ANNUAL REPORT 2025

BOV

Bank of Valletta

Contents

BOV Bank of Valletta

General Information

BOARD OF DIRECTORS

Dr Gordon Cordina (Chairperson)
Nicola Angeli
Dr Christian Bonnici West
Dr Diane Bugeja
Kenneth Farrugia
Anatoli Grech
Anita Mangion
Hadrian Sammut
Deborah Schembri
Dr Jonathan Spiteri
Dr Robert Suban
Ingrid Azzopardi (appointed on 28 July 2025)
Prof Mary Anne (sive Sue) Vella (appointed on 19 August 2025)
James Grech (resigned on 29 May 2025)
Godfrey Swain (resigned on 29 May 2025)

COMPANY SECRETARY

Dr Ruth Spiteri Longhurst

EXECUTIVE COMMITTEE (ExCo) as at 31 December 2025

Kenneth Farrugia (Chief Executive Officer)
Ernest John Agius (Chief Operations Officer)
Simon Azzopardi (Chief Personal & Wealth Officer)
Ivo Camilleri (Chief Strategy, Transformation & Data Officer)
Kevin Cardona (Chief Financial Officer)
Ryan Caruana (Group Chief Anti-Financial Crime Officer & MLRO)
Ray Debattista (Chief People & Culture Officer)
Elena Dourou (Group Chief Internal Auditor)
Bjorn Ekstedt (Chief Information Officer)
Anatoli Grech (Group Chief Compliance Officer)
Simon Grech (Chief Commercial Officer)
Danielle Grima (Chief Risk Officer)
Theodoros Papadopoulos (Chief Customer Experience Officer)
Roderick Meilaq (Secretary)

AUDITORS
PwC Malta

LEGAL ADVISORS
Camilleri Preziosi

NOTICE OF MEETING
The Annual General Meeting of the Bank will be held at the Grand Master Suite Conference Centre, Hilton Malta, St Julian's, on Wednesday 10 June 2026 at 10.00 a.m.

ADDRESS
BOV Centre,
Triq il-Kanun, Central Business District,
Santa Venera CBD 4060 - Malta

Registered Office:

58, Triq San Zakkarija, Il-Belt Valletta VLT 1130 - Malta

Registration Number: C 2833

Bank of Valletta p.l.c. is a public limited company licensed to carry out the business of banking and conduct investment services by the Malta Financial Services Authority. Bank of Valletta p.l.c. is an enrolled tied insurance intermediary of Mapfre Msv Life p.l.c. (MMSV). MMSV is authorised and regulated by the Malta Financial Services Authority to carry on long term business under the Insurance Business Act 1998.

Since last publication there were no changes to the name of the reporting entity.

Readers are reminded that the official statutory Annual Report and Account 2025, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and is published on *https://www.bov.com/financial-reports*

A copy of the Independent auditor's report issued on the official statutory Annual Report and Accounts 2025 is included within this printed 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.

Dr Gordon Cordina is a leading economist in the Maltese islands.

He has professional experience spanning 30 years, covering banking, policy-making, academia and private sector consultancy. He serves as Chairperson of the Board of Directors, the Nominations Committee and is a member of the Technology and Digital Strategy Committee.

Dr Cordina is a graduate of the University of Cambridge and the University of Malta. His main area of academic interest is the growth and macroeconomic dynamics facing economies that are prone to heightened risks.

Dr Cordina has several years of Board and Risk Committee experience in major local financial institutions, other than his current role at Bank of Valletta p.l.c. He has served as Manager of the Research Department of the Central Bank of Malta, Director General of the National Statistics Office of Malta, Head of the Economics Department of the University of Malta and Economic Advisor to the Malta Council for Economic and Social Development. Through the private consultancy firm he co-founded in 2006, he is involved in a number of local and international research projects and consultancy assignments with institutions including the EU Commission, NGOs and private sector entities. Dr Cordina is also a visiting senior lecturer at the University of Malta.

Dr Cordina was appointed Chairperson of the Bank of Valletta p.l.c. in October 2020, of Mapfre Msv Life p.l.c. in September 2021 and director of Mapfre Middlesea p.l.c in September 2022.

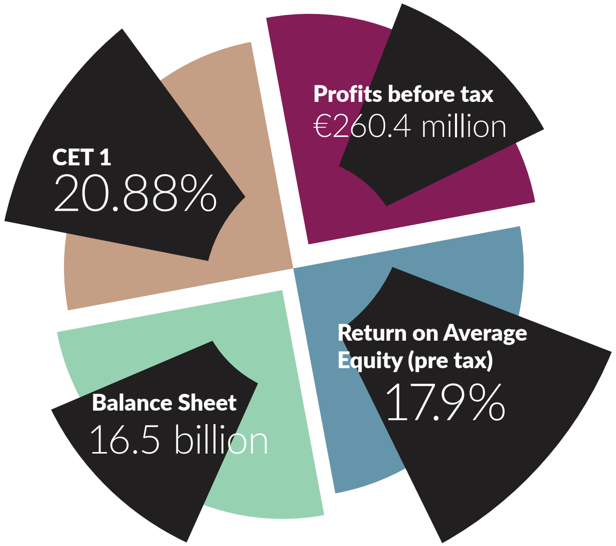
Dr Gordon Cordina **Chairperson** • NC TDS NED *

Chairperson's Statement

Dr Gordon Cordina
Chairperson

PERFORMANCE HIGHLIGHTS

BOV Group delivered another year of strong performance in 2025. Profits before tax amounted to €260.4 million, corresponding to a pre-tax return on average equity of 17.9%. The Group's balance sheet expanded to €16.5 billion, equivalent to 67.1% of Malta's nominal GDP. Our capital position remained robust, with a CET1 capital ratio of 20.88%. These results were achieved despite the significant geopolitical tensions abroad, supported by benign domestic economic conditions. The Bank delivered strong profits notwithstanding the normalisation of interest rates and upward pressures on operating expenses. All this highlights the resilience of our business model, the prudence of our strategic decisions, and our commitment to sustainable performance and effective risk management.



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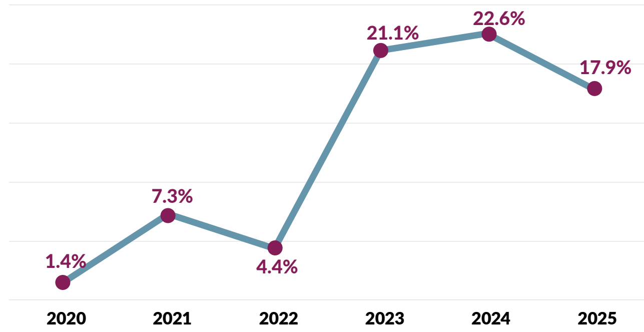
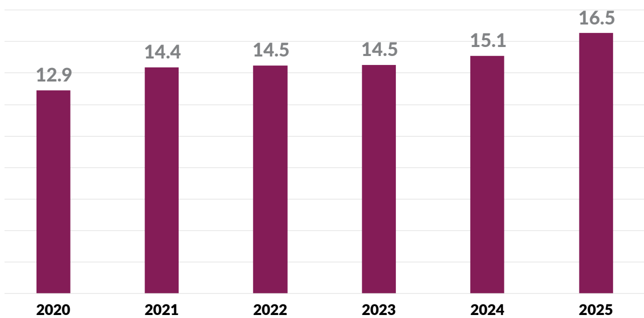
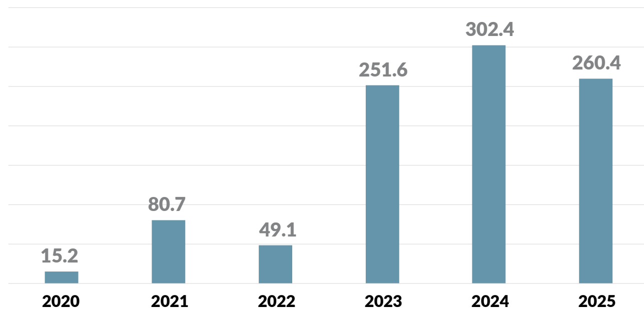


Balance Sheet Size (€b)



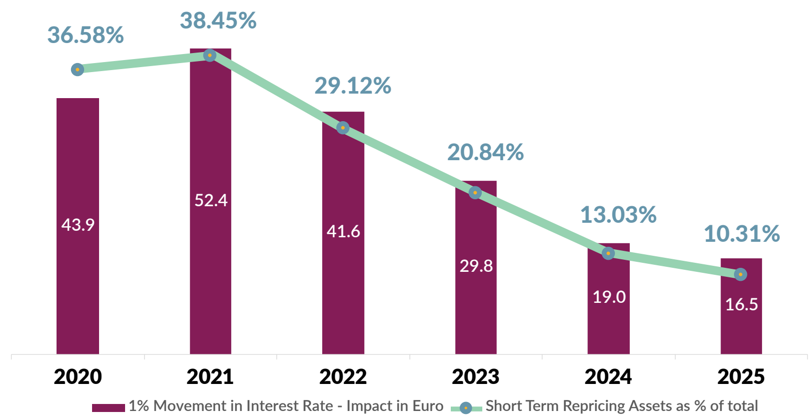
Profit before tax (€m)



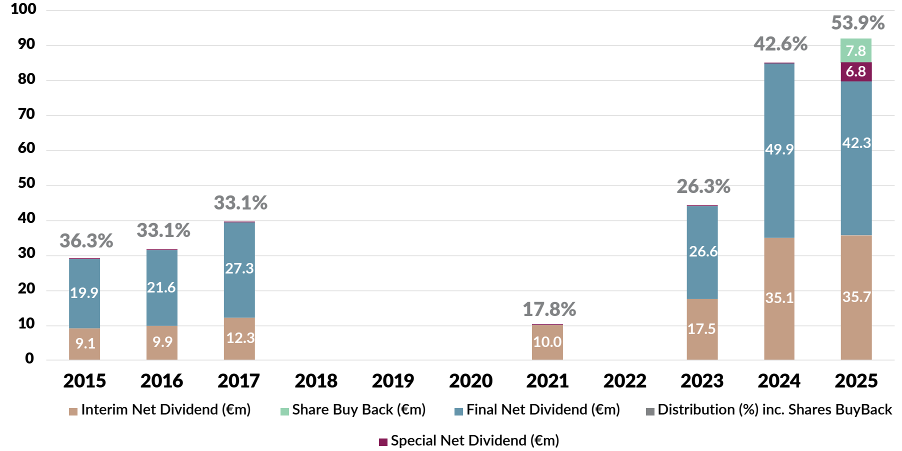
STRONG DIVIDEND DISTRIBUTION

The strength of the Group's 2025 performance enabled the Board to recommend one of the most significant dividend distributions in recent years. Reflecting the Bank's solid profitability, resilient capital position and disciplined balance-sheet management, the Board approved a final gross cash dividend of €65.1 million (€42.3 million net) from H2 profits, together with a special distribution reflecting profitability above forward-looking expectation. The special dividend represents €0.0162 gross (€0.0105 net) per share resulting in a total cash dividend for FY25 (including interim payment) of €0.2032 gross (€0.1320 net) per share. This is equivalent to a total gross dividend of €130.5 million (€84.8 million) out of the year's profits. This level of return is firmly aligned with the Group's Shareholder Distribution Policy and corresponds to a 49.4% cash dividend payout ratio relative to profit after tax (excl share buyback reserve). The distribution underscores the Board's continued commitment to deliver sustainable, predictable and responsible returns to shareholders, while ensuring that the Bank maintains the strategic flexibility and capital strength required to support future growth, ongoing transformation, and the long-term resilience of the franchise.

Interest income sensitivity to 1% movement (€m)



Net shareholder distribution over 10 year period (€m)



GLOBAL ECONOMIC CONTEXT

International developments unfolded largely as anticipated. Geopolitical tensions persisted, economic growth in the euro area remained subdued, and inflationary pressures eased. Tariffs dominated the economic landscape in 2025, driven by the US administration's push to reshape global trade and investment flows. The European Central Bank implemented further interest rate cuts totalling 100 basis points, lowering the Deposit Facility Rate to 2% by year-end, down from the 4% peak in 2023.

Benefiting from our strategic focus on long-term assets, the impact of declining interest rates on profitability was contained. A period of interest rate stability is expected, absent unforeseen shocks, and this should stabilise our net interest income going forward.

MALTA'S RESILIENCE AND ECONOMIC OUTLOOK

In Malta's case, the direct impact of tariffs has so far been limited, reflecting the country's modest trade exposure to the United States and its advantage of enjoying the lowest effective tariff rates in the European Union, owing to the composition of its exports. Malta's resilience continues to be underpinned by the broad diversification achieved since joining the European Union. The economy rests on multiple pillars, financial services, tourism, gaming, aviation, maritime, and high-end manufacturing, allowing shocks to be absorbed as weaker performance in some areas is offset by stronger momentum in others. This structural strength has allowed the country to sustain a solid growth trajectory along the years, despite numerous adverse shocks originating abroad. This is a remarkable achievement when compared to other small island states that remain vulnerable due to reliance on a narrow set of activities. Moreover, the rapid expansion of Malta's economy has helped contain public debt as percentage of GDP, creating fiscal space for the government to offer significant direct support in cushioning severe shocks over the past five years, including a pandemic, a surge in international energy prices, and a spike in global inflation.

Such benign economic context has been instrumental for BOV's positive financial performance over the years and augurs well for the future. Nevertheless, the Bank remains highly vigilant, acknowledging that in an increasingly complex global environment, economic conditions can shift rapidly and unexpected shocks may arise, which may prove more challenging if idiosyncratic to our country.

There are grounds for measured optimism. In 2025, Malta's economy delivered solid real GDP growth of 4%. Tourism reached new highs, setting records in both arrivals and total expenditure, while the property market remained buoyant, with prices rising steadily by around 5% annually and transactions averaging 12,000 per year. Household consumption also continued to drive growth, increasing by nearly 4% year-on-year. These developments are particularly encouraging given the Bank's significant exposure to tourism, property and wholesale and retail trade.

Independent forecasts indicate that Malta's economic momentum will extend into 2026 and beyond, with real GDP growth projected at approximately 4%. Although this reflects a degree of normalisation compared to the earlier boom years, it remains well above the euro area average. The recent tightening of Malta's migration policy has been absorbed without disruption. The labour market is expected to remain tight with the unemployment at historic lows near 3% and inflation converging toward the ECB's 2% target. Fiscal policy is set to continue supporting growth, following a gradual and orderly path toward the 3% deficit-to-GDP threshold, without resorting to outright consolidation measures. Malta remains shielded from debt-related pressures, with its public debt ratio forecast to hover below 50%, providing a comfortable buffer relative to the 60% of GDP ceiling.

STRATEGIC DIRECTION

While global uncertainty continues to shape the landscape and multiple scenarios may unfold, it remains essential to plan with a long-term perspective. Malta's Vision 2050 provides a valuable framework, guiding collective efforts toward shared aspirations and the pathways to achieve them. As the country's largest bank, developments within the Maltese economy directly influence our performance, just as our actions have a significant impact on households and businesses. Against this backdrop, throughout 2026 we will dedicate ourselves to shaping our next three-year strategy covering the period 2027 to 2029.

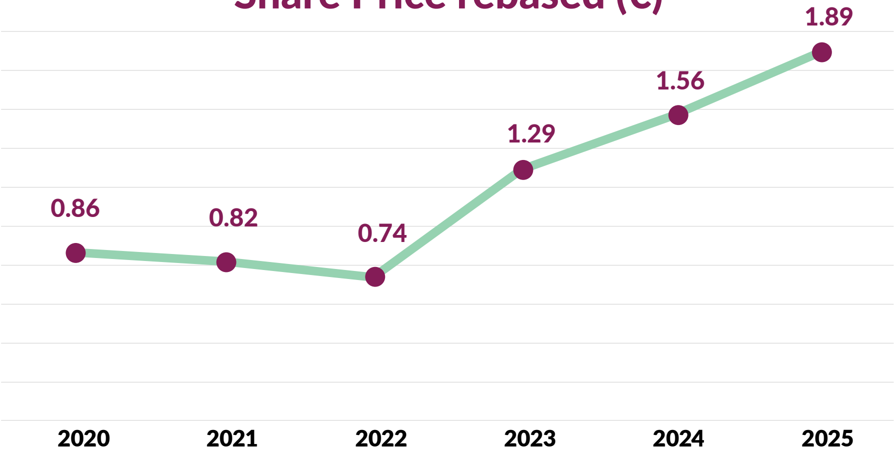
The Group will remain mindful of the risks, opportunities, and responsibilities it carries, not only under a 'business as usual' scenario but also across alternative futures that may prove more, or less, favourable. Building on the study conducted in 2025, which outlined possible futures for our economy, this foresight equips us to make informed decisions that drive positive change and reinforce BOV's resilience. It also deepens our understanding of the implications of major structural trends shaping Malta, including persistently low birth rates and an ageing population. At the same time, it highlights areas where BOV can play a pivotal role in supporting the transformation of the country, in line with the aspirations of its citizens. Effective planning requires moving beyond the notion of a purely deterministic world. We acknowledge that the future is inherently uncertain and recent international experience has demonstrated that risks once considered remote or tail events are occurring with increasing frequency.

CAPITAL MARKET ACTIONS

In 2025, the Bank has actively engaged in the domestic capital market, successfully placing a total of €275 million in bonds via two issues on the Malta Stock Exchange. The proceeds provide additional flexibility to support business expansion while preserving our strong capital ratios. By year-end, the nominal value of our bonds listed on the MSE reached €0.54 billion, accounting for 16.1% of all private sector bonds listed on the local stock exchange. This underscores the solid confidence investors continue to place in our Bank. In 2026, we expect to return to the capital market, as we further optimise our liabilities.

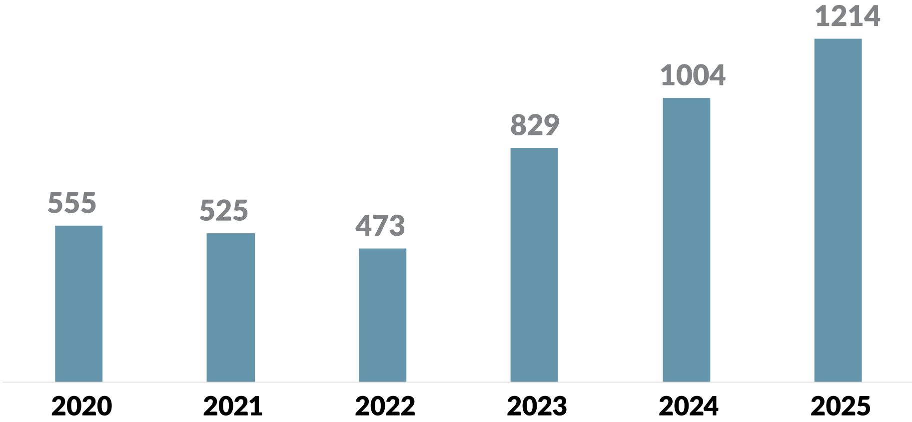
We also launched our share buyback programme designed to enhance the liquidity of our shares. Importantly, the repurchased shares are not being cancelled, as the programme's sole objective is to strengthen market liquidity. Throughout 2025, BOV acquired approximately 0.09% of its share capital. This initiative had a positive impact on market dynamics, with our share price ending the year at €1.89, up from €1.56 (as re-based following the bonus issue) at the end of 2024. Our shares also ranked as the most actively traded on the Malta Stock Exchange.

Share Price rebased (€)



Trading in BOV Shares in Euro Equivalent (€m)

Market Capitalisation (€m)



CREDIT PORTFOLIO

Our credit portfolio delivered another year of strong and broad-based expansion, reflecting healthy demand across households, SMEs, and corporate clients operating in key economic sectors. The Bank recorded high levels of loan disbursements across a diversified range of industries, supporting investment, innovation, and economic activity throughout the country. This sustained lending momentum underlines the Bank's central role in financing the Maltese economy and demonstrates our continued focus on responsible credit growth, supported by robust underwriting standards and close engagement with our clients.

DEPOSITS

Deposit growth remained exceptionally strong during 2025, further consolidating BOV's position as the leading banking institution in Malta. The Bank registered stable retail inflows, reaffirming the deep trust placed in us by households, businesses, and institutions alike. This highlights the Bank's longstanding strength in funding markets, which ensures ample liquidity to support lending growth, strategic investment, and continued balance sheet optimisation. Our funding profile continues to serve as a central pillar of the Bank's stability and long-term resilience.

GROWTH OPPORTUNITIES AND DIVERSIFICATION

We look to the future with confidence and optimism. By leveraging our resilient business model and consistent strategic vision, we are well positioned to capture new opportunities and deliver positive financial results in the years ahead. Significant potential exists in the areas of private pensions and insurance, where BOV has long advocated for the expansion of these markets. We welcome the government's initiatives in this regard. The introduction of vocational pensions for public employees, together with the lifting of restrictions that now allow banks to offer the full suite of insurance products, provide a strong foundation for these financial products to gain traction in Malta.

We believe both markets have considerable potential for growth. In partnership with Mapfre, BOV will continue to raise awareness of the vital role private pensions and insurance play in supporting household financial wellbeing. Payroll savings schemes, which enable employees to save directly from their salaries, are a proven mechanism to encourage and sustain saving habits, particularly for those who find it challenging to set money aside.

