure mainly relates to amounts in relation to the provision of day-to-day services and specific non-recurring expenditure.

## 25. CONTINGENT LIABILITIES AND COMMITMENTS

As part of its business activities, the Bank enters into various irrevocable commitments and contingent liabilities. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. The potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers meeting specific conditions. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Even though these obligations are not recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The total outstanding commitments and contingent liabilities are as follows:

	<b>2025</b>	2024
	<b>€000</b>	€000
<b>Contingent liabilities</b>		
Guarantees	<b>16,699</b>	13,267
Documentary credits	<b>634</b>	550
	<b>17,333</b>	13,817
<b>Commitments</b>		
Undrawn commitments to lend	<b>211,589</b>	196,928
Capital commitments	<b>185</b>	124
<b>Total commitments</b>	<b>211,774</b>	197,052

Capital commitments as at 31 December 2025 relate mainly to fixed assets, while those as at 31 December 2024 relate mainly to intangible assets.

As at 31 December 2025, expected credit losses arising on contingent liabilities and undrawn commitments to lend amounted to €145,000 (2024: €281,000).

### *Legal claims*

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial position. As at the end of the reporting period, there were no significant unresolved legal claims.

## 26. INTEREST RECEIVABLE AND SIMILAR INCOME

	2025 €000	2024 €000
On loans and advances to banks	520	756
On loans and advances to customers	42,478	41,428
On balances with Central Bank of Malta	1,471	3,624
	<b>44,469</b>	<b>45,808</b>
On debt and other fixed income instruments:		
Financial investments measured at FVOCI	5,265	3,898
Financial investments measured at amortised cost	729	1,629
Net amortisation of discounts and premiums	(94)	242
	<b>5,900</b>	<b>5,769</b>
<b>Total interest receivable and similar income</b>	<b>50,369</b>	<b>51,577</b>

## 27. INTEREST PAYABLE AND SIMILAR EXPENSE

	2025 €000	2024 €000
On amounts owed to banks and other institutions	(102)	(98)
On amounts owed to customers	18,640	19,295
On debt securities in issue	900	900
Amortisation of debt issuance costs	51	49
On lease liabilities	34	27
	<b>19,523</b>	<b>20,173</b>

## 28. NET FEES AND COMMISSION INCOME

	2025 €000	2024 €000
<b>Fees and commission income</b>		
Credit related fees and commissions	2,005	1,695
Other fees	2,240	2,669
	<b>4,245</b>	<b>4,364</b>
<b>Fees and commission expense</b>		
Credit related fees and commissions	(225)	(55)
Other fees	(398)	(496)
	<b>(623)</b>	<b>(551)</b>
<b>Net fees and commission income</b>	<b>3,622</b>	<b>3,813</b>

## 29. NET TRADING (LOSS)/INCOME

	2025 €000	2024 €000
<b>Foreign exchange activities</b>		
Net (charge)/income on foreign exchange activities	(2,248)	87

## 30. EMPLOYEE COMPENSATION AND BENEFITS

	2025 €000	2024 €000
Directors' and executive officers' remuneration	2,054	2,117
<b>Wages and salaries</b>		
Managerial, supervisory and clerical	11,782	10,716
Others	65	120
<b>Total employee compensation and benefits</b>	<b>13,901</b>	<b>12,953</b>

Total employee compensation and benefits include social security contributions of €741,000 (2024: €727,000), out of which €14,000 relate to social security contributions pertaining to key management personnel (2024: €16,000).

Total fees paid to Non-Executive Directors amounted to €574,450 during 2025 (2024: €705,000).

The average number of persons employed by the Bank during the years 2025 and 2024 was as follows:

	2025	2024
Managerial, supervisory and clerical	296	291
Others	2	5
	<b>298</b>	<b>296</b>

The average number of persons employed by the Bank in its London Branch for 2025 was 4 (2024: 4).

## 31. OTHER ADMINISTRATIVE EXPENSES

	2025 €000	2024 €000
Auditors' remuneration – annual statutory audit, excluding VAT	108	113
Information systems and communications	8,132	5,389
Business development	775	694
Corporate services	1,494	1,568
Regulatory expenses	911	1,578
Other	3,980	2,319
	<b>15,400</b>	<b>11,661</b>

Other remuneration payable to the current auditor for services rendered during the financial year ended 31 December 2025 amounted to €9,000 in relation to other assurance and non-audit services. In addition, fees amounting to €6,000 were charged to the Bank by connected undertakings of the Bank's current auditor in respect of regulatory advisory services, tax advisory and compliance services.

In total, from incorporation up to 31 December 2025, the Bank has contributed €7,743,000 (2024: €7,181,000) in variable contributions to the Depositor Compensation Scheme. This represents 0.7% (2024: 0.7%) of the eligible deposits at 31 December 2025. The cash contribution paid during 2025 amounted to €561,000 (2024: €1,259,000) and is included within Regulatory expenses.

### 32. INCOME TAX EXPENSE

The components of income tax for the years ended 31 December 2025 and 2024 are:

	2025 €000	2024 €000
<b>Income Statement</b>		
<b>Current tax</b>		
Current tax charge	669	3,705
Change in current tax provision relating to prior year	(72)	-
	<u>597</u>	<u>3,705</u>
<b>Deferred tax</b>		
Deferred tax movement	(283)	668
	<u>(283)</u>	<u>668</u>
<b>Income tax expense</b>	<u>314</u>	<u>4,373</u>

The tax on profit and the result of accounting profit multiplied by the applicable tax rate in Malta of 35% are reconciled as follows:

	2025 €000	2024 €000
Profit before tax	2,934	13,292
Tax at the applicable rate of 35%	1,027	4,652
Tax effect of:		
Losses/Income not subject to tax	78	252
Deductibility of return on perpetual capital notes	(360)	(387)
Income subject to different rates of tax	(230)	(144)
Deferred tax previously not recognised	(129)	-
Change in current tax provision relating to prior year	(72)	-
	<u>314</u>	<u>4,373</u>

### 33. MOVEMENT IN CREDIT IMPAIRMENT LOSSES

Movement in credit impairment losses during 2025 were as follows:

	Write-downs €000	Reversals of write-downs €000	Total €000
<b>Balances with Central Bank of Malta</b>			
Stage 1	1	(10)	(9)
<b>Financial investments measured at FVOCI</b>			
Stage 1	79	(80)	(1)
<b>Financial investments measured at amortised cost</b>			
Stage 1	-	(49)	(49)
<b>Loans and advances to banks</b>			
Stage 1	5	(5)	0
<b>Loans and advances to customers</b>			
Stage 1, including off-balance sheet items	521	(1,166)	(645)
Stage 2, including off-balance sheet items	164	(273)	(109)
Stage 3, including off-balance sheet items	1,556	(1,256)	300
Bad debts written-off	72	-	72
<b>Total loans and advances to customers</b>	<b>2,313</b>	<b>(2,695)</b>	<b>(382)</b>
Other provisions	128	-	128
<b>Credit impairment losses</b>	<b>2,526</b>	<b>(2,839)</b>	<b>(313)</b>

Movement in credit impairment losses during 2024 were as follows:

	Write-downs €000	Reversals of write-downs €000	Total €000
<b>Balances with Central Bank of Malta</b>			
Stage 1	6	-	6
<b>Financial investments measured at FVOCI</b>			
Stage 1	87	(61)	26
<b>Financial investments measured at amortised cost</b>			
Stage 1	2	(6)	(4)
<b>Loans and advances to banks</b>			
Stage 1	4	(2)	2
<b>Loans and advances to customers</b>			
Stage 1, including off-balance sheet items	517	(2,162)	(1,645)
Stage 2, including off-balance sheet items	151	(384)	(233)
Stage 3, including off-balance sheet items	1,041	(1,052)	(11)
Bad debts written-off	163	-	163
<b>Total loans and advances to customers</b>	<b>1,872</b>	<b>(3,598)</b>	<b>(1,726)</b>
Other provisions	32	-	32
<b>Credit impairment losses</b>	<b>2,003</b>	<b>(3,667)</b>	<b>(1,664)</b>

### 34. EARNINGS PER SHARE (BASIC AND DILUTED)

Earnings per share is calculated by dividing net profit attributable to the shareholders of the Bank as shown in the Income Statement divided by the weighted average number of ordinary shares outstanding during the year. The Bank has no instruments or arrangements which give rise to dilutive potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

	2025	2024
Net profit attributable to shareholders (€000)	2,620	8,919
Number of ordinary shares in issue	98,707,626	98,707,626
Earnings per share (€ cents)	2c7	9c0

### 35. CASH AND CASH EQUIVALENTS

Analysis of balances of cash and cash equivalents as shown in the Statement of Cash Flows:

	2025 €000	2024 €000
<b>Statement of Cash Flows</b>		
Cash (Note 6)	9,802	9,061
Balances with Central Bank of Malta (excluding Reserve Deposit - Note 6)	97,447	86,824
Loans and advances to banks (Note 8)	27,694	29,162
Amounts owed to banks and other institutions (Note 21)	(18)	(405)
<b>Cash and cash equivalents</b>	<b>134,925</b>	<b>124,642</b>
<b>Statement of Financial Position</b>		
Balances with Central Bank of Malta and cash	118,457	106,332
Loans and advances to banks	27,689	29,157
Amounts owed to banks and other institutions	(18)	(405)
	146,128	135,084
Balances with contractual maturity of more than three months	(11,210)	(10,457)
Add expected credit losses	7	15
<b>Cash and cash equivalents</b>	<b>134,925</b>	<b>124,642</b>

### 36. RELATED PARTIES

#### 36.1 Identification of related parties

The majority shareholding of the Bank is held by JUD Investment Group Limited, a subsidiary of Al Faisal International for Investment Company Q.P.S.C. headquartered in Qatar.