BOV also remains committed to promoting better wealth management. By encouraging clients to rebalance their wealth portfolios, households can structure their finances more effectively, moving away from excessive liquidity, which erodes value in an inflationary environment, and reducing overreliance, or in some cases exclusive dependence, on property investment. Equally, wider adoption of insurance products is essential to help households better withstand unexpected shocks. Beyond strengthening the economy and supporting households, closing these gaps will also enable us to diversify our income streams, with stronger non-interest income expected to complement our growth trajectory.

DIGITAL TRANSFORMATION, SECURITY AND ARTIFICIAL INTELLIGENCE

Another objective is to continue advancing our digitilisation journey. As Malta's leading incumbent bank, we benefit from strong customer loyalty, yet we remain mindful of the growing competition posed by digital-only institutions. In 2025, we introduced same-day transfers, marking another important milestone in our technology maturity journey. A major enhancement of our mobile app is scheduled for 2026, aimed at delivering a more seamless and intuitive customer experience. Ongoing investment in technology ensures we can meet evolving customer expectations in an increasingly digital environment.

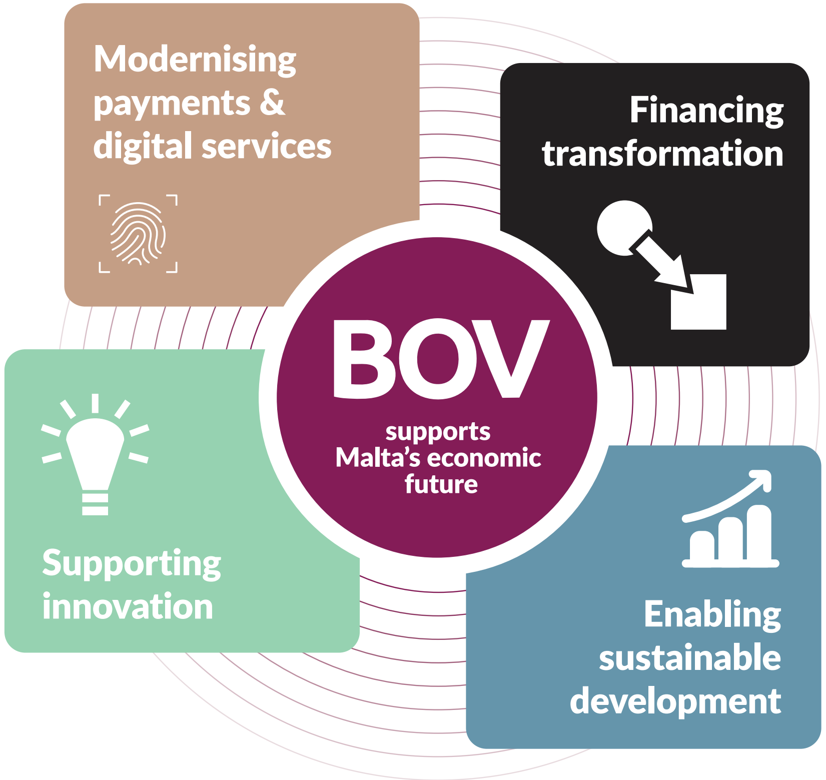
At the same time, safeguarding clients against scams remains a top priority. Our systems have already provided effective protection, and we are determined to strengthen controls further, offering customers greater peace of mind amid the rising global threat of financial fraud. Given the pivotal role banks play in financial systems, through deposit-taking, credit provision, and their central function in payment mechanisms, they inevitably feature prominently among potential targets of hybrid threats posed by malicious actors. Although our investment projects are costly, we fully realise the importance that security plays in modern day financial services, and this is fully factored in our budgets.

Artificial Intelligence (AI) is set to be a defining force in the decade ahead. Its global adoption has been swift, and expectations point to continued rapid progress. While estimates of potential productivity gains vary widely, our experience has been encouraging. As a Bank, we will continue to explore and apply AI in a measured and responsible manner, ensuring that its use remains firmly anchored within our established risk parameters and governance frameworks. Our aim is to leverage AI in a way that enhances our operations and supports improved outcomes for our clients and stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

Sustainability remains a central priority for the Bank, with a strong commitment to supporting the national economy's transition toward more responsible practices. Our objective is to work closely with clients, addressing their needs while contributing to the broader goal of a sustainable economy. Environment, social and governance considerations have gained momentum, and in the coming year we aim to build further progress on two key fronts: expanding our evaluation of ESG scores for clients and better aligning our pricing structures with ESG factors. Through this approach we aim to encourage and reward positive transformation in client behaviour, while reinforcing our catalyst role as a driver of change.

Corporate social responsibility remains central to our mission, reflecting our genuine commitment to giving back to society. Our employees embrace our core values and the importance of contributing to the community, and this is supported by our one-day dedicated CSR vacation leave. In addition to the numerous CSR events carried out throughout the year, in 2025, 645 employees, representing 26% of our year-end full-time workforce, made use of this scheme.



CONCLUSION

In conclusion, I am confident that our future is bright and we will continue to generate value for all stakeholders. I extend my sincere appreciation to our shareholders for their enduring trust, and to our executive team and staff for their dedication and commitment, without whom these achievements would not have been possible. The progress we have made in recent years inspires us to aim even higher and to pursue even greater success in the years ahead.

Kenneth Farrugia is the Chief Executive Officer of Bank of Valletta Group.

He sits on the Bank's Board of Directors, chairs the Executive Committee and is a member of several management committees. Mr Farrugia is also a director on the Board of Directors of BOV Fund Services Limited, BOV Asset Management Limited and Mapfre Msv Life p.l.c. He is also, the current Chair of the Malta Bankers' Association. Kenneth is also a director on the board of the European Savings Banking Group as well as the European Banking Federation.

Mr Farrugia began his career at Bank of Valletta in 1985 and has occupied various executive positions covering the Bank's asset management, retail banking and credit business areas. Over the course of his career, he has also held various financial services related industry positions, including Chair of the Malta Asset Servicing Association, Board Member of the European Fund and Asset Management Association, Chair of FinanceMalta, Malta's national promotional body for the financial services industry.

Kenneth Farrugia is an alumnus of Harvard Business School having completed the General Management Program.

Kenneth Farrugia Director & CEO ● ED *

CEO Commentary

Kenneth Farrugia
Director & CEO

Key Highlights

- Profit before tax of €260.4 million, exceeding targets and forward-looking guidance.
- Total assets reached €16.5 billion, supported by strong deposit inflows and solid loan growth.
- Asset quality strengthened further, with the NPL ratio improving to 1.68%.
- Liquidity remained very strong, with the LCR increasing to 384.4% and capital ratios remaining comfortably above regulatory requirements.
- Enhanced international capability through a new correspondent banking relationship with The Bank of New York Mellon; Fitch upgraded the Bank to BBB with a Stable outlook.

2025 at a glance

Performance	Balance sheet	Strength & resilience
Profit before tax: **€260.4m**	Total assets: **€16.5bn**	NPL ratio: **1.68%**
Operating income: **€496.8m**	Customer deposits: **€13.7bn**	ECL coverage: **59.35%**
Net interest income: **€387.4m**	Net loans & advances: **€8.0bn**	LCR: **384.41%**
Net fee & commission income: **€88.1m**	Treasury portfolio: **€6.9bn**	CET1: **20.88%**
		Total capital: **29.32%**

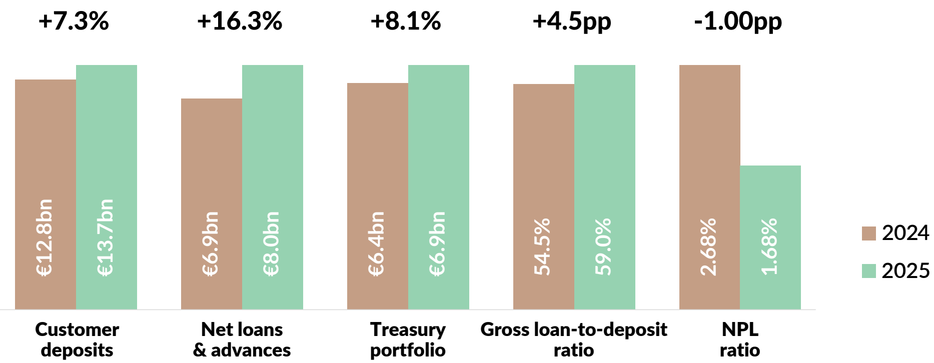
RESILIENCE, STRATEGIC PROGRESS, AND SUSTAINABLE VALUE CREATION

The Bank of Valletta Group closed 2025 with a resilient financial and strategic performance, demonstrating its ability to deliver stability, progress, and long term value in an operating environment characterised by shifting monetary conditions, intensified competitive pressures, evolving customer behaviours, and heightened regulatory expectations. Despite these external dynamics, the Group maintained strong profitability, deepened customer engagement, advanced its transformation programme, and strengthened its financial foundations. These achievements reaffirm the effectiveness of the Group's strategic direction and position it strongly for future growth as it enters 2026 with clarity, focus, and disciplined execution.

The year was shaped by global and regional recalibrations across the banking sector. Monetary policy normalisation continued to influence asset yields and funding costs, while European regulatory developments, technological disruption, and rising customer expectations placed increasing demands on banks to modernise, simplify, and strengthen their operating models. Against this backdrop, the Group delivered a resilient financial performance, reflecting stable revenue generation, disciplined balance sheet management, enhanced fee based income, and a continued improvement in asset quality.

At the same time, the Group accelerated its transformation agenda, embedding stronger governance, enhancing digital capabilities, modernising core processes, and investing in talent and organisational readiness. These enhancements are not only strengthening current performance but also laying down the foundations for the forthcoming strategic cycle spanning 2027–2029.

The progress achieved during the year further cements the Group's role as Malta's leading financial institution, entrusted by families, businesses, and communities across the country for over five decades. The Group remains committed to serving as a strong, stable partner to its stakeholders while driving positive economic, social, and environmental impact.



1. FINANCIAL PERFORMANCE: STRONG, BALANCED AND AHEAD OF EXPECTATIONS

The Group delivered a solid financial performance for the year ended 31 December 2025, achieving a Profit Before Tax of €260.4 million. Although this represents a 13.9% decline relative to the exceptionally strong result achieved in 2024, profitability remained ahead of expectations and demonstrates the resilience of the Group's core operations in a year characterised by shifting interest rate dynamics and competitive pressures. The results reflect stable revenue generation, continued portfolio growth, and effective balance sheet optimisation measures that softened the impact of declining ECB facility rates experienced during the period.

Operating income increased by 2.3% to €496.8 million, driven by expansion in the lending portfolio, a stronger contribution from fee based activities, and strategic redeployment of liquidity into longer-term, high-quality interest bearing assets. This redeployment was instrumental in stabilising interest income despite a 1% reduction in ECB facility rates.

Net Interest Income remained the primary driving force for the Group with an amount of €387.4 million being registered, equivalent to an increase of €1.5 million, or 0.4% when compared to prior year (2024: €385.9 million). Despite the ECB's continued reduction in facility rates, the Group sustained a strong net interest performance owing to a well-executed balance sheet optimisation strategy that helped stabilise earnings in a declining rate environment. Meanwhile, interest expense increased approximately 15%, mainly influenced by higher funding costs on recently issued Tier 2 instruments.

Net fee and commission income increased by 8.2% to €88.1 million, supported by higher activity across credit services, payments, trade finance, and investment related operations. The contribution from fee based products continues to reinforce revenue diversification and reduces reliance on interest income, contributing to a stronger and more balanced income profile overall.

Operating expenditure rose to €246.8 million, an increase of 13.9% year on year, reflecting targeted investment in talent, technology, compliance, and cyber security infrastructure. These expenditures are aligned with the Group's medium term transformation objectives, which prioritise infrastructure modernisation, strengthened governance, and enhanced customer centricity. Despite this increase, the cost to income ratio remained competitive at 49.7%, compared with 44.6% in 2024, and continues to compare favourably with peers across the European banking landscape.

Total operating income
€496.8M
+2.3%
year-on-year

Net fee & Commission income
€88.1M
+8.2%
year-on-year

Net interest income
€387.4M
+0.4%
year-on-year

Total Capital Ratio
29.3%
+2.5%
year-on-year

Liquidity Coverage Ratio
384.4%
+15.4%
year-on-year

Credit quality further improved during the year, with the Non-Performing Loans ratio declining to 1.68%, down from 2.68% in 2024. This marks one of the strongest credit risk outcomes observed in recent years and is the result of disciplined credit underwriting, strengthened recovery processes, and proactive monitoring. Expected Credit Losses remained contained, resulting in a minimal impact on profitability. The ECL coverage ratio for credit impaired assets improved significantly to 59.4% (including additional provisions relating to aged non-performing loans deducted from regulatory capital), demonstrating the Group's conservative approach to provisioning and its commitment to preserving asset quality in a dynamic operating environment.

The balance sheet expanded to €16.5 billion, an increase of 9.5% compared with the prior year. Customer deposits rose by €936.7 million to €13.7 billion, underscoring continued trust in the Group and providing a stable foundation for lending and investment activities. Net loans and advances to customers (including Fair Value Through Profit or Loss loans) grew by €1.1 billion to €8.0 billion, representing a year-on-year increase of 16.3%, with growth recorded across business lending, home loans, and personal financing. The gross loan to deposits ratio increased from 54.5% to 59.0%, remaining well within the Group's liquidity risk appetite and supporting long term sustainability.

The Treasury portfolio increased by 8.1% to €6.9 billion, now representing 42% of total assets. This growth reflects the Group's continued commitment to optimising returns through investment in longer term, high quality securities while maintaining an appropriate liquidity buffer. Cash and short-term funds remained strong at €921.2 million, despite a reduction from the prior year due to the planned redeployment of liquidity into longer term instruments that support more predictable future income streams.

Capital and liquidity metrics remained well above regulatory thresholds. The CET1 ratio closed at 20.88%, while the Total Capital Ratio reached 29.32%, reaffirming the Group's strong capital position and prudent approach to risk weighted asset growth. Liquidity remained strong and well above regulatory thresholds, with the Liquidity Coverage Ratio improving to 384.4%, compared with 369.0% in 2024. In line with its pricing policy framework, the Board maintained the Business Bank Base Rate and Home Loans Bank Base Rate at 2.15%, and the Personal Loans Base Rate at 2.45% for the upcoming quarter, reflecting the Group's commitment to pricing stability amid evolving market conditions.

2. COMPARATIVE PERFORMANCE VERSUS LOCAL PEERS AND EUROPEAN INSTITUTIONS

The Group's financial performance for FY2025 stands out strongly when viewed in the context of both the Maltese banking sector and peer institutions across Europe. BOV continues to demonstrate financial scale, earnings strength, and capital resilience that position it distinctly ahead of domestic competitors, while its prudential metrics compare favourably with broader European banking trends.

Across the Maltese market, BOV remains the clear leader in profitability, balance-sheet scale, and customer franchise strength. These indicators reflect a franchise that continues to outperform domestic peers in both commercial reach and balance-sheet strength. The Group's market valuation relative to local peers further underscores its strong comparative position. At a market capitalisation of approximately €1.2 billion, BOV remains one of the most significant listed entities on the Malta Stock Exchange, highlighting investor confidence in its sustained performance and long-term growth trajectory.

Viewed alongside European mid-cap institutions, the Group demonstrates levels of capital strength, liquidity resilience, and credit-quality stability that compare favourably with broader EU banking metrics. The EBA reports that EU/EEA banks maintained CET1 ratios averaging around 16–16.3% and liquidity buffers exceeding regulatory minima, with NPL ratios below 2%. BOV's results compare well with these benchmarks, particularly in liquidity, where its LCR of 384.4% far surpasses the EU average of 160.7%, and in capital strength, where its CET1 ratio comfortably outperforms the median.

Taken together, the Group's comparative performance underscores its leading position within Malta's financial system and its strong standing relative to similarly sized European institutions. Its superior deposit base, strong loan franchise, and consistent profitability continue to differentiate it from domestic peers, while its capital, liquidity, and credit metrics compare favourably with the best-performing mid-tier institutions across the EU.

3. STRATEGIC PROGRESS ACROSS THE FOUR PILLARS

The Group's Strategy 2024–2026 continued to serve as the central framework for its transformation journey, anchored in the four core pillars of Customer, Risk & Governance, People, and Operations. Across each pillar, the Group registered tangible, measurable progress that has strengthened its business model and advanced its long-term strategic direction.

Customer

Enhancing Value, Accessibility, and Market Leadership

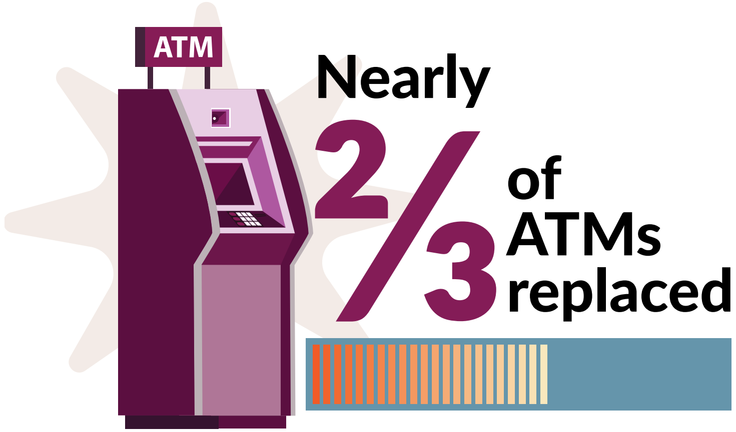
The Group strengthened its leadership position across key segments during 2025. In the retail business, home loans and personal lending achieved double digit growth, supported by targeted product innovation, demand for stability and predictability, and continued trust in the Bank's advisory capability. Upgraded and modernised branches, including Mosta, Buġibba, and Luqa, improved customer experience, while the opening of the new Investment Centre in Sliema broadened the Group's wealth advisory offering.

Commercial banking performance remained strong. The relocation of commercial operations to the Quad Central Malta Business Centre marked a strategic upgrade in service delivery, offering businesses a modern, collaborative environment with enhanced access to dedicated support. The establishment of a corporate outreach team further expanded market coverage, strengthened relationships, and enabled more proactive engagement with enterprises and entrepreneurs.

Digital enhancements also progressed. A substantial upgrade of the ATM network, with nearly two thirds replaced, improved reliability and service availability, while digital adoption across online and mobile channels continued to accelerate. The CRM transformation programme delivered a 42% improvement in resolution time for digital feedback, signalling tangible progress in the Group's customer centric agenda.

The Group also progressed significantly in its omni channel transformation programme, designed to fully integrate digital and physical service delivery. Currently in testing phase and scheduled for launch in 2026, this initiative is expected to materially enhance customer experience, operational consistency, and service accessibility.

These initiatives collectively strengthened the Group's ability to meet customer expectations across all channels, reinforcing its position as the Bank of Choice for both personal and commercial banking needs.



Operations

Modernising the Operating Model and Driving Efficiency

Operational excellence and long-term resilience remained central priorities for the Group throughout 2025, as the organisation continued to modernise its operating model and reinforce the foundations required for sustainable future growth. The transformation agenda progressed meaningfully across all major operational domains, supported by targeted investments in systems, processes, data, and automation that are reshaping the way the Group delivers value to customers and manages internal execution.

Significant momentum was achieved through the Group's Business Process Reengineering programme, which continued to streamline and standardise critical workflows across the lending lifecycle and broader operational functions. Re-designed processes supported measurable improvements in speed-to-decision, operational consistency, and control effectiveness, ensuring that key activities are executed with greater precision and accountability. These enhancements are enabling business lines to operate with greater clarity and discipline, while reducing friction across front-to-back processes and elevating the overall quality of service delivery.

At the same time, the Group expanded the deployment of automation across a broader set of operational routines. The introduction of additional software-based automation tools reduced manual intervention, improved processing accuracy, and freed employees from repetitive, low-value tasks. This has allowed operational teams to shift their focus toward higher-value activities, including risk assessment, service quality, and analytical insights, supporting a more efficient and capability-led operating environment.

Technological resilience remained a central pillar of the operational agenda. The Group made substantial progress in strengthening its IT architecture, enhancing core infrastructure reliability, and reinforcing cyber-security safeguards in line with emerging regulatory expectations and the increasing sophistication of external threats. These investments ensure that the Group's technology environment remains secure, scalable, and future-ready, capable of supporting both regulatory change and the operational demands of a growing customer base.

Data management and intelligence also advanced significantly during the year. Enhanced data-governance frameworks, upgraded reporting tools, and stronger analytical capabilities improved the quality, visibility, and timeliness of data across the organisation. These upgrades are supporting more informed decision-making across credit, treasury, risk oversight, and customer engagement, while enabling the Group to respond more effectively to emerging trends and supervisory expectations. Improved data lineage, quality controls, and model governance further strengthened the Group's analytical infrastructure, reinforcing its operational and risk-management capabilities.

Together, these operational, technological, and data-driven enhancements reflect a deliberate, long-term investment in building a stronger, more agile institution. By reducing complexity, modernising legacy processes, strengthening system resilience, and embedding digital capability across the organisation, the Group is creating an operating model that is more efficient, responsive, and secure, one that supports sustained value creation and enables the organisation to meet the evolving needs of customers, regulators, and stakeholders in a rapidly transforming financial environment.