All entities which are ultimately controlled by Al Faisal International for Investment Company Q.P.S.C., together with the other minority shareholders and entities controlled by them, are considered to be related parties. Key management personnel of the Bank, being the Bank's Directors and executive officers, and close family members of key management personnel are also considered to be related parties. The executive officers, which form part of the Bank's Executive Committee, are referred to within the Statement of Compliance with the Principles of Good Corporate Governance.

The Bank's related party transactions mainly comprise transactions with shareholders and other entities controlled by the same shareholders. These transactions principally include loans, deposits and issuance of capital notes.

Related party transactions do not impact the Bank's financial results and financial position taking cognisance of the normal commercial terms and conditions of such transactions.

### 36.2 Balances and transactions with shareholders

- **Major shareholder**

During the year under review, the Bank entered into the following transactions and had the following outstanding balances with entities ultimately controlled by Al Faisal International for Investment Company Q.P.S.C, as well as with individuals forming part of the same group.

	2025 €000	2024 €000
<b>Income Statement</b>		
Interest and similar expense	1,573	1,917
<b>Statement of Financial Position</b>		
Other assets	199	199
Amounts owed to parent (within 'Amounts owed to customers')	36,929	45,528

Deposits are on normal commercial terms and are either repayable on demand or, where held as term deposits, have a contractual maturity not exceeding one year from inception.

Interest payable on perpetual capital notes to the parent during 2025 amounted to €1,019,000 (2024: €1,107,000). Refer to Note 18 for the balances of perpetual capital notes held by the parent as at year end.

- **Other minority shareholders**

The following transactions were conducted by the Bank with its minority shareholders who were represented on the Bank's Board of Directors:

	2025 €000	2024 €000
<b>Income Statement</b>		
Interest and similar income	-	185
Interest and similar expense	-	18
Other administrative expenses	-	27
<b>Statement of Financial Position</b>		
Loans and advances to customers	-	3,308
Prepayments and accrued income	-	-
Amounts owed to customers	-	1,077
Accruals	-	-
Other liabilities	-	-

No related party transactions were entered into with minority shareholders during the year ended 2025, as minority shareholders did not have representation on the Board during the period.

### 36.3 Transaction arrangements and agreements involving key management personnel

The following banking transactions were carried out with the Bank's Directors and executive officers, being the Bank's key management personnel:

	2025 €000	2024 €000
<b>Income Statement</b>		
Interest and similar income	3	9
Interest and similar expense	7	4
<hr/>		
<b>Statement of Financial Position</b>		
Loans and advances to customers	672	1,134
Amounts owed to customers	520	1,273
<hr/>		

The above-mentioned outstanding balances arose in the ordinary course of business and were conducted on substantially the same terms and conditions as those applicable to comparable transactions with persons of a similar standing or, where applicable, other employees. Loans outstanding as at the end of the reporting period are secured.

### 36.4 Compensation to key management personnel

Directors' remuneration and salaries to executive officers, are separately disclosed in Note 30.

## 37. DIVIDENDS

During 2025, a dividend of €0.023 (2024: €0.045) per nominal share of €0.7552 (2024: €0.7552), for a total amount of €2,229,769 (2024: 4,489,300), was declared by the Bank, subject to regulatory approval, for the twelve months ended 31 December 2024 (2024: twelve months ended 31 December 2023).

Subsequent to the end of the reporting period, a dividend of €0.013 per nominal share of €0.7552, for a total amount of €1,309,946, is being proposed by the Board of Directors to be distributed to the shareholders for the twelve months ended 31 December 2025. A resolution to this effect will be proposed at the Annual General Meeting, subject to regulatory approval.

## 38. STATUTORY INFORMATION

BNF Bank p.l.c. is a public limited liability company domiciled and resident in Malta.

The immediate parent company of BNF Bank p.l.c. is JUD Investment Group Limited, a company registered in Malta, with its registered address at 35, St Barbara Bastions, Valletta, Malta.