Risk & Governance

Deepening Resilience and Regulatory Alignment

The Group continued to reinforce its risk management framework and governance structure in line with evolving supervisory expectations and the increasing complexity of the regulatory landscape. During the year, significant enhancements were made across core risk disciplines, underscoring the Group's commitment to maintaining a resilient, well-controlled, and forward-looking risk environment. Strengthened oversight structures, deeper integration of risk considerations into decision-making, and continued improvements in control effectiveness contributed to a more mature and cohesive risk-governance architecture.

Substantial progress was made in upgrading the Group's anti-financial crime (AFC) framework, including enhancements to transaction-monitoring capabilities, customer-risk assessment methodologies, and the overall financial-crime control environment. These improvements were complemented by stronger governance around sanctions compliance, AML processes, and fraud-risk mitigation, supporting the Group's proactive stance in safeguarding the integrity of its operations. Parallel advancements in the internal audit control environment strengthened assurance mechanisms, ensuring clearer oversight of priority risk areas and sharper escalation of control gaps that require management action.

The risk function also expanded its analytical and modelling capabilities, with improved data aggregation, early-warning indicators, and model-risk governance. These upgrades enhanced the Group's ability to identify emerging risk signals, monitor portfolio-level trends, and respond to market or credit developments in a timely and informed manner. In addition, the refinement of methodologies and improved consistency in model oversight further aligned the Group with best-practice supervisory expectations.

During the year, the Group also strengthened its interaction with regulatory bodies, ensuring timely remediation of supervisory recommendations and elevating the oversight of risk and control activities across all business lines. Improvements in reporting clarity, governance processes, and risk-data quality supported more effective supervisory engagement and positioned the Group to continue meeting rising regulatory standards. These developments were central to reinforcing organisational resilience and ensuring the Group remains well-equipped to navigate the increasing scrutiny placed on systemically important financial institutions.

Taken together, these enhancements reflect the Group's continued commitment to maintaining a strong, transparent, and forward-looking risk culture. The maturing of the risk and governance framework remains a foundational element of long-term institutional stability and is essential in sustaining stakeholder confidence, safeguarding operational integrity, and supporting the disciplined delivery of the Group's strategic objectives.

People

Investing in Talent, Culture and Future Capabilities

The Group's people remain central to its ability to deliver sustainable value. Throughout 2025, significant investment was directed toward strengthening workforce capability, attracting talent in specialist areas such as data, technology, cyber security, ESG, financial forecasting and product innovation, and enhancing retention across critical roles.

Training and leadership development expanded meaningfully, with new digital literacy programmes, advanced analytical training, and targeted development initiatives for high potential employees. The Group also introduced enhanced mental health support, expanded wellbeing programmes, and strengthened flexible working arrangements, all aimed at fostering an inclusive, supportive, and high performing workplace.

These initiatives underpin the Group's future readiness as it enters the final year of its current strategy and prepares for the next strategic cycle.

4. ESG PROGRESS: DELIVERING SUSTAINABLE IMPACT

ESG remained a cornerstone of the Group's long term strategic agenda. The Group made substantial progress on its Climate Transition Plan, achieving meaningful reductions in Scope 1 and Scope 2 greenhouse gas emissions through energy efficiency upgrades, operational improvements, and investment in cleaner energy sources. EV charging stations and green parking initiatives supported reductions in commuting emissions.

Climate considerations were further integrated across lending practices, portfolio evaluation, and risk management. Enhanced climate stress testing capabilities and updated materiality assessments strengthened the Group's ability to assess and respond to climate related risks.

The Group continued promoting financial literacy and inclusion, delivering community outreach, educational talks on fraud prevention, and initiatives aimed at fostering resilience within Maltese society. Through the BOV Foundation, the Group supported heritage, culture, sport, and social initiatives, further reaffirming its commitment to contributing to Malta's social and economic wellbeing.

ESG integration continues to mature, reflected in both internal reforms and the expansion of green lending products across retail and commercial segments.

5. CAPITAL MARKETS AND SHAREHOLDER VALUE

2025 marked a pivotal year in the Group's capital markets development, balance-sheet optimisation, and long-term funding strategy, reflecting disciplined execution, strengthened market confidence, and a clear commitment to generating sustainable value for shareholders. The Group continued to advance its multi-year capital structure strategy through measured issuance activity, enhanced market engagement, and progressive alignment with regulatory expectations, particularly in relation to MREL requirements.

A key milestone during the year was the successful execution of capital markets transactions under the Group's Euro Medium-Term Note (EMTN) Programmes. The Group completed the issuance of €150 million in Tier 2 instruments, which formed the second and final tranche of the €250 million unsecured bond programme launched in previous periods. This issuance was fully subscribed, demonstrating strong investor confidence in the stability and long-term creditworthiness of the Group. In addition, the Group obtained regulatory approval for a new €325 million EMTN Programme, under which €125 million in unsecured subordinated bonds were issued during November 2025, further diversifying the funding base and reinforcing the Group's long-term funding profile.

Building on this progress, preparations commenced for the planned issuance of a Senior Preferred note in the international capital markets, which would require regulatory approval. This prospective issuance represents a strategic step in enhancing the Group's wholesale funding resilience, strengthening its MREL position, and ensuring an optimal maturity structure that supports continued balance sheet expansion. The planned transaction also reflects proactive alignment with evolving supervisory expectations and the Group's strategic objective of maintaining a diversified, stable, and forward-looking funding platform.

Complementing these funding initiatives, the Group advanced its shareholder value agenda. The regulated share buyback programme, activated during FY2025, contributed to improved equity liquidity and more efficient capital management. Throughout the programme, 564,032 shares were repurchased at an average price of €1.90, with €1.1 million utilised from the €7.8 million approved reserve. This initiative supported enhanced market liquidity and contributed to increased investor confidence, positioning the Bank's equity among the more actively traded instruments on the Malta Stock Exchange.

Dividend distribution remained a central element of shareholder value delivery. Based on the strong financial and capital performance registered during the year, the Board recommended a final gross cash dividend of €0.1014 per share making for a final net dividend of €0.0659 per share. In addition, the Board has also recommended a special one-time gross dividend of €0.0162 per share (€0.0105 net), bringing the total gross dividend inclusive of interim dividend for FY2025 to €130.5 million (€84.8 million net). This level of distribution reflects disciplined stewardship, solid profitability, and the Group's ongoing commitment to maintain a balanced and predictable dividend policy in line with its four guiding distribution principles. The payout ratio aligns with sustainable long-term capital planning and further solidifies the Bank's reputation for providing stable and competitive shareholder returns.

The strength of the Group's capital markets activity and shareholder initiatives was further validated by positive share-price momentum throughout 2025 and into early 2026. The equity registered a consistent upward trajectory, rising from the €1.76–€1.80 range at the start of 2025 to approximately €1.94 by year-end, and further to around €2.06 by mid-February 2026, representing a gain of over 11% in early 2026 alone. This improvement translated into a notable increase in market capitalisation, which expanded by more than €200 million over a 14-month period, reflecting investor recognition of the Group's strengthened balance sheet, enhanced profitability, and progress across its strategic agenda.

Taken together, the Group's capital markets execution, strategic funding initiatives, and shareholder return measures underscore a deliberate and disciplined approach to capital management. Through proactive engagement in the capital markets, balanced dividend distribution, strengthened funding diversification, and targeted buybacks, the Group continues to reinforce financial resilience, enhance investor confidence, and position itself for sustainable long-term value creation.

6. STRATEGIC OUTLOOK

As the Group enters 2026, it does so with a strengthened financial foundation, enhanced organisational capability, and a clearly defined strategic trajectory endorsed by the Board of Directors. The forward-looking statements approved during the year articulate a confident yet disciplined outlook, reflecting the Group's deep understanding of evolving market conditions, the regulatory landscape, and the opportunities ahead. These statements also reaffirm the Group's commitment to maintaining sustainable financial performance, well-capitalised and highly liquid position, and the prudent execution of its multi-year strategic transformation.

The Group's outlook for the year is anchored in responsible growth, strategic investment, and operational resilience. Lending activity is expected to continue expanding at a healthy pace across retail, commercial, and SME segments, supported by the insights emerging from the Group's Four Futures Study, which assesses long-term structural trends within Malta's economy, demographic changes, regulatory evolution, and technological disruption. By integrating these advanced scenario analyses into planning frameworks, the Group aims to remain responsive to shifts within the domestic economic landscape while continuing to provide stable, high-quality financing that supports productive sectors and long-term national development.

Digitalisation will be a defining priority for 2026. The Group will intensify the execution of its multi-year digital and operational modernisation programme, with particular emphasis on end-to-end process transformation, customer-journey redesign and the enhancement of cyber-resilience. Investments in data intelligence, customer analytics, and digital onboarding will accelerate, positioning the Group to deliver more seamless, personalised and efficient services across channels. These initiatives are expected to drive improvements in service accessibility and operational agility, while supporting ongoing cost discipline and productivity gains over the medium term.

Revenue diversification remains central to the Group's medium-term strategy. Building on the strong momentum achieved in payments, cards, trade finance, wealth management and insurance partnerships during 2025, the Group will continue strengthening non-interest income lines to mitigate the effects of interest-rate normalisation and enhance earnings stability. This approach mirrors global best practice across European banking peers and aligns with the Group's objective to develop a more balanced, sustainable revenue profile that is resilient to economic and monetary fluctuations.

Balance-sheet optimisation will continue to guide the Group's financial management priorities. Through disciplined liquidity deployment, diversified funding initiatives, including the forthcoming Senior Preferred issuance (subject to regulatory approval), and prudent interest-rate risk management, the Group aims to safeguard net interest income resilience and maintain strong capital buffers. This forward-looking approach is complemented by strengthened risk governance, enhanced model oversight, and ongoing improvements in data aggregation and credit-risk monitoring, ensuring the Group remains well-positioned to navigate market shifts and supervisory expectations.

The Group's strategic priorities for 2026 also reinforce its longstanding commitment to sustainable value creation for shareholders. Consistent with the shareholder distribution policy, dividends will continue to be managed within a disciplined and transparent framework that reflects profitability, capital requirements, and external conditions. Recent improvements in capital markets engagement, including investor days, market communication enhancements, and a more structured approach to wholesale funding, have strengthened investor confidence and will remain integral to the Group's long-term capital strategy. Sustainability and social impact will also play an increasingly prominent role in the Group's strategic agenda.

The ongoing execution of the Climate Transition Plan, the expansion of green lending products, integration of ESG considerations into investment decisions, and the strengthening of community initiatives through the BOV Foundation all underline the Group's commitment to responsible banking. These actions not only support Malta's long-term environmental and social objectives but also reinforce the Group's position as a trusted and progressive institution within the national financial ecosystem.

Looking ahead to the formulation of the Strategy 2027–2029, the Group intends to build on the foundations laid during the current strategic cycle. The next phase will be guided by a forward-looking assessment of customer expectations, regulatory priorities, digital evolution and competitive dynamics. This new strategic period will seek to consolidate the transformation achieved to date while charting a clear course for continued modernisation, operational excellence, and sustainable growth. As the Group continues to strengthen its capital, technology, people and governance platforms, it remains firmly committed to delivering enduring value for its stakeholders and supporting the long-term prosperity of the Maltese economy.

7. CONCLUSION

FY2025 marks another year in which the Group has demonstrated its capacity to deliver meaningful progress across financial, operational, strategic, and sustainability dimensions, despite the evolving complexities of the external environment. The Group's strong financial results, the successful execution of its funding and capital-markets agenda, and the continued strengthening of its balance sheet all highlight an organisation that is not only performing today but is also laying firm foundations for the future. The disciplined execution of strategic initiatives, coupled with significant investment in technology, people, and risk governance, has enhanced the Group's resilience and sharpened its competitive positioning across Malta's financial landscape.

As the Group enters FY2026, it does so with a strong capital base and a resilient liquidity position, reaffirmed by top-tier regulatory ratios and supported by diversified funding sources, strategic issuances, and a well-established deposit base. The Board's approval of forward-looking statements and financial outlook for the year ahead reflects strong confidence in the Group's long-term direction, its ability to navigate an evolving macroeconomic and regulatory landscape, and the continued sustainability of its operating model. These forward-looking expectations anticipate stable income generation, healthy credit growth, sound asset quality, and a cost base that remains aligned with strategic investment cycles, all underpinned by disciplined balance-sheet management and prudent risk oversight.

The Group's commitment to sustainable value creation for shareholders remains unwavering. The recommended dividend for FY2025, together with the positive trajectory of the Bank's share price and the strengthening of market capitalisation during 2025 and early 2026, underscores the confidence placed by investors in the Group's strategic direction, its improved operational performance, and its strengthened financial fundamentals. These outcomes are reinforced by the Group's enhanced engagement with the investment community through initiatives such as Investor Days, which have further improved transparency and trust.

Equally important is the Group's commitment to driving positive social and environmental impact. Meaningful progress on the Climate Transition Plan, increased availability of sustainable financial products, continued community investment through the BOV Foundation, and a strengthened focus on financial literacy collectively demonstrate an institution deeply rooted in its national responsibility. These initiatives remain fundamental to the Group's long-term strategy and reflect its aspiration to lead not only in financial performance but also in responsible banking.

Looking ahead, the Group will continue to advance the final year of the Strategy 2024–2026 while laying the groundwork for the forthcoming Strategy 2027–2029. The next strategic cycle will build on the achievements of recent years, informed by the insights of the Four Futures Study, and will chart the path for continued transformation, innovation, and sustainable growth. The opportunities and challenges that lie ahead, from digital acceleration and data-driven operations to evolving regulatory expectations and shifting customer behaviours, will require an organisation that is agile, forward-looking, and uncompromising in its pursuit of operational excellence. The Group is well-positioned to meet this moment.

The Board expresses deep appreciation to the Group's employees, whose commitment and professionalism remain central to every achievement of the past year. The loyalty and trust of customers continue to underpin the Bank's progress, while the support of regulators, business partners, and shareholders provides essential reinforcement to the Group's long-term ambitions. Looking to the year ahead, the Group remains firmly committed to delivering sustainable value, supporting Malta's economic development, and strengthening its leadership role within the financial sector, guided by prudence, responsibility, and ambition.

Dr Gordon Cordina
Chairperson

Nicola Angeli
Non Executive Director

Anatoli Grech
Executive Director

Dr Jonathan Spiteri
Non Executive Director

Kenneth Farrugia
Chief Executive Officer
Executive Director

Ingrid Azzopardi
Non Executive Director

Anita Mangion
Non Executive Director

Dr Robert Suban
Non Executive Director

Dr Christian Bonnici West
Non Executive Director

Hadrian Sammut
Non Executive Director

Prof Sue Vella
Non Executive Director

Dr Diane Bugeja
Non Executive Director

Deborah Schembri
Non Executive Director

Dr Ruth Spiteri Longhurst
Group Company Secretary

Nicola Angeli
Director
*RC R NED **

Mr Nicola Angeli currently chairs the Remuneration Committee and is a member of the Risk Committee. He has extensive knowledge of the European banking sector, accumulated over 10 years of experience working on transactions in the private and public markets.

Based in Italy, he started his career in the Debt Capital Markets team of UniCredit S.p.A., where he assisted medium and large corporations in the execution of financing transactions in the fixed-income market. In 2015, he moved to his current position in the Group M&A and Corporate Development team, where his responsibilities focus on carrying out M&A proprietary transactions for the UniCredit Group. Nicola was involved in several transformational inorganic projects, including M&A and capital markets deals.

Mr Angeli has significant knowledge of the European financial sector across several geographies (e.g. Italy, Germany, Central and Eastern Europe) and sectors (e.g. retail and corporate banking, investment banking, consumer finance and other product factories).

Nicola has a master's degree cum laude in Banking, Business and Financial Markets and a bachelor of science cum laude in Economics, both from the University of Trento (Italy).

Mr Angeli was appointed to the Board in May 2023.

Ingrid Azzopardi
Director
*NC ESG NED **

Ms Ingrid Azzopardi is currently a member of the Nominations Committee and ESG Committee.

Ms Azzopardi is a Chartered Director and heads the Internal Audit Function at Tumas Group. She has a B.A. Hons Accountancy Degree and a master's in accountancy.

Ms Azzopardi is a Certified Public Accountant and Auditor with internal audit experience in the telecoms, banking, gaming, hospitality and real estate industries.

Her career spans over 30 years leading internal audit functions. Ms Azzopardi has sat on various boards in the public and private sectors with focus on housing, culture, insurance and banking. She has also chaired audit and risk committees in the assurance and banking sectors. In her career, Ms Azzopardi has worked in fraud prevention, investigations, security and risk management as well as on sustainability.

Ms Azzopardi is the Deputy Chair on the Board of Administrators of the Malta ESG Alliance and holds a certificate in Business Sustainability Management from the University of Cambridge. She is a Fellow of the Malta Institute of Accountants, a Fellow of the UK Institute of Directors and a Member of the Institute of Internal Auditors – Malta Chapter.

Ms Azzopardi was appointed to the Board in July 2025.

Dr Christian Bonnici West
Director
*CAFC TDS NED **

Dr Christian Bonnici West is currently a member of the Compliance and Anti-Financial Crime Committee and Technology and Digital Strategy Committee.

Dr Bonnici West is also a resident academic in the Insurance and Risk Management Department at the Faculty of Economics, Management, and Accountancy, University of Malta. His interdisciplinary research spans consent, privacy, surveillance, risk management, emerging technologies, strategy, and management systems.

Over the years, Dr Bonnici West has accumulated extensive professional experience in Information Security and Privacy Management. His work includes roles in the gaming industry, Public Key Infrastructure projects, IT compliance in the pharmaceutical sector, and consultancy and auditing within a Big Four environment. He served on the Maltese National Cyber Security Steering Committee and is currently a Council Member of the Malta Association of Risk Management.

Dr Bonnici West holds a Ph.D. and MSc in Information Security from Royal Holloway, University of London, and a BSc (Hons) in Computing and Information Systems from Goldsmiths College, University of London.

Dr Bonnici West was appointed to the Board in May 2024.

Dr Diane Bugeja
Director
*A CAFC R NED **

Dr Diane Bugeja currently chairs the Compliance and Anti-Financial Crime Committee and is a member of the Audit Committee and Risk Committee.

Dr Bugeja is a lawyer by profession, practising primarily in financial services law, financial regulation and anti-financial crime compliance. She is currently a Senior Associate at Camilleri Preziosi Advocates. Prior to joining Camilleri Preziosi, Dr Bugeja held the post of Senior Manager at a Big Four accounting firm, working in Malta and in London. She subsequently joined the enforcement departments of the UK Financial Conduct Authority and the Malta Financial Services Authority.

Dr Bugeja holds a Ph.D in law from King's College London and an M.Sc from the London School of Economics and Political Science.

Dr Bugeja was appointed to the Board in December 2019.

Anatoli Grech
Director
ED

Mr Grech holds the position of Group Chief Compliance Officer and is an Executive Director on Board of Bank of Valletta plc.

He is a member of the Executive Committee, the Internal Control and Risk Management Committee, Asset and Liability Committee and chairs the Product Governance and Pricing Committee. Anatoli is a Director on the Board of BOV Asset Management Limited, Chair of its Risk and Regulatory Committee and Chair of the Risk and Regulatory Committee of BOV Fund Services.

Anatoli is also a member of the Risk and Regulatory Committee of Mapfre Msv Life p.l.c. He is also an alternate member of the board of the European Savings and Retail Banking Group and a member of the Markets Regulation Committee.

Anatoli holds an MSc from Aberdeen Business School and an MBA from the University of Malta.

Mr Grech was appointed to the Board in August 2023.

Anita Mangion
Director
*NED **

Ms Anita Mangion is a Non-Executive Director (NED) and BOV's INED Innovation & Customer Experience Liaison. She also holds Non-Executive Director positions on the boards of Vilhena SICAV plc, the Joseph Calleja Foundation, and the BOV Foundation.

Ms Mangion is a Board Director and Strategic Advisor with over 20 years of experience across various sectors. She has over 12 years of NED experience, with a strong focus on governance, innovation, and digital transformation. Throughout her career, Ms Mangion has partnered with global technology leaders, boards, C-suite executives, and transformation teams to strengthen innovation capability, drive cultural adoption, and embed customer centricity across regulated environments.

During her tenure at BOV, she has chaired key technology and innovation working groups, and contributed across several Board committees, including Audit, Remuneration, Compliance and Anti-Financial Crime, Technology and Digital Strategy, and ESG. In 2025, Ms Mangion was appointed INED Innovation & CX Liaison by the Bank's Board of Directors, acting as the Board's link to Executive leadership on customer-centric transformation.

Ms Mangion holds an Executive MBA (eBusiness) from the University of Malta and has undertaken studies in innovative technology and entrepreneurship at the University of Oxford (UK) and Indiana University (USA). She also holds a B.Com Management (Hons) and a B.Sc. in Business and Computing. In addition, she holds professional qualifications in IT service management and coaching.

Ms Mangion was appointed to the Board in December 2016.

Hadrian Sammut
Director
*A R TDS NED **

Mr Hadrian Sammut currently chairs the Technology and Digital Strategy Committee and is additionally a member of the Bank's Audit Committee, as well as the Risk Committee. He has broad experience in strategic implementation and holistic management of digital and operational information systems.

Over the past 40 years, Mr Sammut has had an extensive career in the field of Information Technology (IT), having been heavily involved in the implementation of several large-scale projects in both the public and private sector.

Mr Sammut started his career at the Central Bank of Malta and was involved in the implementation of the first banking and financial information system within this institution. He then joined the Malta Stock Exchange, developing the initial back-office trading system and instituting Malta's first digital Central Securities Depository (CSD).

Subsequently, he assumed responsibility for the strategic planning and programme management endeavours related to the implementation of the Malta Government's first Departmental Accounting System (DAS). As an Associate Director with a leading 'Big Four' audit firm, Mr Sammut also provided information system and project advisory services to various local and foreign clients.

In his career, Mr Sammut has also been responsible for multiple engagements related to solution implementation, digitalisation initiatives, technology governance, performance, and compliance across various regulated business sectors, both locally and abroad.

As a keen bibliophile, Mr Sammut also acts as a visiting lecturer within the Faculty of Media & Knowledge Sciences (MAKS) of the University of Malta, teaching the principles of analysis, design, implementation, and management of library information systems as well as information organisation and collection management.

Mr Sammut holds an MBA degree in E-commerce from the University of Malta and a BSc (Hons.) degree in computing from the University of Greenwich, UK.

Mr Sammut was appointed to the Board in June 2024.

Deborah Schembri

Director

*A CAFC NED **

Ms Deborah Schembri currently chairs the Audit Committee and is a member of the Compliance and Anti-Financial Crime Committee. She also served as a member of the Bank's Risk Committee. Ms. Schembri serves as a Director on the Board of Mapfre Msv Life p.l.c. (MMSV) and is a member of the MMSV Audit Committee.

She is a Certified Public Accountant, holding a Master's degree in Business Administration from Henley Management College (UK) and an Advanced Diploma in Retirement Provision pursued with the UK Pensions Management Institute.

Ms. Schembri possesses successful experience in strategy formulation and implementation, corporate governance, business and product development, customer relationships and employee engagement.

She has over 20 years' experience in the financial services industry and other varied industries holding C-level positions. She used to work with one of the Big Four audit firms and also served for 10 years as the CEO and Managing Director of a financial services organisation.

Currently, Ms Schembri holds the role of Group CFO of a major local diversified group of companies operating locally and internationally. She chairs the Financial Services Committee within the Malta Chamber of Commerce and sits on a committee within the Institute of Financial Services Practitioners. She also served as the Chairperson of the Malta Association of Retirement Scheme Practitioners.

Ms Schembri was appointed to the Board in June 2022.

Dr Jonathan Spiteri

Director

*A ESG RC NED **

Dr Jonathan Spiteri currently chairs the ESG Committee besides being a member of the Remuneration Committee and Audit Committee.

Dr Spiteri is a Senior Lecturer within the Faculty of Economics, Management and Accountancy at the University of Malta. A PhD graduate in Economics from the University of Edinburgh, Dr. Spiteri's research interests include sustainability, public health, macroeconomics and behavioural science, and his research has been published in several leading peer-reviewed journals and books. He has also spearheaded the development of ESG teaching in Malta, both as part of existing university degrees as well as through the launch of a university-accredited course for industry professionals through the Institute of Financial Services (IFS).

Beyond academia, Dr Spiteri's consultancy experience spans more than 13 years, predominantly focusing on ESG issues and macroeconomic policy for both public and private sector entities alike, across various sectors including aerospace, textiles, hospitality and the automotive industry. He has been appointed as an expert by the European Economic and Social Committee in the drafting of several opinions covering topics like green bonds, sustainable growth and the Single Market and is currently the Deputy Chairperson of Malta's Climate Action Authority.

Dr Spiteri is a co-opted member of the European Chemicals Agency's Committee for Socio-Economic Analysis, primarily in the evaluation of applications for authorisation submitted by European businesses for the use of substances of very high concern (SVHC) as defined under the REACH regulation.

Dr Spiteri was appointed to the Board in May 2024.

Dr Robert Suban

Director

*CAFC ESG R NED **

Dr Robert Suban currently chairs the Risk Committee and is also a member of the ESG Committee and the Compliance and Anti-Financial Crime Committee. He is a full-time academic and Head of the Department of Banking, Finance and Investments at the University of Malta. He lectures at undergraduate and post-graduate level on subjects related to banking and finance.

He holds a Bachelor in Business Administration, a Masters Degree, and a Ph.D. in Accounting and Finance from the Alliance Manchester Business School. He has also completed the ACCA qualification.

Dr Suban regularly attends and presents his research at various internationally peer-reviewed academic conferences in banking and finance.

Dr Suban has considerable experience as a practitioner, having worked at the Central Bank of Malta, Jobsplus and a leading private travel organisation in Malta. Currently, he is a non-executive director of Malita Investments p.l.c.

Dr Suban was appointed to the Board in May 2023.

Prof Sue Vella

Director

*NC RC NED **

Prof Sue Vella is currently a member of the Nominations Committee and Remuneration Committee. Prof Vella brings over 20 years of senior leadership experience to the Board. A seasoned executive, she has held top management roles at the Employment and Training Corporation and Malta Enterprise.

She was a member of the EU's Treaty-based Employment Committee for 7 years and chaired its technical group and has served actively on the governance boards of various public and non-governmental organisations. Among these, Prof Vella served as a non-executive director of HSBC Bank Malta between 2016 and 2022. Prof Vella currently lectures in social policy at the University of Malta, covering (among others) policy analysis, strategy and planning, governance and management, and European social policy.

She conducts research in various social domains and currently coordinates the Malta team on the European Social Policy Analysis Network.

Her academic expertise and management experience span a broad range of areas relevant to a large financial institution, including corporate governance, strategic planning, risk oversight, customer satisfaction, and sustainability. Prof Vella holds a Ph.D. in social policy from the University of York, an M.Sc. in social policy and planning from the London School of Economics and undergraduate qualifications in psychology and applied social studies from the University of Malta.

Prof Vella was appointed to the Board in August 2025.

Dr Ruth Spiteri Longhurst

Group Company Secretary

Dr Ruth Spiteri Longhurst joined BOV in 2002 and was appointed Group Company Secretary in April 2016. During her employment within BOV she occupied the positions of Head Legal Advice and Executive Head Compliance Unit. Dr Spiteri Longhurst is also the Company Secretary of Mapfre Msv Life p.l.c., BOV Asset Management Limited and BOV Fund Services Limited.

Dr Spiteri Longhurst graduated with a Doctor of Law from the University of Malta in 2001 and obtained a Master of Arts in Financial Services in 2004.

A	Audit Committee
CAFC	Compliance and Anti Financial Crime Committee
NC	Nominations Committee
RC	Remuneration Committee
ESG	Environmental, Social, and Governance Committee
R	Risk Committee
TDS	Technology and Digital Strategy Committee
ED	Executive Director
NED	Non-Executive Director
*	Independent

Kenneth Farrugia
Chief Executive Officer
Executive Director

Ernest John Agius
Chief Operations Officer

Ryan Caruana
Group Chief Anti-Financial Crime Officer & MLRO

Anatoli Grech
Group Chief Compliance Officer

Simon Azzopardi
Chief Personal & Wealth Officer

Ray Debattista
Chief People & Culture Officer

Simon Grech
Chief Commercial Officer

Ivo Camilleri
Chief Strategy, Transformation & Data Officer

Elena Dourou
Group Chief Internal Auditor
(Observer on ExCo)

Danielle Grima
Chief Risk Officer

Kevin Cardona
Chief Financial Officer

Bjorn Ekstedt
Chief Information Officer

Theodoros Papadopoulos
Chief Customer Experience Officer

Anatoli Grech
Group Chief Compliance Officer

Mr Grech holds the position of Group Chief Compliance Officer and is an Executive Director on the Board of Bank of Valletta plc.

He is a member of the Executive Committee, the Internal Control and Risk Management Committee, Asset and Liability Committee and chairs the Product Governance and Pricing Committee. Anatoli is a Director on the Board of BOV Asset Management Limited, Chair of its Risk and Regulatory Committee and Chair of the Risk and Regulatory Committee of BOV Fund Services.

Anatoli is also a member of the Risk and Regulatory Committee of Mapfre Msv Life p.l.c. He is also an alternate member of the board of the European Savings and Retail Banking Group and a member of the Markets Regulation Committee.

Anatoli holds an MSc from Aberdeen Business School and an MBA from the University of Malta.

Ernest Agius
Chief Operations Officer

Ernest Agius was appointed BOV's Chief Operations Officer, in May 2016. He is responsible for the Bank's Administration Functions including Corporate Real Estate, Security and Health & Safety, Procurement, Architect Services and Property Projects, Investment, Custody Operations and FBR, Continuity, Outsourcing & ESG , Digital Scanning and Archiving, Centralised Operations including, Cash, Cheque, ATM, Reconciliations and Safe Deposit Lockers Management, SWIFT & SEPA Payments Processing and Reconciliations.

Ernest joined Bank of Valletta in 2015. With over 38 years of experience within the financial services working for local and global institutions leading major programmes across countries and regions. Ernest has held several senior executive positions within the Business, migrating Customers to digital channels and IT. He has vast experience in Banking Operations, Core Banking System Implementations, Strategic Outlook, Financial & Crime Compliance, and has led major global transformation projects involving complex Technology, Automation, Human Resources, and de-risking.

He has been a member of the Executive Committee since June 2016, a member of the Projects Evaluation Committee, the Internal Control & Risk Management Committee, the ESG Steerco and the Incident Management Team.

Simon Azzopardi
Chief Personal & Wealth Officer

Simon Azzopardi was appointed as Chief Personal and Wealth Officer on 2 August 2023. He is primarily responsible for the Branch Network, Investment Centres, Private Banking, Wealth Management and Digital Channels. Mr Azzopardi commenced his career with Bank of Valletta in 1987 and has held positions across multiple departments, including retail banking, corporate finance, strategic planning, and marketing. He possesses extensive experience in investment services. During his career at BOV, he has occupied various senior positions at Risk Management, International Corporate Centre, Chairperson's Office and the various subsidiaries. He was also responsible for setting up and running the Cairo representative office. Mr Azzopardi became a member of the Bank's Executive Committee in January 2021 when he was appointed as Chief Wealth Management Officer. He is currently a Director of the BOV Fund Services Board. He is also a member of various committees, which include the MMSV Investment Committee, the MMS Investment Committee and the BOV Funds Services Risk & Regulatory Committee.

Mr Azzopardi holds a Degree (B.Comm Hons) in Banking & Finance from the University of Malta, and an MSc in International Securities, Investment and Banking from the University of Reading. He is also an Associate of the Chartered Insurance Institute and a Fellow of the London Institute of Banking and Finance.

Theodoros Papadopoulos
Chief Customer Experience Officer

Theodoros Papadopoulos was appointed Chief Customer Experience Officer (CCXO) in 2024, becoming a member of the Bank's Executive Committee. Prior to this, he served as Chief Digital Officer (CDO) for three years, having joined Bank of Valletta in September 2021. In 2022, he was also entrusted with leading the bank's Transformation and Strategy efforts. He currently serves on various management committees, including PGPC and the Data Council.

With a strong track record in Customer Experience transformation, Theodoros has led large-scale initiatives that enhance customer journeys, drive engagement, and embed customer-centricity across organisations. He is highly skilled in Voice of the Customer, Design Thinking, and Customer Journey Mapping, ensuring that customer insights are at the core of strategic decision-making.

Beyond CX, Theodoros is a recognised leader in Change Management and Culture Inclusion, successfully fostering environments where employees are empowered to contribute to transformation efforts.

His expertise in digital strategy, innovation, and operational efficiency has enabled organisations to modernise and adapt in highly competitive markets.

Before joining Bank of Valletta, he was the Manager of Strategic Partnerships at Booking.com in the Netherlands in 2013. In 2016, he joined Eurobank EFG in Athens, Greece, as Director of User Experience, where he played a key role in expanding the bank's digital footprint.

Theodoros holds an MSc in Digital Communications and Media/Multimedia from Stockholm University, an MSc in International Business (Public Policy) from Södertörn University in Sweden, and a BA in Public Relations and Communication Policy. With experience working with Fortune 500 companies, he is known for driving impactful CX transformations, fostering innovation, and championing inclusive workplace cultures that support long-term business growth.

Ray Debattista

Chief People & Culture Officer

Ray Debattista was appointed Chief People and Culture Officer in October 2023, following his tenure as Acting Chief since August 2022. He began his journey with the Bank in 1984, undertaking a variety of roles across the retail network and corporate functions. Over two decades in Human Resources, Ray developed comprehensive expertise in areas such as recruitment, employee engagement, performance management, training, career development, talent management, and employee and industrial relations.

As a key member of the Bank's Executive Committee, Ray is responsible for formulating and implementing HR strategies that align with the Bank's overarching business objectives and strategic vision. He leads initiatives to position the Bank as an Employer of Choice by enhancing employee experiences and career development opportunities, while promoting programs that support employee well-being. Together with his team in People & Culture, Ray oversees succession planning, talent and change management, and maintains constructive relationships with key stakeholders, including employee representative groups.

Ray holds a Master of Business Administration from Henley Business School, a triple-accredited institution recognised for its excellence in management education.

Simon Grech

Chief Commercial Officer

Mr Grech has been employed within the local financial services industry since 1985, returning to Bank of Valletta in 2015 following a period of experiences outside the Bank.

During his years in the industry, he has served in various areas, primarily retail banking, corporate and business finance, risk management and financial crime compliance. Mr Grech has occupied various senior positions and leading roles in the aforementioned areas over the past two decades and has also held the position of president of the local Institute of Financial Services between 2012 and 2015.

Since October 2020, Simon has been heading the Bank's SME Finance area, supporting small and medium-sized enterprises with their banking and financing needs, through several specialised offices across Malta and Gozo and was appointed to the role of Chief Commercial Officer in July 2023.

Mr Grech holds a Masters in Business Administration from the University of Bangor (Wales) and a Bachelor of Science (Hons.) in Financial Services from the University of Manchester. He is also a Fellow of the London Institute of Banking and Finance as well as an accredited trainer for the same institute, following twenty-five years of lecturing experience both locally and internationally.

Danielle Grima

Chief Risk Officer

Ms Grima started her career at the Central Bank of Malta in 2003 as part of the Financial Stability Department, with responsibility for data aggregation and analysis of data received from credit and financial institutions. She joined Bank of Valletta in 2011 and occupied the role of Head of Enterprise Risk Management Unit, responsible for the oversight of a wide range of risks. She was also Head of the Supervisory Coordination Unit, responsible for establishing and maintaining a strong relationship with the JST and managing and coordinating Bank-wide projects and assignments.

Ms Grima holds a Degree in Bachelor of Commerce (Hons) in Banking and Finance from the University of Malta.

Ivo Camilleri
Chief Strategy, Transformation and Data Officer

Mr Ivo Camilleri is a seasoned professional with a career that spans more than three decades in the domains of banking, business and financial technology. He commenced his tenure with Bank of Valletta plc in 1987 and has been entrusted with senior leadership roles in strategically critical sectors for the past 25 years.

Mr Ivo Camilleri has an established record of spearheading transformative initiatives in the areas of strategy, product innovation, digital channel development, card and electronic payment businesses. Mr Camilleri has headed teams that have led to Bank of Valletta winning awards in the areas of Strategy, Digital Channels, Mobile Banking and Mobile Payments. He has also served the Bank in pivotal leadership capacities across various technical disciplines, including software application development, technical services, and data-related technologies.

Mr Camilleri holds a first-class honours degree in Information Technology from the University of Malta.

Kevin Cardona
Chief Financial Officer

Mr Kevin Cardona was appointed as the Bank's Chief Financial Officer on 1 March 2024.

He serves as Chair of the Asset and Liability Management Committee and is a Member of the Bank's Executive Committee and a number of management committees. Mr Cardona is a permanent attendee at the BOV's Board of Directors and Audit Committees, as well as the Mapfre Msv Life p.l.c. Audit Committee. In his capacity as CFO, Mr Cardona oversees a broad array of duties that are essential for the financial health and regulatory compliance of the institution. Among these responsibilities, he takes a central role in shaping the Bank's strategic financial plan, while actively engaging in financial reporting and control, tax, economics, budgeting, forecasting as well as capital and balance sheet optimisation. Additionally, Mr Cardona manages treasury and financial operations, including measurement, monitoring and mitigating key risks, including liquidity, solvency and interest rate risks.

Mr Cardona is a Certified Public Accountant with 25 years of experience working in the banking industry. Prior to being appointed as CFO, he had accumulated extensive experience in Risk Management and Commercial Banking, spanning more than 17 years. His primary focus areas encompassed credit portfolio management, corporate finance, data analytics, regulation, as well as financial and credit risk management.

Mr Cardona holds a Masters in Financial Management from Heriot-Watt University, with specialisation in Finance, Risk Management and Quantitative methods. He is recognised as a Fellow member of the Association of Chartered Certified Accountants (FCCA) as well as holding first degrees in Taxation and Accounting.

Bjorn Ekstedt
Chief Information Officer

Bjorn Ekstedt had a distinguished career in the Swedish Air Force and was the Armed Forces Chief Controller and Head of Strategic Management before he pursued his IT career in 2007.

Mr Ekstedt occupied various positions in major European companies where he served as Vice President of IT in roles such as Director of Enterprise Architecture, Director of IT Operations and Business Group CIO. He thereafter occupied Group CIO positions and formed part of the Executive Team in several large international corporations.

Before joining BOV, he was an Executive Advisor for large corporations and IT Suppliers in the Nordics.

Mr Ekstedt holds an MBA from Warwick Business School, UK and an MSc from Linköping Institute of Technology, Sweden.

Ryan Caruana

Group Chief Anti-Financial Crime Officer and MLRO

Ryan Caruana holds the position of Group Chief Anti-Financial Crime Officer and MLRO, in which, amongst others, drives strategic initiatives, enhances the organisation's resilience, and fosters partnerships for effective financial crime risk management. Since October 2025, Mr Caruana has been appointed as an Executive Committee member.

Mr Caruana is a seasoned professional with an extensive background in law enforcement, investigations, financial intelligence and financial crime risk assessments. He possesses a deep understanding of the financial crime landscapes and regulatory frameworks through his experiences and assignments both locally and on the international scene.

For the past years, Mr Caruana has been an MLRO and Head of financial crime compliance, ensuring compliance with anti-money laundering and counter-terrorism financing measures. He holds a Master's Degree (MSc) in Forensic Accounting from Portsmouth University, UK, a Master's Degree in Business Administration from Chester University UK, a graduate from the International Compliance Association (ICA) and a Certified Anti-Financial Crime Professional (CAFCP).

Elena Dourou

Group Chief Internal Auditor

Elena Dourou joined BOV on 1 October 2020 as Group Chief Internal Auditor.

She has vast experience in the financial sector and internal audit, and a successful international career. Among other major institutions, she has worked in Deloitte and National Bank of Greece in positions relevant to consulting, internal audit and internal controls and in ABN Amro Bank (Greece & Italy), Piraeus Bank (Greece), and Ferratum Bank (Malta) in Executive Internal Audit positions. Before joining BOV, she was working at the Hellenic Corporation of Assets and Participations, where she was responsible for monitoring the internal audit departments of its subsidiaries to ensure harmonisation of processes and application of Internal Audit Standards in 15 major Greek Public Sector organisations.

Elena is a member of the Board of the Institute of Internal Auditors in Malta, a Certified Internal Auditor, a Fellow Certified Chartered Accountant and a Certified Information Systems Auditor and holds an MBA from Oxford Brookes University.

Corporate Social Responsibility

INTRODUCTION

The year 2025 marked a period of consolidation and growth for Bank of Valletta's commitment to corporate social responsibility through the BOV Foundation. Building on the achievements of 2024, the Bank focused on scaling its impact, strengthening measurement frameworks, and deepening collaboration with communities and stakeholders. Guided by five strategic pillars—supporting vulnerable members of Maltese society, fostering quality education, protecting Maltese heritage, promoting ethical and responsible conduct, and advocating for the environment—the Foundation continued to serve as the cornerstone of our CSR strategy.

COMMUNITY ENGAGEMENT

The BOV Volunteering Initiative expanded across all business units, encouraging employees to dedicate time and skills to community projects. Over 650 employees contributed nearly 4,000 hours of volunteer work, benefiting 15 organisations and reinforcing our belief that collective action drives meaningful change.

The L-Istrina BOV Piggy Bank Campaign celebrated its 22nd year, continuing to unite the nation in support of the Malta Community Chest Fund. Our collaboration with Puttinu Cares will provide essential accommodation support for Maltese patients and their families in central London.

The BOV Volleyball Marathon in aid of Id-Dar tal-Providenza raised over €600,000 to support Malta's residential home for persons with disabilities. Numerous other NGOs also benefitted from sustained assistance to deliver critical services to vulnerable groups.

BOV Volunteering ACT MALTA

Soup Kitchen Volunteering

BOV Volleyball Marathon in aid of id-Dar tal-Providenza

L-Istrina BOV Piggy Bank Campaign


Honoring outstanding achievement at the Dean's List ceremony

EDUCATION INITIATIVES

Education remained a central focus in 2025. Together with the Richmond Foundation, we advanced mental health literacy in schools through workshops and digital learning modules. Financial literacy programmes targeted both youth and seniors, equipping them with skills for safe and inclusive banking in an increasingly digital world. Awards were presented to top students across various university faculties, promoting excellence in education.