The ultimate parent company of BNF Bank p.l.c. is Al Faisal International for Investment Company, Q.P.S.C., a Qatari Private Shareholding Company registered under the laws of Qatar with commercial registration number 43094, and with its registered office situated at 17th Floor, Marriot Marquis Centre, Doha, Qatar.

The ultimate controlling party of Al Faisal International for Investment Company, Q.P.S.C. is H.E. Sheikh Feisal Qassim F. Th. Al-Thani.

### 39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no significant events subsequent to the financial reporting date that require disclosure to these financial statements other than the proposed dividends as per Note 37.

Management has also considered the prevailing geopolitical environment, including the ongoing conflict involving the United States and developments in the Middle East, and has concluded that these matters have not had any impact on the Bank's operations, financial position or performance by the date of issue of these financial statements, nor do they give rise to any matters requiring disclosure as at the date of publication.



KPMG  
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## Independent Auditors' Report

To the Shareholders of BNF Bank p.l.c.

### 1 Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of BNF Bank p.l.c. (the "Company" or the "Bank"), which comprise the statement of financial position as at 31 December 2025, the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- (a) give a true and fair view of the financial position of the Company as at 31 December 2025, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and
- (b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and the Banking Act, 1994 (Chapter 371, Laws of Malta) (the "Banking Act").

#### *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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) ("APA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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## Independent Auditors' Report (continued)

### To the Shareholders of BNF Bank p.l.c.

#### *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.

#### **Measurement of impairment allowances on loans and advances to customers, including off-balance sheet elements of those exposures and related disclosures.**

*Accounting policy 2.6.3 and 2.26 and Notes 3.1, 3.2, 4, 9, 23, 25 and 33, to the financial statements for further disclosures*

Expected credit loss allowance on 'Loans and advances to customers' (€1.03 billion) amounted to €13.24 million. Expected credit loss provision on 'Contingent liabilities' and 'Undrawn commitments to lend' (€228.92 million) amounted to €0.15 million.

The calculation of the expected credit loss ('ECL') involves significant judgement and estimation uncertainty. Of all the Company's financial instruments, the most significant impact in terms of complexities around the measurement of the ECL and of the materiality of the resultant allowances was in relation to the loans and advances to customers' portfolio (and the related off-balance sheet elements namely guarantees and undrawn commitments to lend), and specifically on those within the stage 3 portfolio. In that regard, our key areas of audit risk in the Company's calculation of the ECL were the following:

- Model estimations - Inherently judgmental modelling is used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposures at Default ("EAD").
- Economic Scenarios - Management judgement is applied in determining the selection of (i) forward looking macroeconomic scenarios, (ii) the associated scenario probabilities and (iii) the material economic variables which drive the scenarios and the related weightings.
- Identification of a significant increase in credit risk ('SICR') is also a key area of judgement within the Company's ECL calculation as the application of the SICR criteria determines whether a twelve month or lifetime provision is recorded.
- Individually assessed stage 3 exposures may be materially misstated if individual impairments are not appropriately identified and estimated. The calculation of expected credit losses on stage 3 exposures includes a range of estimates of future cash flows and valuation of collateral, which are inherently uncertain and judgmental.



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## Independent Auditors' Report (continued)

### To the Shareholders of BNF Bank p.l.c.

#### *Key audit matters (continued)*

Whilst the PD models are the key drivers of the Company's expected credit loss, alternative recovery scenarios and probability-weightings for each scenario and future cash flows within the LGD models have the most significant impact on the magnitude of the resultant allowances, particularly for stage 3 exposures, and are therefore the most significant judgmental element of the Company's ECL modelling.

The disclosures regarding the application of IFRS 9 are important in the context of explaining the key judgements made, as referred to in this key audit matter, and inputs used to generate the IFRS 9 ECL results.

#### *Our response*

As part of our procedures:

- We tested the design and implementation as well as the operating effectiveness of relevant manual and automated controls (that is, Information Technology based). More specifically, the following controls were tested:
  - the review and approval of loan credit ratings;
  - the review control over the completeness and accuracy of loan exposures' inputs, data and assumptions keyed into the ECL model;
  - the review control over ECL movements; and
  - the key controls over past due days calculations.
- We involved our own financial risk modelling specialists to assist us in evaluating the appropriateness of the Company's IFRS 9 impairment methodologies (including the SICR criteria used) as disclosed in Note 3.2. For the local exposures, we inspected the model code for the calculation of key components of the ECL model to assess its consistency with the Company's approved methodology. On a sample basis, we assessed the reasonableness of the model predictions by comparing them against independent official predictions. We made enquiries about the Company as to the reasons for any significant variations identified and assessed the reasonableness of the explanations provided, against the specialists' expectations on the direction and extent of variations identified. For the UK exposures, where PDs are generated by an external vendor, we have assessed the vendor's underlying methodology and related documentation and have also considered an external data point for benchmarking purposes.