HERITAGE PRESERVATION

Our dedication to Maltese heritage was evident through a series of restoration projects initiated or completed during the year. These included the dramatic apsidal painting The Triumph of the Immaculate Conception by Giuseppe Calì (1892), located at Sacro Cuor Parish in Sliema. The 17th-century carved walnut pulpit at St Catherine of Alexandria Parish Church in Żurrieq, Malta's second-oldest pulpit after that of St John's Co-Cathedral, was successfully restored. In addition, the 16th-century painting of the Immaculate Conception at Żebbuġ Parish Church in Gozo was returned to its former glory.


The Triumph of the Immaculate Conception by Giuseppe Calì


The 17th-century carved walnut pulpit at St Catherine of Alexandria Parish Church in Żurrieq


The 16th-century painting of the Immaculate Conception at Żebbuġ Parish Church in Gozo

These restorations form part of a wider programme to safeguard Malta's artistic and cultural legacy for future generations.

ARTS AND CULTURE

Following the successful BOV Foundation exhibition celebrating the Bank's 50th anniversary, the Foundation commissioned 'Moving with the Wind, Like Waves (MWWLW)', curated by Elyse Tonna, at the Inquisitor's Palace in Birgu. This contemporary art project featured nine artists and an engaging public programme, reaffirming BOV's commitment to cultural participation and artistic innovation. The Bank also supported opera productions in Malta and Gozo, enriching the local cultural landscape.

Moving with the Wind, Like Waves (MWWLW), curated by Elyse Tonna, at the Inquisitor's Palace in Birgu

BOV - MFA Member Associations Agreement

SPORTS DEVELOPMENT

Bank of Valletta continued to champion ethical and responsible behaviour in sport while deepening its partnerships and expanding youth engagement initiatives. In 2025, the Bank strengthened its collaboration with the Malta Football Association, including a new partnership with its Member Associations, extending support to grassroots and community-level football across Malta and Gozo.

The Bank also maintained its commitment to promoting healthy living through sport by supporting key national associations such as the Malta Basketball Association, the Aquatic Sports Association of Malta, and the Malta Bowling Association, among others. Through these partnerships, BOV funded grassroots programmes in basketball, water polo, bowling, and various other disciplines that integrate life skills, sportsmanship, and inclusivity into training environments.

As part of its long-term strategy, the Bank is shifting its primary focus toward initiatives that prioritise youth development. This includes the introduction of talent identification schemes, mentorship programmes, and educational workshops designed to equip young athletes with both sporting and personal development skills, ensuring the next generation is empowered to thrive, both on and off the field.

A collaboration with NGO Żibel introduced immersive VR experiences and interactive school workshops

ENVIRONMENTAL STEWARDSHIP

The second cycle of BOV Rebbiegħa funded impactful projects focused on habitat restoration, urban greening, and coastal clean-ups. A collaboration with NGO Żibel introduced immersive VR experiences and interactive school workshops to raise awareness about marine conservation and sustainability.

Additionally, the National Literacy Agency distributed the BOV-supported, interactive, dyslexia-friendly book Staġuni to all Grade 4 and 5 classes across 336 schools in Malta and Gozo. The book includes features ensuring accessibility for blind and neurodiverse students, with an online version available on the NLA website.

Furthermore, our partnership with BirdLife Malta through the 'Dinja Waħda' project engaged schools across Malta and Gozo, fostering a deeper connection between children and nature. Internally, the Bank advanced its green operations strategy by implementing energy efficiency upgrades, reducing paper consumption, and transitioning to a more sustainable fleet.

LOOKING AHEAD

In 2026, the Bank plans to enhance its impact measurement and share more insights on its contribution to the Maltese community. At the same time, BOV will continue strengthening its sustainability agenda by embedding ESG principles across its community initiatives, reaffirming its commitment to creating lasting value for people and the environment.

Directors' Report

for the year ended 31 December 2025

The Directors present their 52nd Annual Report, together with the audited financial statements of the Bank of Valletta Group (the Group) and the Bank for the Financial Year (FY) ended 31 December 2025.

Principal Activities

The Bank of Valletta Group comprises Bank of Valletta p.l.c. (the Bank) and two subsidiary companies namely BOV Asset Management Limited (BOV AM) and BOV Fund Services Limited (BOV FS). The Group also has two equity-accounted investee companies, Mapfre Middlesea p.l.c. and Mapfre Msv Life p.l.c. The Group's principal activities are set out below.

Pursuant to relevant articles found within the MFSA Banking Rule 07 on the Publication of the Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act the Group offers banking, financial and investment services and connected activities within the domestic Maltese market. The principal activities of the Bank comprise the following:

1. The receipt and acceptance of customers' monies for deposit in current, savings and term accounts which may be denominated in Euro and other major currencies,

2. The provision of loans and advances to a wide array of customers, and

3. The provision of investment services, covering a comprehensive suite of investment products and services that meet the customers' needs throughout their lifecycle, including stockbroking, advisory and discretionary portfolio management services.

The Group also provides a number of other services, including, bancassurance, corporate advisory, fund management, fund administration, and other services, such as 24-hour internet banking service, issuance of major credit cards, night safe facilities, automated teller machines, foreign exchange transactions, and outward and inward payment transfers.

The Parent Company

Bank of Valletta p.l.c. is licensed to carry out the business of banking and investment services in terms of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Investment Services Act, 1994 (Chapter 370, Laws of Malta). The Bank is enrolled under the Insurance Distribution Act (Chapter 487 of the Laws of Malta), as a Tied Insurance Intermediary for both Mapfre Middlesea p.l.c. and Mapfre Msv Life p.l.c.

The Bank offers the entire range of retail banking services as well as the sale of financial products such as units in collective investment schemes. The Bank also offers investment banking services, including underwriting and management of Initial Public Offerings (IPOs).

The Subsidiaries

BOV AM provides management services for collective investment schemes and portfolio management services for institutional clients. BOV AM is a fully owned subsidiary of the Bank and has three regulatory functions: Asset Management, Risk Management and Compliance.

BOV FS is also a fully owned subsidiary of the Bank and is recognised as a fund administrator and licensed as a Company Services Provider by the Malta Financial Services Authority. BOV FS provides a comprehensive suite of services to fund managers and fund promoters, as well as a full suite of fund administration, shareholder registry services, regulatory reporting and corporate services.

Equity-Accounted Investees

Mapfre Msv Life p.l.c. operates as a life assurance company licensed under the Insurance Business Act, 1998 (Chapter 403, Laws of Malta). Mapfre Middlesea p.l.c. is engaged in the business of insurance, including group life assurance, and is authorised by the Malta Financial Services Authority to carry on both long-term and general business under the Insurance Business Act, 1998 (Chapter 403, Laws of Malta).

Directors' Report

for the year ended 31 December 2025

The Bank's Strategic Plan

The Bank's strategic execution in FY2025 reaffirmed its vision to be a major catalyst to the local economy, to attract and retain customers and investors and to operate with innovation, compliance and security as fundamental values. Throughout 2025, the Board members maintained rigorous oversight of the Bank's strategic direction, operational performance, and risk management through active participation in the Board and its committees. Their scrutiny was exercised via regular reviews of project delivery health, financial performance, regulatory compliance and strategic alignment, ensuring that management actions remained consistent with the Bank's long-term objectives and stakeholder expectations.

The Board's committees, including the Audit Committee, Risk Committee, and Technology and Digital Strategy Committee, served as key forums for Non-Executive Directors to challenge management, monitor progress and seek assurances. These committees convened regularly throughout the year, reviewing critical dashboards, risk assessments, compliance reports, and project updates. Non-Executive Directors scrutinised the effectiveness of internal controls, the robustness of risk frameworks, and the adequacy of resource allocation, often requesting further clarifications and independent reviews before endorsing major initiatives.

Through these mechanisms, the Board provided robust assurance to shareholders and stakeholders that the Bank's governance, risk management, and strategic execution were subject to continuous, independent scrutiny. Their regular monitoring and challenge, supported by comprehensive committee work and policy oversight, ensured that the Bank remained resilient, compliant, and well-positioned to deliver sustainable value in a dynamic environment.

As part of the first step in laying the foundation for the next strategic cycle, the Board approved the Level 1 Strategy Formulation & Execution Oversight Policy, which formalised the governance structure for strategy development and execution oversight. This, together with other policies introduced during 2025, reinforces the Board's commitment to transparency, accountability, and regulatory alignment. As we step into 2026, Bank of Valletta will continue driving the third year of its 2024–2026 Strategy while laying the groundwork for the 2027–2029 strategic cycle that shall be defined by agility, innovation and sustainable and compliant growth, setting new benchmarks for excellence in Banking. As we embark on the next strategic cycle, the Board is advancing a governance framework that positions Innovation and Customer Experience (CX) as core drivers of sustainable value creation and operational excellence.

For more information on the Bank's Strategic Plan and 2025 achievements, please refer to the CEO's Commentary and supporting reports.

Principal Risks and Uncertainties pursuant to Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta)

The Directors are aware of the various risks faced by the Group as a result of its involvement in different business lines and operations. Various measures are in place to ensure that such risks and uncertainties are maintained at acceptable levels and are in line with the Group's risk appetite and strategy of sustainable, long-term growth and profitability. In line with Bank policy, the Risk Appetite Framework (RAF) was reviewed and approved by the Board of Directors in July 2025 with some additional enhancements approved in December 2025. The BOV RAF Policy was last revised in December 2025 to reflect emerging best practice and intra-year enhancement to the RAF review modus operandi. The RAF Dashboard was used to monitor and report on a monthly basis, the risk level on different material risk types during the year ended 31 December 2025, also triggering timely and decisive corrective action where risk levels surpassed defined thresholds. The RAF as tweaked in December 2025 will be used in the first seven months of financial year 2026. It is planned to conduct a fresh review of the RAF by July 2026 to be used as from the following month. The document lays out the responsibilities of various stakeholders, including the Board of Directors and Senior Management, and establishes various qualitative and quantitative parameters for acceptable risk-taking categorised by different risk types.

In line with the provisions of the Risk Appetite Statement and Framework, Senior Management is responsible for the day-to-day monitoring and control of risk-taking, subject to the ongoing oversight of the Board of Directors through the Risk Committee. The overall structure is aimed at ensuring a sound risk culture supported by a performance management system that discourages excessive risk taking.

The key risks faced by the Group include the following risks: credit, market, liquidity, operational, environmental, social, and governance. These, and other risks and uncertainties inherent in the business, require sound capital management to ensure adequacy against regulatory requirements and adverse events. With this in mind, the Group regularly sets out and reviews capital targets in line with actual and forecasted business levels and monitors performance against such targets on a regular basis. A more detailed explanation of key risks and capital management is included within the Pillar 3 Disclosures Report available on the Bank's website, as well as Note 39 to the Financial Statements.

Directors' Report

for the year ended 31 December 2025

The Directors also recognise the fact that the Group may be subject to reputation and litigation risk as a result of its actions and operations. Conscious of the serious repercussions such risks may have on the Group's and the various stakeholders' well-being, both the Board of Directors and Senior Management exercise zero tolerance to conduct risk and aim to instil the highest levels of ethical behaviour through various policies, procedures, and controls. In this regard, it should also be noted that all BOV Group officials are to be guided by, and required to adhere to, the Code of Conduct and Ethics which is an overarching document applicable to all policies, procedures, and guidance notes.

The Bank continues to closely monitor the evolving geopolitical landscape through its established macroeconomic dashboards and client-level intelligence processes, ensuring that emerging developments are promptly assessed across both the wider economic environment and the Bank's specific risk exposures. Recent internal reviews, including targeted assessments of customer portfolios and structured monitoring of external trade, labour market dynamics, and sectoral sensitivities, indicate that, at this stage, no material or heightened risks are being observed that would warrant adjustments to expected credit loss provisions or additional capital buffers. The Bank remains predominantly domestically focused, with limited direct exposure to the affected regions, and current analyses reaffirm that potential impacts on credit quality, liquidity, or capital remain contained.

As part of its ICAAP processes, the Bank also regularly performs comprehensive stress-testing exercises across multiple adverse macro-financial and geopolitical scenarios to assess the resilience of its capital and liquidity positions. These scenario analyses, including heightened geopolitical tension scenarios and combined stress tests, consistently confirm that the Bank is highly capitalised and maintains strong solvency ratios, with sufficient buffers to withstand severe but plausible shocks.

The Bank will continue to exercise enhanced vigilance and stands ready to take any additional risk-mitigating actions should conditions materially change.

Operational Overview

A review of the business of the Group for the year ended 31 December 2025 and an indication of future developments are provided in the Chairperson's Statement and the CEO's Commentary, which can be found in the front section of this Annual Report.

Dividends

The Board of Directors further resolved to recommend for the approval of the Annual General Meeting the payment of a final gross cash dividend of €0.1014 per share making for a final net cash dividend of €0.0659 per share which, if approved by the Annual General Meeting, would make for a total gross dividend for the year of €0.1870 per share (total net dividend per share €0.1215). This equates to a gross distribution of €65.1 million from H2 profits, amounting to €42.3 million on a net basis. Combined with the interim distribution, the total gross dividend payout amounts to €120.1 million (€78.0 million on a net basis).

In addition to the dividend referred to above, the Board of Directors has also approved a special gross cash dividend of €10.4 million (€6.8 million net), equivalent to €0.0162 per share gross (€0.0105 net). This special distribution reflects the portion of profitability generated during the financial year that exceeded the upper bound of the Bank's forward-looking Profit before tax guidance which amounted to €250 million. While the Board approved a special dividend for FY2025 in view of the year's particular performance dynamics, this should not be taken as an indication that such distributions will accompany every instance of results exceeding guidance. Future considerations will continue to reflect the broader principles of the Bank's Shareholder Distribution Policy and the overall conditions prevailing at the time.

Directors' Report
for the year ended 31 December 2025

Taken together, the ordinary and special distributions approved by the Board bring the total dividend declared for FY2025 to €130.5 million gross (€84.8 million net). This equates to an aggregate gross dividend per share of €0.2032 (€0.1320 net), comprising the previously announced dividend of €0.1870 per share gross (€0.1215 net) and the special dividend of €0.0162 per share gross (€0.0105 net).

These dividends are being recommended after taking into consideration the Bank's future capital requirements, underpinned by a fully articulated shareholders distribution policy which seeks to balance out dividends payout with future growth of the Bank's equity base. The total cash dividend is analysed as follows:

Total cash Dividend for FY2025	
Gross:	€ 130.5 million
Tax at source:	€ 45.7 million
Net:	€ 84.8 million

Moreover, FY2025 marked the activation of the Bank's authorised share buyback programme. During the year, the Bank repurchased 564,032 shares at an average price of €1.90, deploying €1.1 million from the €7.8 million reserve allocated to this initiative. This initiative contributed meaningfully to enhancing liquidity in the Bank's equity, with annual trading activity on the Malta Stock Exchange rising markedly throughout FY2025. Market data for 2025 and early 2026 shows significantly elevated turnover levels, with volumes frequently well above historical norms.

Board of Directors

The following Directors served on the Board during FY2025:

Gordon Cordina (Chairperson)
Anatoli Grech
Anita Mangion
Christian Bonnici West
Deborah Schembri
Diane Bugeja
Godfrey Swain (resigned 29 May 2025)
Hadrian Sammut
James Grech (resigned 29 May 2025)
Jonathan Spiteri
Kenneth Farrugia
Nicola Angeli
Robert Suban
Ingrid Azzopardi (appointed 28 July 2025)
Sue Vella (appointed 19 August 2025)

*Ingrid Azzopardi and Sue Vella were appointed Directors on the Bank of Valletta Board during the Annual General Meeting held on the 29 May 2025. Their appointment was subject to regulatory approval, which approval was received on the 28 July 2025 in the case of Ingrid Azzopardi and on the 19 August 2025 in the case of Sue Vella.

Directors' Report

for the year ended 31 December 2025

Directors' Responsibilities

The Directors are required by the Companies Act, 1995 (Chapter 386, Laws of Malta) to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU which give a true and fair view of the state of affairs of the Group and the Bank as at the end of the financial year and of the profit or loss of the Group and the Bank for the year then ended.

In preparing the financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Bank will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Bank, and which enable the Directors to ensure that the financial statements comply with the Banking Act, 1994 (Chapter 371, Laws of Malta), Companies Act, 1995 (Chapter 386, Laws of Malta) and with the requirements of Article 4 of the Regulation on the application of IFRS as adopted by the EU. This responsibility includes designing, implementing and maintaining such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Group and the Bank, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

After reviewing the Group's plans for the coming financial years, the Directors are satisfied that at the time of approving these financial statements, it is appropriate to continue adopting the going-concern basis in preparing these financial statements.

Auditors

The appointment of PwC as the Group's external auditors was approved by shareholders at the Annual General Meeting (AGM), who subsequently served as the external auditors for the BOV Group for the financial year ended 31 December 2025.

A resolution to re-appoint PwC as statutory auditors of the Bank will be proposed at the forthcoming AGM. PwC have expressed their willingness to remain in office.

Going concern – Capital Markets Rules 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 for the next three years which show that the Bank is in a position to continue operating as a going concern for the foreseeable future, which is at least, but is not limited to, twelve months from the end of the reporting period. These plans take into account risks arising in its ordinary course of business including complaints or legal proceedings by third parties, operational and compliance risks in relation to but not limited to compliance with legislation and regulations.

Information Pursuant to Capital Markets Rule 5.64

1. AUTHORISED SHARE CAPITAL

The Bank has an authorised share capital of €1,000 million divided into 1,000 million ordinary shares with a nominal value of €1.00 each.

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2. ISSUED SHARE CAPITAL

The issued shares of the Bank consist of one class of ordinary shares with equal voting rights attached. The Bank has an issued and fully paid-up share capital of €642,234,197 divided into 642,234,197 shares with a nominal value of €1.00 each.

3. SHAREHOLDING STRUCTURE

Clause 5.3 of the Bank's Memorandum of Association provides that, with the exception of existing large shareholders, presently the Government of Malta and Amalgamated Investments SICAV p.l.c, no person may at any time, whether directly or indirectly and in any manner whatsoever, acquire such number of shares in the Bank, as would in aggregate be in excess of 5% of the issued share capital of the Bank.

Clause 5.5 of the Bank's Memorandum of Association provides that the provisions of clause 5.3 shall not apply in cases where a large shareholder, being a bank, credit institution, financial institution, insurance company or licensed collective investment scheme or licensed retirement fund wishes to offer for sale, or otherwise dispose of, such number of shares in excess of five per cent (5%) of the issued share capital of the Bank; provided that only persons being themselves banks, credit institutions, financial institutions, insurance companies or licensed collective investment schemes or licensed retirement funds shall, subject to obtaining the necessary authorisations from the competent authorities in terms of law in Malta, be entitled to acquire (and hold) any of such shares on offer by a large shareholder as aforesaid, notwithstanding that such acquisition may cause the person so acquiring any of such shares to become a large shareholder.

During FY2025, UniCredit S.p.A divested of its shareholding in the Bank, thereby ceasing to be a qualifying and large shareholder of the Bank. The Directors confirm that as at 31 December 2025, shareholding in excess of 5% of the issued share capital of the Bank having voting rights was held directly by:

Government of Malta: 25.0%

Amalgamated Investments SICAV p.l.c.: 5.56%

As at 31 December 2025, Malta Government Investments Limited had a shareholding in the Bank of 0.48% and National Development and Social Fund (NDSF) had a shareholding in the Bank of 2.88%. Both entities are fully owned by the Government.

Any shareholder holding in excess of 50% of the issued share capital of the Bank or if no such shareholder exists, the shareholder holding the highest number of shares not being less than 25% of the issued share capital, may appoint the Chairperson. Qualifying Shareholders with 10% or more of the shares in issue are entitled to recommend one Director for every 10% holding.

4. APPOINTMENT OF DIRECTORS

The rules governing the appointment and replacement of the Bank's Directors are contained in Articles 24 to 31 of the Bank's Articles of Association. More details on the appointment process of Directors are found under the Corporate Governance Statement of Compliance, under Principle 3.

An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Memorandum and Articles of Association.

5. POWERS OF DIRECTORS

The Board of Directors has the power to transact all business of whatever nature, not expressly reserved by the Memorandum and Articles of Association of the Bank, to be exercised by the Bank in general meetings or by any provisions contained in any applicable laws.

The shareholders in the general meeting authorised the Board to exercise during the Prescribed Period all the powers of the Bank to issue and allot shares up to an aggregate nominal amount equal to the Prescribed Amount. The Prescribed Period refers to a term of five years approved during an Annual General Meeting held on 2 June 2022 and which term expires on 1 June 2027. This authority is renewable for further periods of five years each.

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6. DIRECTORS' SERVICE CONTRACTS

The Directors have service contracts with the Bank. More information on the Directors' service contracts can be found under the Remuneration Report.

7. COLLECTIVE AGREEMENTS

The relative Collective Agreements regulate the compensation payable to employees in case of resignation, redundancy or termination of employment for other reasons. More information relating to Collective Agreements is found further below under the section entitled Non-Financial Disclosures.

8. EMPLOYEE SHARE SCHEME

The Bank has a Variable Remuneration Share Plan, through which the Board of Directors is authorised to:

i. establish the Plan and to do all such acts and things as may be necessary or expedient to give effect to the Plan; and

ii. issue up to and including 14,596,232 shares from the authorised share capital of the Bank for the purpose of satisfying the obligations of the Bank that will ensue from the operation of the Plan, without first offering the same to shareholders in proportion to their then existing holdings.

During FY2025 no shares were issued from the authorised share capital of the Bank for the purpose of satisfying the obligations of the Bank pursuant to the Plan.

Information pursuant to Capital Markets Rules 5.64.7 and 5.64.10

It is hereby declared that as at 31 December 2025, information required under Capital Markets Rules 5.64.7 and 5.64.10 was not applicable to the Bank.

Information pursuant to Capital Markets Rule 5.70.1

There were no material contracts to which the Bank, or any one of its subsidiaries, was a party and in which anyone of the Bank's Directors was directly or indirectly interested.

Declaration pursuant to the following Investment Services Rules for Investment Services Providers:

- **Part BI: Rules applicable to Investment Services Licence Holders which qualify as MiFID firms (R1-2.2.3)**
- **Part BIV: Standard Licence Conditions applicable to Investment Services Licence Holders which qualify as Depositories (2.30)**

Pursuant to the captioned Malta Financial Services Authority (MFSA) Investment Services Rules, it is hereby declared that during the reporting period, there were no breaches of the MFSA Investment Services Rules, Standard License Conditions or other regulatory requirements which were subject to an administrative penalty or other regulatory sanction.

Whistleblowing

The Bank has in place a Whistleblowing Policy aimed to encourage reporting of improper practices and suspected wrongdoing in a controlled manner which safeguards the confidentiality of the whistleblower. The nature of the disclosures made through the Whistleblowing process are reported to the Audit Committee.

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Information pursuant to the Sixth Schedule of the Companies Act, 1995 (Chapter 386, Laws of Malta)

Branches, Agencies and Centres

The Bank has the following Branches, Agencies and Centres around Malta and Gozo:

- 15 Main Branches offering both deposit taking and lending services including home loans;
- 12 Satellite Branches offering both deposit taking and lending services excluding home loans;
- 2 Satellite Branches offering lending services and ancillary services;[1]
- 3 Agencies (Gozo) offering deposit services, limited lending services and ancillary services;
- 2 Financial Well-Being Centres;
- 1 Corporate Finance Centre;
- 5 Business Centres;
- 1 Wealth Management Centre; and
- 5 Investment Centres.

Research and Development

In light of the business sector in which it operates, the Bank does not consider research and development as a main area of activity.

Events occurring after the end of the accounting period

There were no events occurring after the end of the accounting period which warrant reporting in this Annual Report.

Related Party Transactions

No significant related party transactions occurred during FY2025. A more detailed explanation of Related Party Transactions is included in Note 37 to the Financial Statements.

Share buyback (non-cancellable programme)

During the 51st Annual General Meeting held on 29 May 2025, the Bank's shareholders approved a resolution empowering the Bank to buy back (but not to cancel) up to 3,060,000 of its own shares, or to retain them for re-sale or other distribution. The Bank will not be cancelling any of the shares acquired through this buyback programme. The Bank believes that there may be circumstances when it would be in the best interests of the Bank and its shareholders for the Bank to be in a position to be able to buy back some of its own shares, if the market conditions so warrant.

The Bank's intention is to continue working to increase shareholder value and enhance the benefits derived from their investment. The Bank's strategy is to achieve this intention through a mix of initiatives, including through a share buyback initiative aimed at enhancing the liquidity in trading BOV shares on the capital market.

The Bank commenced operations under the share buyback programme on the 18 August 2025. Since the commencement of the scheme till 31 December 2025, the Bank purchased a total of 564,032 shares, equal to around 0.0878% of its share capital, at an average weighted purchase price of €1.8989 per share, for a total amount of €1,071,057.

[1] The Msida Branch closed its doors on 10 November 2025.

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Non-Financial Disclosures

The following disclosures are made pursuant to Directive 2014/95/EU:

1. BUSINESS MODEL

Building on the first year of the current strategic cycle, 2025 was a landmark year, defined by bold strides and foundational innovations across the Bank's Strategy. The Bank continues to invest in technology, business process reengineering and, most importantly, the customer experience, as core pillars of its medium to longterm transformation strategy. It actively advances its ESG journey by setting ambitious emissionsreduction targets, aligning with evolving reporting standards, and playing a leading role in supporting local businesses in their transition to more sustainable practices.

The Bank remains firmly focused on adapting its business and operating model to changing market dynamics, driving innovation across products, services and processes, and fostering an organisationwide culture of service excellence. Through these initiatives, the Bank aims to strengthen stakeholder value, enhance customer centricity, improve operational efficiency and sustain strong performance over the years ahead.

Personal Banking: The Bank's Personal and Wealth Management business operates through a regional branch strategy, enabling tailored services while offering extended opening hours to meet modern customer needs. Ongoing investments include continued branch renovations (Mosta, Buġibba, Luqa), alongside a major upgrade of the ATM network, significantly enhancing reliability and capacity. The Bank continues to develop an Omni Channel model, currently in testing phase and planned for launch in 2026, further aligning digital and in-branch services. These initiatives have contributed to improved customer satisfaction ratings, reflecting the Bank's sustained focus on service quality and operational enhancements.

Commercial Banking: The Bank has consolidated all commercial operations at the Quad Central Business Hub, a move designed to enhance the experience of its commercial clients and support its vision for a modern, efficient, and personalised banking environment for local businesses. This relocation includes a fully dedicated business branch offering tailored solutions and streamlined services. In parallel, a corporate outreach team has been established to broaden market presence and further strengthen client relationships.

Human Capital: In 2025, the Bank strengthened its commitment to an inclusive, engaging, and high-performing workplace through a range of strategic initiatives that earned national recognition in the Best Company for Inclusion, while achieving second place for Organisational Wellbeing. A key milestone was the launch of EPIC, a flagship innovation programme designed to empower employees to collaborate, experiment, and drive meaningful change, embedding creativity and adaptability at the core of the Bank's culture. These efforts were complemented by enhanced employer branding campaigns targeting younger talent and continued focus on internal resource alignment, execution planning, and workforce readiness, ensuring that the Bank is well positioned to deliver its next strategic cycle.

ESG: In 2025, Bank of Valletta continued to strengthen its ESG strategy, reinforcing its contribution to Malta's sustainable economic transition. Key progress was achieved on the Bank's Climate Transition Plan, due for completion within the year, which will guide long-term alignment with EU decarbonisation targets through comprehensive emissions measurement, science-based targets, and climate scenario analysis. The Bank further reduced Scope 1 and Scope 2 emissions through energy efficiency initiatives, cleaner energy use, branch refurbishments, and digitalisation, while addressing Scope 3 commuting emissions via EV charging infrastructure and green parking. Climate and social considerations were increasingly embedded across lending, risk management, and strategic planning, supported by enhanced materiality assessments, advanced climate stress testing, and refined green financing objectives, all aligned with global standards and forthcoming CSRD requirements.

Looking ahead: The Bank remains committed to the disciplined execution of its transformation programme, strengthening digital resilience, enhancing operational efficiency, and supporting sustainable longterm value creation. These efforts are underpinned by robust governance, compliance, and prudent risk management, positioning the Bank to deliver enduring value for shareholders and stakeholders while reinforcing its leadership within the financial sector.

2. ENVIRONMENTALLY FRIENDLY MEASURES – ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) RISK MANAGEMENT AND DISCLOSURES

The Non-Financial Disclosure relating to Environmental Social Governance is found in ESG section on page 57.

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3. SOCIAL MATTERS

a. Trade Unions

The Trade Union element within the BOV Group is still strong with a substantial number of employees within the Bank being members of a trade union. The two main trade unions within the Bank are Malta Union of Bank Employees (MUBE) and General Workers Union (GWU). The GWU is currently the recognised union with which the Bank negotiates its Collective Agreement. The Bank's relationship with both unions is very good and is characterised by unilateral communication and healthy discussions. In fact, the Bank has not experienced industrial actions of any form in years.

b. Community Programme

The year 2025 marked a period of consolidation and growth for Bank of Valletta's commitment to corporate social responsibility through the BOV Foundation. Building on the achievements of 2024, the Bank focused on scaling its impact, strengthening measurement frameworks, and deepening collaboration with communities and stakeholders. Guided by five strategic pillars, supporting vulnerable members of Maltese society, fostering quality education, protecting Maltese heritage, promoting ethical and responsible conduct, and advocating for the environment, the Foundation continued to serve as the cornerstone of our CSR strategy.

Community Engagement
The BOV Volunteering Initiative expanded across all business units, encouraging employees to dedicate time and skills to community projects. Over 650 employees contributed nearly 4,000 hours of volunteer work, benefiting 15 organisations and reinforcing our belief that collective action drives meaningful change.

The L-Istrina BOV Piggy Bank Campaign celebrated its 22nd year, continuing to unite the nation in support of the Malta Community Chest Fund. Our collaboration with Puttinu Cares provided essential accommodation support for Maltese patients and their families in central London. The BOV Volleyball Marathon in aid of Id-Dar tal-Providenza raised over €600,000 to support Malta's residential home for persons with disabilities. Numerous other NGOs also benefitted from sustained assistance to deliver critical services to vulnerable groups.

Education Initiatives
Education remained a central focus in 2025. Together with the Richmond Foundation, the Bank advanced mental health literacy in schools through workshops and digital learning modules. Financial literacy programmes targeted both youth and seniors, equipping them with skills for safe and inclusive banking in an increasingly digital world. Awards were presented to top students across various university faculties, promoting excellence in education.

Heritage Preservation
The Bank's dedication to Maltese heritage was evident through a series of restoration projects initiated or completed during the year. These included the dramatic apsidal painting The Triumph of the Immaculate Conception by Giuseppe Calì (1892), located at Sacro Cuor Parish in Sliema. The 17th-century carved walnut pulpit at St Catherine of Alexandria Parish Church in Żurrieq, Malta's second-oldest pulpit after that of St John's Co-Cathedral was successfully restored as was the 16th-century painting of the Immaculate Conception at Żebbuġ Parish Church in Gozo.

These restorations form part of a wider programme to safeguard Malta's artistic and cultural legacy for future generations.

Arts and Culture
Following the successful BOV Foundation exhibition celebrating the Bank's 50th anniversary, the Foundation commissioned Moving with the Wind, Like Waves (MWWLW), curated by Elyse Tonna, at the Inquisitor's Palace in Birgu. This contemporary art project featured nine artists and an engaging public programme, reaffirming BOV's commitment to cultural participation and artistic innovation. The Bank also supported opera productions in Malta and Gozo, enriching the local cultural landscape.

Sports Development
Bank of Valletta continued to champion ethical and responsible behaviour in sports, while deepening its partnerships and youth engagement. In 2025, the Bank strengthened collaboration with the Malta Football Association (MFA) and its member associations, supporting grassroots programmes that integrate life skills, sportsmanship, and inclusivity into training.

Bank of Valletta continued to champion ethical and responsible behaviour in sports. Grassroots programmes across, basketball, water polo, and other disciplines integrated life skills and sportsmanship values into training. Through these partnerships, BOV contributed to initiatives aimed at youth development, including talent identification schemes, mentorship programmes, and educational workshops for young athletes.

Environmental Stewardship
The second cycle of BOV Rebbiegħa funded impactful projects focused on habitat restoration, urban greening, and coastal clean-ups. A collaboration with NGO Żibel introduced immersive VR experiences and interactive school workshops to raise awareness about marine conservation and sustainability.

Additionally, the National Literacy Agency distributed the BOV-supported, interactive, dyslexia-friendly book Staġuni to all Grade 4 and 5 classes across 336 schools in Malta and Gozo. The book includes features ensuring accessibility for blind and neurodiverse students, with an online version available on the NLA website.

Moreover, the Bank's partnership with BirdLife Malta through the 'Dinja Waħda' project engaged schools across Malta and Gozo, fostering a deeper connection between children and nature. Internally, the Bank advanced its green operations strategy by implementing energy efficiency upgrades, reducing paper consumption, and transitioning to a more sustainable fleet.

Looking Ahead
In 2026, the Bank plans to enhance its impact measurement and share more insights on its contribution to the Maltese community. At the same time, BOV will continue strengthening its sustainability agenda by embedding ESG principles across its community initiatives, reaffirming its commitment to creating lasting value for people and the environment.

c. Relationship Management

Central to the Bank's strategy as the leading financial institution in the country is a firm dedication to exceptional customer service. The Bank aims not just to remain the preferred choice, but also to consistently surpass each customer's expectations. By focusing on understanding and meeting the varied needs of clients from every sector, the Bank offers customised solutions, particularly suited to medium and high-end personal and business customers.

Building on a robust infrastructure developed over previous years, the Bank is also dedicated to delivering a customer experience that evolves alongside our clients' expectations. This means investing significantly in digital platforms, financial advisory services, and innovative lending instruments, all designed to make banking more accessible, responsive, and personalized.

Our strategy is guided by strong ESG principles, reflecting our responsibility to support both our customers and society in achieving a more sustainable future. We have observed a clear shift in customer preferences toward mobile and internet banking, and we are responding by enhancing our digital offerings while maintaining the largest bank-operated ATM and branch network on the island.

In 2025, we introduced a new operational model for our branches, organizing them into regional clusters to provide even more convenient and flexible service. This will allow us to intensify our customer focus through comprehensive segmentation driven by demographic shifts that are constantly evolving. We aim to deliver an environment that empowers our teams to support clients at every stage of their financial journey, reaffirming our promise to put customer needs at the centre of everything we do.

4. EMPLOYEE MATTERS

As at end of December 2025, the total employee headcount stood at 2641*. The organisation has experienced modest growth (3.41%) in its workforce compared to the previous year, coupled with a decreasing 6.74%** turnover rate.

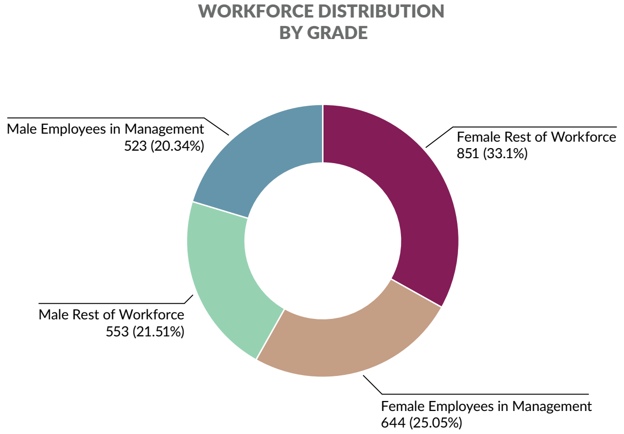
The gender distribution of the organisation stands at a stable 58.73% / 41.27% = 1.42 female-male ratio. Additionally, there is a fifty-five percent (55.18%) female representation within the management level (Category 4 and above).

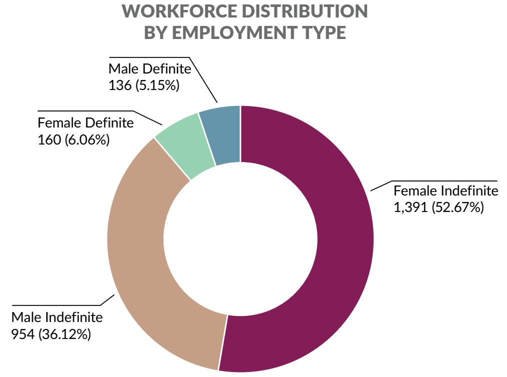
In terms of the demographic structure, 5.41% of employees hail from 46 different foreign countries.

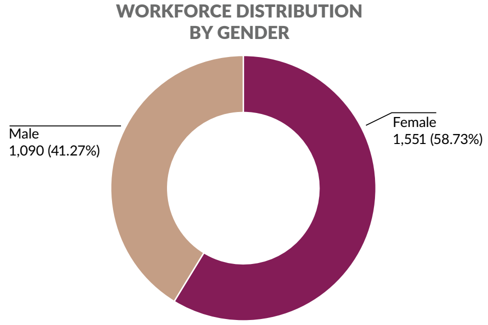
* Of which 143 are students.
** This calculation excludes natural reasons.
** Value would be 5.21% without students.

Number of Head Count				
Employment Type	**Definite**		**Indefinite**	
By role	*Female*	*Male*	*Female*	*Male*
Employees in Management	8	11	636	512
Employees on Special Leave	3	0	53	14
Rest of Workforce	149	125	702	428
By nationality	*Female*	*Male*	*Female*	*Male*
Foreign	13	22	40	68
Maltese	147	114	1351	886

Staff Complement Breakdown







The Bank uses various tools for screening new employees as part of its due diligence process, including the sighting of Police Conduct, Safe Watch and Credit Info screening, reference letters and others, whilst remaining within the ambit of the General Data Protection Regulation (GDPR) requirements. The due diligence process with respect to recruitment and resourcing is laid down in the Bank's Recruitment Policy.

During the course of employment, employees are also expected to abide by other policies and guidelines, primarily the Code of Conduct and Ethics, the Conflict-of-Interest Policy, as well as other role-specific policies to ensure that staff members abide with regulatory requirements. Compliance is ensured through regular internal and external audits and audit trails. Non-compliance and breaches of the above, as well as other policies, may lead to sanctions as contemplated in the Discipline section of the Collective Agreement.

The ratio of the average basic remuneration, by gender is €42,913.92 for the male workforce and €38,223.51 for the female workforce. The ratio of the average basic remuneration by gender was worked out as a sum of female (or male) salary per capita/ sum of all salaries per capita.

The Bank is covered by a Collective Agreement which binds the relationship between the organisation and its employees.
The percentage of employees under this collective agreement is eighty-nine percent (89.4%) and includes all employees from Category 1 up to Category 4 and support employees, less those working on part-time basis and definite contract. The Collective Agreement includes several Family Friendly measures ensuring employee matters are taken care of, including but not limited to Reduced Hours Work Arrangements, Adoption/Fostering Leave, Bereavement Leave, Community Work Leave, Health Insurance, Employee Welfare, Employee Wellness Allowance and Childcare & Summer School Subsidies.

BOV offers also its own Voluntary Occupation Pension Scheme (VOPS). All full-time employees are eligible to participate in this scheme, which provides for direct contributions by the Bank into the employee's personal pension pot. Under this workplace pension (Pillar 2), the Bank is effectively committed to match every employee's contribution up to a maximum of €2,400 per calendar year. This commitment is guaranteed until 2030. As at December 2025, the number of full-time employees who participated in the scheme was 1,224.

Several other initiatives were continued from the previous years with the specific intent of supporting employees' well-being. These include incentives for employees who are members of a voluntary NGO and for those who carry out at least eighty percent (80%) of their work commute either walking, cycling, using public transport, electric vehicles, or carpooling. These benefits are consistent with the Bank's desire to support our colleagues, the community, and the environment as part of its wider ESG commitment. The Bank has a number of initiatives both in place and in the pipeline for FY2026 with the specific intent of supporting employees' wellbeing and engagement.

These include the annual employee engagement surveys that help identify areas of disengagement and provide engagement best practice tips and assistance to management where required. It also provides information the Bank uses to address areas for improvement such as career progression. During FY2025 the Bank continued with the implementation of a holistic Corporate Wellness Programme which incorporates all the benefits the Bank currently offers as well as other further benefits such as hybrid working arrangements, the choice to disconnect and access to a fully confidential, free, holistic well-being mobile application, called Support Room, amongst other benefits. The following table depicts the number of employees entitled to parental leave, the number of employees who have taken up the family friendly measure, the latter also being compared to the total labour hours. Parental leave taken is 1.63% of total labour hours.

	Male	Female	Total
Total Parental Leave Hours	1,843	84,285	86,128
Total Labour Hours	2,268,760	3,014,700	5,283,460
	0.08%	2.79%	1.63%

The Bank also has in place several policies ensuring respect for human rights, and is currently drafting a new Human Rights Policy, whilst having already in place a Bullying Policy and a Sexual Harassment Policy. These will soon be merged into an Anti-Harassment Policy. BOV also has a Code of Conduct and Ethics, an Employee Grievance Policy and an Equality, Diversity and Inclusion Policy.

The Bank is committed to keep the re-certification of the Equality Mark by the National Commission for the Promotion of Equality (NCPE), a reward that was first received in 2011, and was last re-certified in 2023. The Equality Mark recognises the Bank's efforts to provide a healthy work environment that is free from any type of discrimination. It also acknowledges the Bank's responsibility to provide equal access to opportunities and career development based on employees' skills, irrespective of their gender and caring responsibilities.

The same commitment is made for the FHRD Quality Mark, an important certification recognising the organisation's HR Competence, Professionalism and effective processes. The HR Quality Mark gives Bank of Valletta both internal and external recognition, enhancing our employer brand which plays an important role in attracting talent.

Indeed, Bank of Valletta employs over the national quota for employing persons with different abilities. As at 30 September 2025, employees with different abilities represented 2.19% of our workforce, reinforcing our ongoing effort to create a workplace where everyone can contribute and thrive.

Moreover, the Bank has an Employee Assistance Programme that assists employees in resolving personal or work-related problems that may impact on their ability to carry out their work-duties. The Bank, in conjunction with the Richmond Foundation, also offers its staff members free Mental Health Care related services on a confidential basis. This benefit is complemented by an innovation in the well-being of space. In May 2024, the Bank launched Support Room, a mobile application which gives employees access to coaches and therapists on all aspects of well-being, ranging from mental to physical to financial well-being. The app is still accessible to all Bank employees and is fully paid-up by the Bank, totally confidential and can be accessed from anywhere at any time of the day.