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## Independent Auditors' Report (continued)

### To the Shareholders of BNF Bank p.l.c.

#### *Key audit matters (continued)*

- We involved our own economics specialist to assist us in assessing:
  - the appropriateness of the key macroeconomic variables (as set out in note 3.2.3.4 to the financial statements) as well as the accuracy of macroeconomic data feeding the ECL model;
  - the appropriateness of the macroeconomic models used to project forward looking information;
  - the appropriateness of the methodology for determining the macroeconomic scenarios used and the reasonableness of the probability weightings applied to them;
  - the appropriateness of the stage determination criteria based on the ECL methodology; and
  - the reasonableness of real estate valuations applied by the bank.
- In evaluating the Company's credit grading process, we have performed credit reviews on a sample of corporate customers, including also a sample of stage 3 loans and advances to customers. In performing those credit reviews, we:
  - considered relevant internal information available used in the Company's assessment and any relevant external data in relation to those customers;
  - evaluated whether those customers were graded in line with the Company's credit policy; and
  - determined whether a SICR was appropriately identified.

In addition, for the selected stage 3 corporate customers, we independently reperformed the impairment calculation to assess the reasonableness of the Bank's recorded ECL.

- On a sample of loans and advances to customers, we:
  - performed testing over key data elements (relating to EAD, PD and LGD models) impacting the ECL calculation to assess the accuracy of information used by the Company to the underlying source; and
  - reperformed model calculations for arithmetical accuracy for all stages.
- We assessed whether the disclosures in relation to IFRS 9 adequately explain the key judgements made and significant inputs used in the recognition of expected credit losses as at the end of the financial reporting period.

#### *Key observation*

We have no key observations to report, specific to this matter.



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## Independent Auditors' Report (continued)

### To the Shareholders of BNF Bank p.l.c.

#### *Other information*

The directors are responsible for the other information which comprises the:

- General Information,
- Chairman's Statement,
- Chief Executive Officer's Review,
- Board of Directors,
- Executive Committee,
- Directors' Report,
- Statement of Compliance with the Principles of Good Corporate Governance,
- Report of the Compensation and Nomination Committee,
- Five Year Summary, and
- Supplementary Financial Information.

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the Directors' Report, and the Statement of Compliance with the Principles of Good Corporate Governance (the "corporate governance statement of compliance"), on which we report separately below in our 'Report on Other Legal and Regulatory Requirements', we do not express any form of assurance conclusion thereon.

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

#### ***Responsibilities of the directors for the financial statements***

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act and the Banking Act. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the financial reporting process.



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## Independent Auditors' Report (continued)

### To the Shareholders of BNF Bank p.l.c.

#### *Auditors' 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 auditors' 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.
- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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## Independent Auditors' Report (continued)

### To the Shareholders of BNF Bank p.l.c.

#### *Auditors' responsibilities for the audit of the financial statements (continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' 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 auditors' report. However, future events or conditions may cause the 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.

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 auditors' 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.



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## Independent Auditors' Report (continued)

To the Shareholders of BNF Bank p.l.c.

### 2 Report on Other Legal and Regulatory Requirements

#### *Opinion on the Directors' Report*

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and Rule 5.64 of the Capital Markets Rules issued by the Malta Financial Services Authority (the "Capital Market Rules"), and is to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Rule 5.62 of the Capital Markets Rules .

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and
- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

Pursuant to Rule 5.62 of the Capital Markets Rules, we are required to review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements;
- we have not identified material misstatements in the directors' report; and
- we have nothing to report in relation to the statement on going concern.



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## **Independent Auditors' Report (continued)**

### **To the Shareholders of BNF Bank p.l.c.**

#### ***Report on the Corporate Governance Statement of Compliance***

Pursuant to Rule 5.94 of the Capital Market Rules, the directors are required to prepare and include in the Company's Annual Report the corporate governance statement of compliance (included in the Annual Report in the statement of compliance with the principles of good corporate governance) explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Capital Markets Rules, and the effective measures that they have taken to ensure compliance with those principles. The corporate governance statement of compliance is to contain at least the information set out in Rule 5.97 of the Capital Markets Rules.