Meanwhile, as part of its people strategy, the Bank gives significant importance to Human Rights matters in various ways, as follows:

Grievances

The Bank is highly committed in ensuring that all employees are given the opportunity to voice their personal and/or collective grievance without any fear, hesitation, or doubt that this will have a negative impact on their employment and career. To this effect, the Bank has a grievance policy in place to regulate and facilitate the process of addressing grievances. This involves the setting up of an independent board, which is well versed in the Bank's Collective Agreement. The Board listens to and evaluates grievances received, before taking a decision on the remedy to the case. During FY2025, the Bank registered five (5) claims under the Grievance Policy.

Ad Hoc Boards
In those instances where People & Culture is notified of any situation/s, either by employees or third parties, which might be adversely affected by one or more aspects of the Bank's daily operations, People & Culture may also appoint an ad-hoc independent board to investigate the matter and its veracity and propose a suitable action and way forward. There were no such instances in FY2025.

Discipline
The Bank requires all its employees to comply with its Code of Conduct and Ethics as well as with the proper standards of performance and behaviour. These are intended to maintain the highest level of integrity both inside and outside the Bank. In the case of breaches of these standards, the Bank takes the appropriate disciplinary action regulated by its Discipline Policy. During FY2025, there were thirty-four (34) cases that merited disciplinary action. These were all addressed in line with the Discipline Policy.

Bullying Policy
The Bank considers any unwelcome physical, verbal or non-verbal behaviour which denigrates, ridicules, or intimidates individuals, as unacceptable. Through this policy, the Bank wants to ensure that its employees are treated with respect and dignity, and that their rights are safeguarded at all times. Moreover, the objective of this policy is to raise organisation-wide awareness on the impact of bullying on fellow colleagues as well as the implications and consequences of such inappropriate behaviour. There were no reported cases of bullying in FY2025.

Sexual Harassment Policy
The Bank is committed to providing a professional work environment for every individual that comes into contact with the organisation. The Bank does not tolerate, condone or allow sexual harassment (verbal or physical) whether engaged in by fellow employees, management, associates and partners or by outside clients or other non-employees who conduct business with the Bank. The Policy also acknowledges that the victim of sexual harassment may experience emotional stress, physical stress and/or a negative change in job performance. Therefore, necessary support through the Staff and Organisation Support Programme would be made available. There were no reported cases of sexual harassment in FY2025.

Performance Management Process

The performance management framework of the Bank serves as the cornerstone of our Organisation's success. It is designed to align individual and team objectives with corporate and strategic objectives. This comprehensive process ensures that every employee's contribution is recognised and valued.

At its core, the process commences with clear objective setting through thorough collaboration and open communication. Objectives are established via a top-down approach, creating a roadmap that connects individual efforts to broader organisational targets. The performance management process fosters a culture of open communication between employees and management alike, through one-to-one meetings and continuous feedback. These feedback sessions ensure that employees stay on track, address areas for improvement and provide a space for continuous development.

Consistency and fairness are two (2) important elements in performance management which enhance employee engagement. The calibration exercise, which was carried out between December 2025 and January 2026, ascertains that this aim is reached. This is closely followed by end-of-year reviews which completion date is end March 2026. During this phase of the process, recognising employee performance takes centre-stage, as also outlined in the performance reward framework. Employees are rewarded for their output and behaviour, two (2) components which add up as the final rating.

Employees are also encouraged to complete a self-appraisal, an opportunity to evaluate their performance, identify their strengths and highlight their achievements vis-à-vis the objectives assigned to them at start-of-year.

All employees are assessed on their performance and behaviour. The Behavioural Framework consists of twelve (12) components, each aligned to one of the Bank's core values. Starting from the year under review, all ExCo members and employees occupying headship positions participate in a 360-degree feedback process, where their behaviour is assessed by their managers, peers and direct reports.

Percentage of Employees Eligible for the Performance Management Programme in 2025 organised by Category:

Category	Female	Male
Senior Management	15%	85%
5	41%	59%
4	60%	40%
3	64%	36%
2	60%	40%
1	61%	39%

The table above displays the percentage female-to-male ratios for employees that are eligible under the Group's performance management programme for FY2025. The information presents aggregates for both definite and indefinite employment contracts organised by category.

There was a total of 2435 employees who participated in the Achieve performance framework, this being equivalent to 92% of the total workforce.

Diversity, Equity, and Inclusion

Board Diversity

Bank of Valletta is committed to promoting diversity at Board level, including gender, professional and academic background and age. Diversity is a key consideration in the nomination and selection of Board members and aims to support effective decision-making and sound governance.

For the reporting period, the Board's gender diversity has been calculated as the average ratio of female to male Board members during the financial year.

	Female	Male
Number of directors	5	8
Female-to-male ratio	38.5%	61.5%

In addition to gender diversity, the Board considers a range of other diversity factors relevant to the Bank's long-term strategy and regulatory expectations. These include:

- Professional diversity: The Board includes members with experience in financial, banking, accounting and auditing, risk management, governance, compliance and anti-financial crime, Environmental, Social and Governance and information technology.
- Educational Background: Directors have a sound educational background with a qualification in any of the areas of banking, business administration, economics, risk management, accountancy and auditing, and law
- Age Diversity: Board members range from 39 to 63 years of age, supporting a balance of perspectives.
- Geographical provenance: During 2025, there were four (4) Board members who possessed meaningful international experience including professional work with international banking and financial groups.

The Nominations Committee annually reviews diversity objectives and monitors progress against the Board Diversity Policy.

Diversity, Equity and Inclusion Committee

The Diversity, Equity, and Inclusion (DEI) Committee features a core team that is working together to promote a healthy environment, ensuring that employees have equal opportunities regardless of age, race, cultural background, skills, beliefs and sexual orientation.

Its mission is to foster a diverse, equitable, and inclusive environment where every employee feels valued, respected, and empowered to thrive. The Bank is committed in creating a culture that embraces and celebrates the unique perspectives, backgrounds, and identities of our employees. Through collaborative efforts and proactive initiatives, the Bank strives to eliminate systemic barriers, promote equal opportunities, and cultivate a sense of belonging for all.

In a bid to take its mission forward, and ensure as broad a representation as possible, the Committee opened an internal call for anyone interested in serving on one of its sub-committees with the theme “Let’s work together toward a more Diverse and Inclusive Bank”. These are:

Racial and Ethnic Diversity	This team will focus on initiatives that promote equality, understanding, and respect for people of different races
Domestic Violence	Initiatives will focus on raising awareness and educating about domestic violence
LGBTQ+ Inclusion	Initiatives will focus on ensuring the inclusion of individual employees across all the gender spectrum
Age Inclusion	This team will address differences across age brackets, and show the value of individuals across different age groups, challenging ageism and promoting intergenerational collaboration
Disability and Neurodiversity Inclusion	Here, the team will be focusing on recognising people with different skill sets and abilities, ensuring there is a broader understanding of their challenges and that they are fully integrated into the BOV family

The sub-committees ensure that every employee is represented and engaged, and that initiatives are tailored to specific needs. They are governed by their terms of reference, which outline their structure, objectives, responsibilities, and reporting mechanisms to ensure effective functioning and alignment with the Bank’s commitment to diversity, equity, and inclusion.

The Racial and Ethnic Diversity Sub-Committee launched a spotlight on global traditions. Four times this year, they explored colleagues’ cultures and unique customs, showing what makes each tradition distinct. These stories help us connect and learn about different cultures.

This year, the Bank worked with the National Awareness Against Domestic Violence Campaign and, in November, started an initiative for frontline units to display a teddy bear in a prominent spot within each branch or unit. The teddy bear symbolizes support for victims of domestic violence.

The Bank’s LGBTIQ+ arm of the Diversity, Equity and Inclusion (DEI) team, along with many of our colleagues, actively participated in the Malta Pride March 2025. BOV’s participation is more than a calendar highlight, it’s part of our evolving commitment to diversity, equity, and inclusion.

In a vibrant display of commitment to diversity, inclusion, and community spirit, staff members from BOV took part in the 9th Edition “Run for Mental Wellbeing” event, hosted by Pembroke Athleta in collaboration with ACAMH (the Association for Child & Adolescent Mental Health).

Additionally, in November, a new workshop series was introduced to promote diversity and inclusivity within the Bank’s workplace. Leaders from across the organisation were encouraged to attend this influential training, designed to help participants understand what it truly means to lead inclusively. The sessions focused on recognising hidden biases, developing self-awareness, questioning the motivations behind decisions, and ensuring every team member feels a genuine sense of belonging.

On Saturday 15th November, we proudly stood in the national spotlight during the Premju Ħaddiem tas-Sena 2025, Malta’s most prestigious recognition of excellence in the workplace. The Awards celebrate organisations and individuals who go above and beyond in promoting fairness, wellbeing, equality, and the holistic development of people across the country. This year, BOV won the award for Best Company for Inclusion. This award recognises organisations deeply committed to diversity, equity, and inclusion those that embed fairness into their systems and create workplaces where everyone can belong, contribute, and thrive. Our submission demonstrated BOV’s comprehensive approach to DEI, driven by the Diversity, Equity & Inclusion Committee.

Bank of Valletta was also invited to participate in a prestigious academic webinar organised by CITY College for over 2000 students. Our colleagues shared valuable insights on the Bank's approach to Diversity, Equity, and Inclusion (DEI) emphasising the importance of equal opportunities, representation, and respect in the workplace.

As the Bank moves forward, it will continue to champion similar initiatives, recognising that the collective strength lies in the Bank's differences. At Bank of Valletta, we remain dedicated to fostering an inclusive environment where everyone can thrive.

5. ANTI-CORRUPTION AND BRIBERY MATTERS

Bank of Valletta p.l.c. maintains a zero-tolerance approach to bribery and corruption and is committed to the highest standards of ethical conduct. Oversight of anti-bribery and corruption ("ABC") risk is provided by a dedicated function within the Compliance Department, forming part of the Governance and Ethics framework.

The Group operates in line with ISO 37001 (Anti-Bribery Management Systems). All employees, members of the Board, and relevant third parties are required to comply with the Group's Anti-Bribery and Corruption Policy and Standards. These establish mandatory controls to prevent, detect, and manage bribery and corruption risks, including in relation to gifts and hospitality, recruitment, third-party relationships, sponsorships and donations, speaker events, charitable giving, joint ventures, and mergers and acquisitions. Supporting procedures, systems, and risk indicators are embedded across the Group, with issues escalated through established governance and committee reporting structures.

During 2025, targeted ABC training was delivered to employees exposed to higher inherent risk, including risk owners, Branch Managers, Risk Correspondents, recruitment personnel, and Corporate and Social Responsibility staff. ABC awareness was also incorporated into the Zero Tolerance Conduct Training for employees in leadership and performance-management roles, reinforcing expectations around integrity, ethical behaviour, and transparency.

The Bank remains committed to the ongoing implementation and maintenance of ISO 37001 across all Group activities.

6. IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS

In conducting its day-to-day business activities, the Bank is exposed to different risk types. The sound management and control of such risks is important to ensure that the relative probability of risk event materialisation is minimised to the greatest extent possible in the interest of institutional stakeholders.

Risk management and control is practised under the following configuration:

i. Top-level corporate governance
Board of Directors, various Board Committees such as the Risk Committee, the Compliance and Anti-Financial Crime Committee, and other management committees such as the Executive Committee and its sub-committees e.g. the Asset and Liability Management Committee and the Internal Control and Risk Management Committee.

ii. First line
With respect to revenue-generating business units, such have ingrained frontline risk management internal control measures, with dedicated risk correspondents appointed to facilitate the implementation of the operational risk policies and the embedment of the Bank's risk culture across the network.

iii. Second line
This comprises various second-tier risk control and oversight functions such as the Risk function's constituent departments i.e. Financial Risk Management, Risk Coordination and Quality, Information Security, Model Development, Environmental Social and Governance, Credit Risk Management, Operational Risk Management and Credit Underwriting Department. The second line is also comprised of the Compliance, Anti-Financial Crime, Financial Control, and other back-office support functions (example: quality control).

iv. Third line

Independent assurance and constructive challenge by Group Internal Audit. The main risk types are outlined hereunder:

a. Credit Risk:

The risk of loss arising from default or credit quality deterioration of a customer or other counterparty to whom the Bank has either directly provided credit or in respect of whom it has assumed a contractual obligation.

This risk is managed and controlled in various ways, such as through the regular review of credit policies aligned to the Bank's Risk Appetite Framework, credit scoring systems, an internal risk rating system supplemented by an Early Warning System to enable proactive monitoring, a forward-looking expected credit loss model for quantifying provisions compliant with the IFRS 9 accounting regime, stress testing relating to credit risk, and various other measures. Regular reporting on asset quality and credit risk is made to the Risk Committee and the Board of Directors. The Bank's underwriting processes include a dual voting mechanism for business credit facilities and retail facilities of significant magnitude, whilst facilities higher than a certain threshold are decided upon by the Credit Sanctioning Committee. The Bank has implemented stringent policies relating to forbearance and non-performing loans and has implemented a framework to incorporate ESG considerations into the underwriting and monitoring processes. The Bank has further revised its credit risk-related Key Risk Indicators (KRIs) in the Bank's Risk Appetite Framework (RAF), internal limits relating to single-name and sectoral concentration risk, and various other mitigants.

b. Operational Risk:

The Group defines operational risk, in line with the Basel framework, as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. It covers execution errors, fraud, legal, regulatory and conduct risk amongst its sub-categories. Operational Risk Management also encompasses operational resilience, ensuring that the Group can anticipate, withstand, respond to and recover from disruptions while maintaining the delivery of critical business services. This is achieved through a robust framework that integrates business continuity, third-party oversight, and resolution preparedness, ensuring the Bank's ability to continue operating its Critical Functions and Core Business Lines under severe yet plausible scenarios, including in the event of entry into resolution.

Operational risk spans across all departments, products and channels of the Group and encompasses the entire value chain, including outsourcing service providers. For this reason, all employees are responsible for managing and controlling the operational risks generated by their activities.

The Group's goal in terms of operational risk management is timely identification, assessment, and mitigation of material operational risks. This is achieved via the use of core risk management tools such as Risk and Control Self-Assessments (RCSAs) that are required to be undertaken by every functional area of the BOV Group as well as Risk Event management, which allows to record and analyse failures and losses and derive lessons learned.

The Group's overall operational risk appetite is low; and this aims to protect the BOV franchise, to support its strategic objectives, and ensure availability of services to support the local economy. Over the last year, the Group has continued to take concrete measures to strengthen the Operational Risk Management Framework, enhance the core set of policies and implement robust governance arrangements and senior committees that are tasked to oversee the operational risk portfolio of the Group. Every area of the BOV Group has a dedicated Risk Correspondent, an essential role to support the embedding of operational risk management across the whole organisation. The Group continues to invest in its technical and human resources to meet and comply with the increased regulatory expectations and to ensure that it has solid foundations to facilitate timely, accurate, and meaningful operational risk reporting which is required to monitor and take remedial action to address existing and emerging risks. A dedicated IT solution fully integrates the core elements of operational risk thus having one single repository containing an inventory of key risks and controls including the functionality of action management and risk event management.

c. Market Risk:

Market risk is the risk incurred as a result of exogenous market factors to the Bank such as interest rate, credit spreads, equity prices, and foreign exchange rates that affect the value of positions mainly in the Bank's investment portfolio. A robust and prudent Treasury Management Policy ensures that responsible and well-informed risk-taking is practiced by the Treasury function in line with the overall direction provided by ALCO and Risk Committee. Other important processes include the analysis of counterparty credit risk, credit valuation adjustment, and the development of a methodology to quantify credit spread risk and equity price risk on the part of the investment portfolio which is reported in the audited accounts at fair value (i.e. on a mark-to-market basis). The Bank has its own Interest Rate Risk in the Banking Book (IRRBB) model to quantify risk arising under different stressed scenarios as prescribed by applicable regulatory dicta and which is premised on two (2) approaches: the Economic Value of Equity approach and the Net Interest Earnings Based approach.

During the year under review, a similar approach was adopted on the Credit Spread Risk in the Banking Book (CSRBB), in line with the regulatory requirements, sensitive to the Bank's business model and market reality.

d. Liquidity Risk:

Liquidity risk is the risk that the Group would be unable to meet its obligations when they fall due or can only obtain them at an unreasonably high cost.

A range of liquidity risk metrics are used to monitor liquidity risk such as maturity ladder gap analysis and the regular updating of key metrics including: the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), the Loans-to-Deposit Ratio (L-t-D), the Maturity Transformation Metric (MaTM) and various others. Furthermore, over and above the Internal Liquidity Adequacy Assessment Process (ILAAP) which is thoroughly reviewed every year, the Bank conducts robust stress testing on liquidity in line with the stress testing programme which is reviewed and updated on an annual basis. Other important elements within the liquidity risk management toolkit include the Contingency Funding Plan which is regularly updated and tested by means of simulation exercise and a prudent Liquidity Risk Policy which is also updated annually. The Bank also tests its capability of raising funding and liquidity under resolution.

e. Solvency Risk:

The Group ensures that it is adequately capitalised to meet all regulatory requirements to achieve its strategic objectives in line with its regulatory obligations and risk appetite, and to be able to withstand unforeseen macroeconomic downturns, including the escalation of geopolitical uncertainties. The Group insists that capital should be managed in a transparent and consistent manner to ensure the most efficient outcome for shareholders, whilst at the same time be compliant with all relevant regulatory requirements and supervisory expectations.

As part of the Internal Capital Adequacy Assessment Process (ICAAP) the Bank monitors the capital position on a regular basis and updates its Capital Plan, including with financial budgets and forecasts, to ensure that there is enough capital not only to meet Pillar 1 risks such as credit, operational, and market, but also other Pillar 2 risks such as IRRBB, CSRBB, concentration risk, equity and operational risk.

Stress testing, which is performed on a quarterly basis, aims to ensure that the Bank's capital position is able to withstand severe macroeconomic downturns and/or other adverse events in terms of important capital related ratios, including the Common Equity Tier 1 Capital, total Capital Adequacy Ratio, MREL (Minimum Requirement for Own Funds and Eligible Liabilities) and Leverage Ratio.

f. Model Risk

The risk of adverse outcomes—including financial loss, misinformed decisions, or regulatory impact—arising from errors, limitations, or inappropriate use of models throughout their lifecycle, including design, development, implementation, data inputs, and ongoing validation.

Model risk is treated as follows at BOV:

Model Development Department (MDD) and the modelling team(s) within the Data Intelligence Hub – these internal entities are responsible for the endtoend in-house development, recalibration, enhancement, and maintenance of inscope models across their lifecycle. Their duties include data preparation and analysis, model design and redevelopment driven by business or regulatory needs, documentation, implementation support, performance monitoring, change management, and ensuring adherence to the Model Governance Framework. MDD also oversees externally developed models and responds to findings from oversight, audit, and supervisory bodies.

The Model Validation Unit (MVU) within the Risk Coordination and Quality Department independently validates all inscope models (internal and external), ensuring methodological soundness, data integrity, regulatory compliance, and fitness for purpose. It performs initial, periodic, and adhoc validations, provides constructive challenge, issues independent validation reports, develops validation standards, and tracks remediation of findings whilst maintaining full independence from model developers. MVU also oversees outsourced validation engagements ensuring that such adhere to the relative Bank policies and procedures and responds to validation-related findings from oversight, audit, and supervisory bodies.

g. Information Security Risk

Information security risk is the risk of loss, operational disruption, regulatory noncompliance, or reputational damage arising from the deliberate or accidental compromise of the confidentiality, integrity, or availability of the Group's information assets and information systems.

Information security risk is inherent across all business lines, support functions, products, and systems and constitutes a material component of the Group's overall operational risk profile. As the Group continues to expand its digital footprint, modernise core systems, and increase reliance on outsourced and thirdparty ICT services, exposure to information security and cyber risks originating outside the Group's direct control has increased. Such risks may impact the availability, integrity, and security of critical services and information assets and therefore have direct implications for operational resilience.

In line with the Three Lines Model applied across the Group, Information Security, under the responsibility of the Chief Information Security Officer, operates as a specialist function within the Second Line of Defence. Information Security provides independent oversight, challenge, and guidance to the First Line, whilst defining the information security framework, setting minimum control and assurance requirements, and monitoring compliance across both internal operations and thirdparty ICT arrangements.

Information security risk is managed within the boundaries defined by the Group's Risk Appetite Framework and operationalised through the ICT Risk Framework, which together articulate the level of technologyrelated, cyber, and thirdparty ICT risk the Group is willing to accept in pursuit of its strategic objectives.

h. Environmental, Social, and Governance (ESG) Risks

ESG risk is a fundamental aspect of corporate sustainability that BOV recognises as essential for its long-term success within the context of prudential requirements. While sustainability initiatives present significant growth opportunities, the Bank understands that poorly managed ESG risks can have detrimental effects on its performance, stakeholders, and society. These risks, encompassing the environmental, social, and governance dimensions, can directly impact profitability, liquidity, stability, and relationships with customers, employees, suppliers, and the broader environment.

Environmental risk, which encompasses climate and environmental risks, include, *inter alia* both physical (acute and chronic) and transition risks driven by climate change, regulatory shifts, and technological advancements, can disrupt operations and undermine financial stability. Social risks, particularly those related to Diversity, Equity, and Inclusion (DEI), pose a threat to the Bank's reputation and relationships with stakeholders if not properly monitored and addressed. Governance risks, stemming from weaknesses in corporate governance structures of clients, can also lead to financial instability and reputational damage. By proactively managing and mitigating these ESG risks, BOV ensures its long-term sustainability and resilience which positively impacts both its stakeholders and society at large.

i. Regulatory Compliance Risk

The risk of non-compliance with regulatory obligations as well as supervisory expectations which may result in administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's licensable activities. By ensuring that these rules are observed, the Group works to protect its customers, shareholders, counterparties, and employees.