Our responsibility is laid down by Rule 5.98 of the Capital Markets Rules, which requires us to include a report to shareholders on the corporate governance statement of compliance in the Company's Annual Report 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 (dealing with the Company's internal control and risk management systems in relation to the financial reporting process) and 5.97.5 (where a takeover bid applies). Where material misstatements are identified in relation to those requirements, we shall, in addition to our conclusion, provide an indication of the nature of such misstatements. We are also required to assess whether the corporate governance statement of compliance includes the other information required by Capital Markets Rule 5.97, insofar as it is applicable to the Company.

We are not required to, and we do not, consider whether the directors' statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures, nor on the ability of the Company to continue in operational existence.

In our opinion, in light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements with respect to the information requirements referred to in Capital Markets Rules 5.97.4 and 5.97.5, and the corporate governance statement of compliance includes the other information required by Capital Markets Rule 5.97.



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## Independent Auditors' Report (continued)

### To the Shareholders of BNF Bank p.l.c.

#### *Matters on which we are required to report by the Act, specific to public-interest entities*

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors by the shareholders on 26 June 2025. The period of total uninterrupted engagement is one year;
- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and
- we have not provided any of the prohibited services as set out in the Accountancy Profession Act 1979 (Chapter 281, Laws of Malta) (the "APA")

#### *Matters on which we are required to report by the Banking Act and exception by the Act*

Pursuant to article 31(3)(a), (b) and (c) of the Banking Act, in our opinion:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- proper books of account have been kept by the Company so far as appears from our examination thereof; and
- the Company's financial statements are in agreement with the books of account.

Furthermore, we have nothing to report in respect of the above matters, where the Act requires us to report to you, in relation to the Company by exception pursuant to articles 179(10) and 179(11).

Pursuant to article 31(3)(d) of the Banking Act, in our opinion and to the best of our knowledge and belief and, on the basis of the explanations given to us, the Company's financial statements give the information required by law in force in the manner so required.



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## Independent Auditors' Report (continued)

### To the Shareholders of BNF Bank p.l.c.

***Report on compliance of the Annual Report with the requirements of the Commission Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC (the "European Single Electronic Format Regulatory Technical Standard" or "ESEF Regulation"), by reference to Capital Markets Rule 5.55.6 issued by the Malta Financial Services Authority***

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act, 1979 (Chapter 281, Laws of Malta), *the Accountancy Profession (European Single Electronic Format) Assurance Directive*, on the Annual Report for the year ended 31 December 2025, prepared in a single electronic reporting format.

#### *Responsibilities of the directors for compliance with the requirements of the ESEF Regulation*

As required by Capital Markets Rule 5.56A, the directors are responsible for the preparation of the Annual Report in XHTML format, in accordance with the requirements of the ESEF Regulation.

In addition, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the Annual Report that is in compliance with the requirements of the ESEF Regulation.

#### *Auditors' responsibilities to report on compliance with the requirements of the ESEF Regulation*

Our responsibility is to obtain reasonable assurance about whether the Annual Report in XHTML format, comply in all material respects with the ESEF Regulation based on the evidence we have obtained. As part of our work, we obtain an understanding of the Bank's controls relevant to the preparation of the Annual Report in compliance with the said requirements, but not for the purpose of expressing an opinion on the effectiveness of the controls in place.

In discharging that responsibility, we:

- obtain an understanding of the internal control system and processes relevant to the application of the electronic reporting format of the financial statements, including the preparation of the XHTML format; and
- verify whether the XHTML format was properly applied.

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



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## **Independent Auditors' Report (continued)**

**To the Shareholders of BNF Bank p.l.c.**

### *Conclusion*

In our opinion, the Annual Report for the year ended 31 December 2025 has been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation, by reference to Capital Markets Rule 5.55.6.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Claude Ellul.

**KPMG**  
Registered Auditors

29 April 2026



# Five Year Summary

## Statements of Financial Position

As at 31 December

	2025 €000	2024 €000	2023 €000	2022 €000	2021 €000
<b>ASSETS</b>					
Balances with Central Bank of Malta and cash	118,457	106,332	108,972	124,264	102,410
Cheques in course of collection	1,866	1,863	3,063	6,515	1,327
Financial investments	150,117	189,873	135,215	91,420	72,135
Loans and advances to banks	27,689	29,157	10,922	10,730	11,713
Loans and advances to customers	1,026,299	1,010,378	950,258	903,688	793,093
Derivative financial assets	120	-	100	464	6
Prepayments and accrued income	13,684	13,409	6,119	4,803	3,187
Property and equipment	5,899	5,778	5,440	5,582	5,640
Intangible assets	5,646	3,155	1,004	868	864
Right-of-use assets	1,504	1,545	1,340	1,493	1,830
Other assets	7,323	8,640	7,198	5,269	5,736
Deferred tax assets	6,539	5,572	6,776	7,883	6,757
Current tax assets	3,617	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1,368,760</b>	<b>1,375,702</b>	<b>1,236,407</b>	<b>1,162,979</b>	<b>1,004,698</b>
<b>EQUITY</b>					
Share capital	74,544	74,544	74,544	74,544	74,544
Perpetual capital notes	10,000	10,000	10,000	10,000	10,000
Revaluation reserve	(776)	494	(501)	(2,543)	38
Reserve for general banking risks	-	-	-	992	992
Retained earnings	24,826	25,466	22,143	17,296	12,137
<b>TOTAL EQUITY</b>	<b>108,594</b>	<b>110,504</b>	<b>106,186</b>	<b>100,289</b>	<b>97,711</b>
<b>LIABILITIES</b>					
Debt securities in issue	19,915	19,864	19,815	19,775	-
Amounts owed to banks and other institutions	18	405	190	10,168	29,436
Amounts owed to customers	1,210,024	1,214,401	1,083,675	1,006,416	859,152
Derivative financial liabilities	432	1,267	44	29	256
Current tax liabilities	-	4	1,043	1,927	652
Other liabilities	19,473	17,787	15,912	18,960	12,663
Accruals and deferred income	10,304	11,470	9,542	5,415	4,828
<b>TOTAL LIABILITIES</b>	<b>1,260,166</b>	<b>1,265,198</b>	<b>1,130,221</b>	<b>1,062,690</b>	<b>906,987</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,368,760</b>	<b>1,375,702</b>	<b>1,236,407</b>	<b>1,162,979</b>	<b>1,004,698</b>
<b>Memorandum items</b>					
Contingent liabilities	17,333	13,817	14,322	9,732	9,506
Commitments	211,774	197,052	222,333	255,468	253,534

## Income Statement

For the years ended 31 December

	2025 €000	2024 €000	2023 €000	2022 €000	2021 €000
Interest receivable calculated using the effective interest method					
- on loans and advances, balances with Central Bank of Malta and other instruments	44,469	45,808	42,588	29,790	26,312
- on debt and other fixed income instruments	5,900	5,769	3,058	757	286
Interest payable and similar expense	(19,523)	(20,173)	(13,168)	(4,770)	(3,900)
<b>Net interest income</b>	<b>30,846</b>	<b>31,404</b>	<b>32,478</b>	<b>25,777</b>	<b>22,698</b>
Fees and commission income	4,245	4,364	4,083	4,372	4,004
Fees and commission expense	(623)	(551)	(890)	(1,084)	(1,365)
<b>Net fees and commission income</b>	<b>3,622</b>	<b>3,813</b>	<b>3,193</b>	<b>3,288</b>	<b>2,639</b>
Net trading (loss)/income	(2,248)	87	428	206	326
Net (loss)/gains from financial instruments at FVTPL	(313)	632	94	853	1,075
Gains on disposal of debt instruments	2,101	1,387	7	2	399
Other income	-	-	-	-	104
<b>Net operating income</b>	<b>34,008</b>	<b>37,323</b>	<b>36,200</b>	<b>30,126</b>	<b>27,241</b>
Employee compensation and benefits	(13,901)	(12,953)	(11,665)	(10,061)	(9,030)
Other administrative expenses	(15,400)	(11,661)	(10,742)	(7,282)	(6,835)
Depreciation of property and equipment and right-of-use assets	(974)	(870)	(874)	(910)	(925)
Amortisation of intangible assets	(1,112)	(211)	(273)	(321)	(333)
Movements in expected credit losses	313	1,664	386	656	(1,067)
<b>Profit before tax</b>	<b>2,934</b>	<b>13,292</b>	<b>13,032</b>	<b>12,208</b>	<b>9,051</b>
Income tax expense	(314)	(4,373)	(4,053)	(4,135)	(2,750)
<b>Profit for the year</b>	<b>2,620</b>	<b>8,919</b>	<b>8,979</b>	<b>8,073</b>	<b>6,301</b>
Earnings per share (Basic and Diluted)	2c7	9c0	9c1	8c2	6c4

## Statements of cash flows

For the years ended 31 December

	2025 €000	2024 €000	2023 €000	2022 €000	2021 €000
<b>Cash flows from operating activities</b>					
Interest, fees and commission received	48,347	50,224	45,913	33,842	30,560
Interest, fees and commission paid	(20,916)	(18,556)	(9,899)	(5,031)	(5,361)
Net cash inflows from trading activities	3,240	650	925	508	678
Payments to employees and suppliers	(30,065)	(30,964)	(22,058)	(18,596)	(16,817)
<b>Cash flows from operating profit before changes in operating assets and liabilities</b>	<b>606</b>	<b>1,354</b>	<b>14,881</b>	<b>10,723</b>	<b>9,060</b>
<i>Movement in operating assets:</i>					
Reserve Deposit with Central Bank of Malta	(753)	(1,601)	(1,228)	(834)	(1,050)
Loans and advances to customers	(15,602)	(58,382)	(46,068)	(111,007)	(106,225)
Other assets and cheques in course of collection	1,181	(267)	1,478	(4,771)	161
<i>Movement in operating liabilities:</i>					
Amounts owed to customers	(4,449)	130,563	77,131	147,262	82,166
Other liabilities	(281)	1,809	(3,105)	6,680	1,492
<b>Net cash flows (used in)/generated from operating activities before tax</b>	<b>(19,298)</b>	<b>73,476</b>	<b>43,089</b>	<b>48,053</b>	<b>(14,396)</b>
Income tax paid	(4,230)	(4,745)	(4,930)	(2,595)	(2,799)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(23,528)</b>	<b>68,731</b>	<b>38,159</b>	<b>45,458</b>	<b>(17,195)</b>
<b>Cash flows from investing activities</b>					
Interest received on financial assets	6,487	4,496	2,323	780	340
Purchase of property, equipment, and intangible assets	(4,354)	(3,147)	(740)	(782)	(957)
Purchase of financial investments	(67,719)	(125,193)	(58,419)	(47,361)	(25,685)
Proceeds from disposal and redemption of financial investments	102,689	74,949	17,604	24,518	32,727
<b>Net cash flows generated from/(used in) investing activities</b>	<b>37,103</b>	<b>(48,895)</b>	<b>(39,232)</b>	<b>(22,844)</b>	<b>6,425</b>
<b>Cash flows from financing activities</b>					
Return on perpetual capital notes	(1,030)	(1,107)	(1,087)	(914)	(914)
Dividends paid	-	(4,489)	(4,037)	(2,000)	-
Proceeds from issue of debt securities	-	-	-	19,750	-
Principle repayments of lease liabilities	(546)	(457)	(165)	(368)	(409)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(1,576)</b>	<b>(6,053)</b>	<b>(5,289)</b>	<b>16,468</b>	<b>(1,323)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11,999</b>	<b>13,785</b>	<b>(6,362)</b>	<b>39,082</b>	<b>(12,093)</b>
Cash and cash equivalents at beginning of year	124,642	110,857	117,219	78,137	90,230
Effect on exchange rate fluctuations on cash and cash equivalents held	(1,716)	-	-	-	-
<b>Cash and cash equivalents at end of year</b>	<b>134,925</b>	<b>124,642</b>	<b>110,857</b>	<b>117,219</b>	<b>78,137</b>

## Accounting Ratios

	2025	2024	2023	2022	2021
	%	%	%	%	%
Net interest income and other operating Income to total assets	2.48	2.71	2.93	2.59	2.71
Operating expenses to total assets	2.29	1.87	1.91	1.60	1.70
Cost to Income ratio	92.29	68.84	65.07	61.65	62.86
Profit/loss before tax to total assets	0.21	0.97	1.05	1.05	0.90
Profit/loss before tax to equity	2.70	12.03	12.27	12.17	9.26
Profit/loss after tax to equity	2.41	8.07	8.46	8.05	6.45
Shares in Issue (millions)	98.71	98.71	98.71	98.71	98.71
Net assets per share (€ cents)	110.02	111.95	107.57	102	99
Profit/loss per share (€ cents)	2.65	9.04	9.10	8.18	6.38

# Supplementary Financial Information

# Supplementary Financial Information

## Shareholding Information

As at 31 December 2025, the issued share capital stood at €74,544,000 (2024: €74,544,000), made up of 98,707,626 (2024: 98,707,626) fully paid up ordinary shares of €0.7552 (2024: €0.7552) each.

The ordinary shares are held as follows:

	No. of shares
JUD Investment Group Limited (C 74331)	91,235,202
PG Holdings Limited (C 8569)	2,222,424
Virtu Investments Limited (C 42860)	1,750,000
Mizzi Organisation Limited (C 813)	1,750,000
SAK Limited (C 3240)	1,750,000
	98,707,626

The percentage holdings stand as follows:

	%
JUD Investment Group Limited (C 74331)	92.44
PG Holdings Limited (C 8569)	2.25
Virtu Investments Limited (C 42860)	1.77
Mizzi Organisation Limited (C 813)	1.77
SAK Limited (C 3240)	1.77
	100.00

Each of the shareholders are entitled to appoint one director in line with the Bank's Articles of Association. Each ordinary share entitles the shareholder to one voting right.