This is conducted in alignment with the Group strategy as operating a business model based on prudence and sound governance, and to continue strengthening the corporate ethos based on integrity, fairness and transparency.

I. Financial Crime Compliance

The BOV Group is committed to fighting against financial crime and to set up and implement a programme to identify, understand and mitigate the financial crime risk. The financial crime risk encompasses:

a. money laundering and terrorist financing;
b. breaches of sanctions; and
c. bribery and corruption.

The Bank maintains a thorough anti-financial crime (AFC) risk assessment in order to identify, understand, manage and mitigate inherent AFC risks. Risk mitigations measures are designed and implemented to control adequately and effectively those inherent risks. Inherent and residual risks are managed in line with the Bank's risk appetite.

The Bank continues to invest heavily in a transformation programme and today is able to combat financial crime much more effectively and sustainably over the long-term.

BOV remains committed to implementing a robust financial crime compliance programme.

II. Regulatory Compliance

Complying with the regulatory obligations and internal codes is the responsibility of all Group employees who must demonstrate compliance and integrity in their daily tasks. The Bank operates a Three Lines governance model with the First Line responsible for identifying and managing risk as part of its accountability for achieving objectives.

The Second Line provides the necessary guidance, support, and training to enable compliance risks to be managed by the First Line.

The Third Line provides independent assurance.

Group Compliance is an independent risk control function headed by the Group Chief Compliance Officer (GCCO) and constitutes the second line of defence for compliance risk. Inter alia, the Group's Data Protection Officer reports to the GCCO. In turn, the GCCO reports to the Chief Executive Officer (CEO) and to the Compliance and Anti-Financial Crime Committee (CAFCC), which is a Board Committee.

The BOV Group's organisational structure also includes anti-financial crime as a distinct internal control function led by the Group Chief Anti-Financial Crime and Money Laundering Reporting Officer who reports to the CEO as well as directly to the Board of Directors.

j. Key Risk Indicators

The Group has in place a set of KRIs that are quantifiable measures which ensure that material risks are kept within defined thresholds as formalised in the RAF. A selection of key metrics is tabulated hereunder.

Risk Type	Metric	Reading as of 31.12.2025
Solvency	Common Equity Tier 1 Ratio	20.88%
	Capital Adequacy Ratio	29.32%
Liquidity	Liquidity Coverage Ratio	384.40%
	Net Stable Funding Ratio	196.45%
Profitability	Pretax Return on Average Equity	17.93%

Various non-financial KRIs enable the Directors also to evaluate the risk profile exhibited on other risks such as reputational, compliance, anti-financial crime, operational, ESG, and risk culture.

The KRIs are reported on a regular basis in the RAF Dashboard which includes threshold ranges set to facilitate comparison between progress achieved towards attainment of strategic objectives and the actual risk profile exhibited i.e.: 'Target', 'Tolerance', 'Limit', and 'Capacity'.

Other than as disclosed in Note 42 to the financial statements, there were no subsequent events which would have otherwise warranted an adjustment to or disclosure in these financial statements.

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 its subsidiaries included in the consolidation taken as a whole, and that this report includes a fair review of the performance of the business and the position of the Bank and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Bank's Board of Directors on 26 March 2026 by Gordon Cordina (Chairperson) and Kenneth Farrugia (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2025.

Corporate Governance Statement of Compliance

for the year ended 31 December 2025

A. Introduction

Pursuant to the Capital Markets Rules, Bank of Valletta p.l.c. (the Bank) as a company whose equity securities are listed on a regulated market, should endeavour to adopt the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules. In terms of Capital Markets Rule 5.94, the Bank is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Capital Markets Rules, the Bank is hereby reporting on the extent of its adoption of the Code.

The Board of Directors (the Board) is committed to the values of truth, transparency, honesty and integrity in all its actions. The Board strongly believes that the Bank benefits from having in place more transparent governance structures and from improved relations with the market which enhance market integrity and confidence. The Board acknowledges that the Code recommends principles for the Board and the Bank's management to pursue objectives that are in the interest of the Bank and its shareholders.

Good Corporate Governance is the responsibility of the Board, and in this regard the Board has adopted a corporate decision-making and supervisory structure that is tailored to suit the requirements of the Bank's constitutional documents as well as its size, nature and operational needs. In addition, while the structure provides flexibility and an efficient decentralisation of selective decision-making, it concurrently provides a system of checks and balances. The Board believes that any structure which is adopted must be geared to meet the necessary standards of accountability and probity and considers that the structure which it has adopted does so.

As demonstrated by the information set out in this Statement, together with the information contained in the Remuneration Report, the Bank believes that it has, save as indicated herein, in the section entitled Non-Compliance with the Code, throughout the accounting period under review, applied the principles and complied with the provisions of the Code. In the Non-compliance with the code section, the Board indicates and explains the instances where it has departed from, or where it has not applied the Code.

B. Compliance with the code

PRINCIPLE 1: THE BOARD

The Board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. The Board is composed of two Executive Directors and eleven Non-Executive Directors, including the Chairperson. This mix of Executive and Non-Executive Directors on the Board enables the Non-Executive Directors to exercise their monitoring function over the management and the executive arm of the Board at the level of the Board. Moreover, the fact that the Chief Executive Officer (CEO) is also an Executive Director on the Board, enables the Board to be in receipt of timely and appropriate information in relation to the business of the Bank and Management's performance. As a result, the Board can contribute effectively to the decision-making process, whilst at the same time exercising prudent and effective controls.

The Board delegates specific responsibilities to a number of Committees, notably the Audit Committee, the Risk Committee, the Compliance and Anti-Financial Crime Committee, the Nominations Committee, the Remuneration Committee, the Environmental, Social and Governance Committee and the Technology, Digital, Strategy Committee each of which operates under formal Terms of Reference approved by the Board.

Further details in relation to the Committees and the responsibilities of the Board are found under Principles 4 and 5 of this Statement.

PRINCIPLE 2: CHAIRPERSON AND CHIEF EXECUTIVE OFFICER (CEO)

The Bank's organisational structure incorporates the position of a CEO. The position of the Chairperson and that of the CEO are occupied by different individuals. Their respective positions have been defined with specific roles rendering these positions separate from one another. These specific roles are identified within the Board Terms of Reference and in their contract of engagement. This separation of roles of the Chairperson and the CEO avoids concentration of authority and power in one individual.

The Chairperson is responsible to lead the Board and to set its agenda. The Chairperson ensures that the Board's discussions on any issue put before it goes into adequate depth, that the opinions of all the Directors are taken into account and that all the Board's decisions are supported by adequate and timely information. The Chairperson ensures that the CEO develops a strategy which is agreed to by the Board.

On the other hand, the CEO, besides being an Executive Director, leads the Bank's Executive Committee, which is the highest executive decision-making body within the Bank.

More information on the Bank's Executive Committee can be found under the section entitled Executive Committee, within this Statement.

PRINCIPLE 3: COMPOSITION OF THE BOARD

The Board considers that during the year under review the size of the Board, whilst not being too large as to be unwieldy, was appropriate, taking into account the size of the Bank and its operations. The combined and varied knowledge, experience and skills of the Board members provided a balance of competencies that are required and add value to the proper functioning of the Board.

Independence of Directors
In Financial Year 2025, the Board had ten (10) Independent Non-Executive Directors until 29 May. After James Grech resigned at the Annual General Meeting and the Board was re-composed, it increased to eleven (11) Independent Non-Executive Directors.

During the year under review, the Board included two Executive Directors (as indicated on pages (xx) to (xxiv) of the Annual Report). In determining the independence or otherwise of its Directors, the Board has considered, amongst others, the notion of independence as contained in the Code, the Bank's own practice as well as general good practice principles.

Moreover, the Non-Executive Directors have to prepare a written annual declaration of their independence to the Board in line with Code Provision 3.4 declaring that they undertake:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that s/he finds that a decision of the Board may harm the company.

Appointment of Executive Directors
The appointment of Executive Directors is regulated by article 24 of the Bank's Articles of Association. In accordance with the said article, the CEO of the Bank shall ex officio become an Executive Director by virtue of his office and shall remain in office until the tenure of office as CEO.

The Non-Executive Directors shall appoint at least one (1) other Executive Director on the Board from amongst the Senior Management and may also appoint a third Executive Director if the Non-Executive Directors consider it in the best interest of the collective knowledge and competence of the Board to do so. Mr Anatoli Grech, the Group Chief Compliance Officer, has been appointed as the second Executive Director.

Appointment of Non-Executive Directors
Article 23.3 of the Bank's Articles of Association specifies that the Board of Directors shall consist of a maximum of three (3) Executive Directors and a maximum of nine (9) Non-Executive Directors. In the event of the co-option to the Board, pursuant to article 27A, of a maximum of two (2) additional Non-Executive Directors, the maximum number of Non-Executive Directors shall be eleven (11).

The appointment of the Non-Executive Directors is governed by articles 25 and 27A of the Bank's Articles of Association and appointments may be made as follows:

a. By Qualifying Shareholders – namely members holding at least 10% of the issued share capital of the Bank having voting rights, that are entitled to nominate, for the approval of the Nominations Committee, one person for each 10% voting shares held; or

b. By Non-Qualifying Shareholders not having a Qualifying Shareholding, but who individually or in aggregate hold not less than €50,000 in nominal of shares having voting rights in the Bank and who are entitled to make recommendations for the approval of the Nominations Committee; or

c. By the Nominations Committee itself seeking the recruitment of fit and proper persons having the right attributes that can add value to the Board of Directors; or

d. By the Non-Executive Directors pursuant to Article 27A of the Articles of Association as explained in further detail below.

Save for the provisions in paragraph (d) above, all Non-Executive Directors are appointed by the Bank's shareholders during the Annual General Meeting.

The list of candidates to the office of director, accompanied by exhaustive information on the expertise and professional qualifications of the candidates with an indication, where appropriate, of their eligibility to qualify as independent and competent in accounting and/or auditing, shall be deposited at the Bank's office of the Chairperson at the House of Four Winds, Triq l-Imtiehen, Valletta at least fourteen (14) days prior to the date fixed for the Annual General Meeting. Due to ongoing refurbishment at the Bank's registered office, this information cannot be deposited at the Bank's registered office at present.

Appointment of Additional Non-Executive Directors by Co-Option
Article 27A of the Bank's Articles of Association provides for the additional appointment of Non-Executive Directors by Co-Option.

The objective of this article is to address situations where, notwithstanding the efforts that may be made by the Nominations Committee to ensure that the Board of Directors of the Bank has the necessary mix of skills and experience, there could arise situations where those efforts could not yield the appropriate mix and combination of skills, or where the regulator could require certain skills which may not be present on the Board. In these situations, the Board would need to react in a relatively short time to ensure that the composition of the Board fulfils its ultimate aim. Accordingly, this Article empowers the Board of Directors (specifically, the Non-Executive Directors) to co-opt up to a maximum of additional two (2) Non-Executive Directors to sit on the Board of Directors of the Bank, only in those instances where the nine (9) Non-Executive Director positions were already filled, but the then current Board complement did not have the composition required by regulation or in the opinion of the Nominations Committee, the Board still did not have the appropriate mix of collective skills, knowledge and experience. Such co-opted Non-Executive Directors would be appointed for a three (3) year term with eligibility for re-appointment.

The two (2) Non-Executive Directors who were co-opted to the Board pursuant to Article 27A are Diane Bugeja and Hadrian Sammut.

Gender Representation on the Board of Directors
At the Annual General Meeting (AGM) held on 31 May 2024, one (1) director from the underrepresented gender and one male director chose not to be re-appointed. Two male directors were appointed in their place. Following these changes and the co-option of Mr. Hadrian Sammut, the Board now comprised thirteen (13) members: ten (10) male directors and three (3) directors from the underrepresented gender. All three directors from the underrepresented gender held non-executive roles. Eight (8) male directors were non-executive, and two (2) male directors were in executive positions. Consequently, the representation of the underrepresented gender dropped to 23%.

To address this and maintain compliance with Capital Markets Rule 13.9 and the Bank's Board Diversity Policy (the Policy), during the 2025 AGM the Bank appointed two (2) non-executive directors from the underrepresented gender to replace the two (2) non-executive directors who resigned from office during the 2025 AGM. The updated Board composition now stands at thirteen (13) members: eight (8) male directors and five (5) directors from the underrepresented gender. Hence, 38% of the Bank's Board of Directors is composed of members from the underrepresented gender. All five members of the underrepresented gender serve in non-executive roles. This adjustment restores the Board's minimum 33% representation for the underrepresented gender, in line with both regulatory and Policy requirements.

Corporate Governance Statement of Compliance

for the year ended 31 December 2025

Nominations Committee

All Directors, irrespective of the manner in which they are proposed, can only proceed to the next steps leading to their taking office, following the approval of their nomination by the Nominations Committee. In this context, the Nominations Committee is the organ that, after having scrutinised the list of candidates to ensure that the Board will have the appropriate collective knowledge, experience and competence, will then place the list of approved candidates for Board recommendation for election at the Annual General Meeting. When discussing new appointments to the Board, the Nominations Committee ensures that the skills, knowledge and experience which already exist in current Board members, as well as those needed on the Board, are evaluated. In the light of such an evaluation the Nominations Committee prepares a description of the role, skills, experience and knowledge needed from directors.

The Nominations Committee informs the Chairperson, and the other Non-Executive Directors, about the expected time commitment in their roles on the Board of Directors of the Bank, and that they undertake to dedicate sufficient time for Board and Board Committee meetings, preparation ahead of such meetings, as well as training (both induction and ongoing training). The other significant commitments, including time involvement of the Chairperson and the Non-Executive Directors, are disclosed to the Nominations Committee before their appointment. All Directors may not take additional directorships on boards of other entities without the prior approval of the Nominations Committee.

No member of the Nominations Committee is present while his nomination as a director of the Bank is discussed by the Nominations Committee.

More detail on this Committee can be found further below i.e. Principles 4 and 5.

Appointment Process of Directors

Article 23.6 provides that a director whose term of office expires shall be eligible for re-appointment, provided that no person shall be entitled to occupy the office of Non-Executive Director of the Company for more than three (3) consecutive terms, with each term being of a 3-year duration, for an aggregate period of more than 12 years in any period of 15 years. Each director eligible for re-appointment shall first be approved by the Nominations Committee in accordance with the terms of the Articles of Association of the Bank.

Changes in Board Composition

Pursuant to Article 25 of the Company's Articles of Association, a vacancy arose for three (3) Non-Executive Directors on the Board. In response, the Bank issued a formal call inviting nominations from suitably qualified individuals interested in serving as Non-Executive Directors. After a comprehensive and rigorous evaluation process, the Nominations Committee assessed all submissions against the requirements detailed in Article 25.4.1 of the Bank's Articles of Association and determined that three (3) candidates, namely Deborah Schembri, Ingrid Azzopardi, and Sue Vella, satisfactorily met the established criteria.

As the number of qualified nominations matched the number of vacancies, no election was required. Consequently, Deborah Schembri, Ingrid Azzopardi, and Sue Vella were automatically appointed as Non-Executive Directors during the 51st Annual General Meeting. It should be noted that the appointments of Ingrid Azzopardi and Sue Vella were contingent upon regulatory approval, with their appointments becoming effective from the date such regulatory approval was received i.e. 28 July 2025 and 19 August 2025.

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Number of Directorships held by members of the Board of Directors as at the end December 2025, including the appointment of the Board of Bank of Valletta p.l.c.:

Name of Director	Number of Directorships held: Executive Director (ED) & Non-Executive Director (NED)
Gordon Cordina (Chairperson)*	3 NED and 1 ED
Kenneth Farrugia**	4 NED and 1 ED
Anita Mangion*	2 NED
Diane Bugeja	1 NED
Deborah Schembri**	2 NED
Nicola Angeli	1 NED
Robert Suban	4 NED
Anatoli Grech**	1 NED, 1 Alternate NED*** and 1 ED
Jonathan Spiteri	1 NED
Christian Bonnici West	1 NED
Hadrian Sammut	1 NED
Ingrid Azzopardi	1 NED
Sue Vella	1 NED

* Gordon Cordina and Anita Mangion are not subject to the provisions of Article 91 of the CRD V (Capital Requirements Directive) and Article 14 (3) (a) of the Banking Act, 1994 (Chapter 371, Laws of Malta) as regards the number of directorships held by them in view of their appointment in a national representative capacity.

** Four (4) of the directorships held by Kenneth Farrugia, two (2) of the directorships held by Deborah Schembri and two (2) of the directorships held by Anatoli Grech refer to the directorships of companies in the same group, namely BOV p.l.c., BOV Asset Management Limited, BOV Fund Services Limited, Mapfre Msv Life p.l.c. (50% owned by Bank of Valletta p.l.c.), and Mapfre Middlesea p.l.c. Therefore, these directorships count as a single directorship pursuant to Article 14 2A (c) (i) of the Banking Act.

*** Kenneth Farrugia has been appointed a member of the Board of Directors of the European Savings and Retail Banking Group (ESBG), representing the Bank. Anatoli Grech serves as an Alternate Director on the ESBG Board of Directors, also representing the Bank.

PRINCIPLES 4 AND 5: THE RESPONSIBILITIES OF THE BOARD AND BOARD MEETINGS

The Board meets approximately once a month, unless further meetings are required for the Board to discharge its duties effectively. The Board discusses and decides upon matters relating to the Bank's business. During the financial year under review, the Board met twenty-three (23) times. These meetings included two (2) Strategy Board Meetings.

The Board defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the Bank, including the segregation of duties within the Bank, effective oversight over its Senior Management and the prevention of conflicts of interest.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policies, performance objectives which are benchmarked against industry norms and business alternatives. The strategy, processes and policies adopted for implementation are regularly reviewed by the Board so that corrective measures can be taken to address any deficiencies and ensure the future sustainability of the enterprise. The Board also monitors implementation and corporate performance, as well as the integrity of the Bank's accounting and financial reporting systems within the parameters of all relevant laws, regulations and codes of best business practice. The oversight and approval of the Bank's strategic objectives, risk strategy, and internal governance are also within its purview. Consequently, it monitors and periodically evaluates the effectiveness of the Bank's governance arrangements and takes appropriate steps to address any identified deficiencies. The Board has a formal schedule of matters reserved for its decision and also delegates specific responsibilities to Board Committees.

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The Board ensures that it has the appropriate policies and procedures in place which guarantee that the Bank and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards.

The Bank shall ensure that directors are at all times of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.

Notice of the dates of upcoming meetings, together with supporting material, are circulated well in advance to Directors to allow ample time to appropriately consider the information prior to the next Board meeting. Furthermore, advance notice is also provided of ad hoc meetings to allow sufficient time to re-arrange commitments.

After each Board meeting, minutes that faithfully record attendance, matters discussed and decisions taken, are prepared and circulated to all Directors as soon as practicable after the meeting.

Members of Senior Management attend Board meetings by invitation on a regular basis.

Directors' attendance for Board Meetings during financial year 2025 was as follows:

Directors' Name	Independent Directors/ Non-Independent Directors/ Executive Directors (ED)/ Non-Executive Directors (NED)	Number of Meetings held: 23 Meetings attended by Directors:	
Gordon Cordina (Chairperson)	Independent NED	23	
James Grech[1]	Non-Independent NED	0	
Anita Mangion	Independent NED	23	
Diane Bugeja	Independent NED	22	
Godfrey Swain[2]	Independent NED	8	(out of 9)
Kenneth Farrugia	ED	23	
Deborah Schembri	Independent NED	21	
Nicola Angeli	Independent NED	21	
Robert Suban	Independent NED	21	
Anatoli Grech	ED	23	
Christian Bonnici West	Independent NED	22	
Hadrian Sammut	Independent NED	23	
Jonathan Spiteri	Independent NED	23	
Ingrid Azzopardi[3]	Independent NED	13	(out of 14)
Sue Vella[4]	Independent NED	13	(out of 14)

[1] On the 28 November 2023, the Bank resolved to apply with immediate effect with respect to Director James Grech, the Policy, as approved by the Board during the 926 Board meeting held on the 11 October 2023 which provides that a Director who has ongoing legal proceedings against the Bank or any of the Bank's subsidiaries, while s/he is still in office, will immediately withdraw from participating in Board meetings whilst his/her case against the Bank is ongoing. As a result, James Grech did not attend any Board meetings in 2025. He subsequently resigned from Non-Independent NED during the AGM held on the 29 May 2025.

[2] Godfrey Swain resigned from his role as an Independent NED during the AGM held on the 29 May 2025.

[3] Ingrid Azzopardi was appointed to the Board during the Annual General Meeting held on the 29 May 2025. Regulatory approval was received on the 28 July 2025.

[4] Sue Vella was appointed to the Board during the Annual General Meeting held on the 29 May 2025. Regulatory approval was received on the 19 August 2025.

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Board Committees

The Board also delegates specific responsibilities to Committees, which operate under their respective formal Terms of Reference. In this respect, the Board has established the following Committees:

The Audit Committee

The Audit Committee's Terms of Reference include the monitoring of the financial reporting process, the effectiveness of the Bank's internal control, internal audit and risk management systems and the audit of the Bank's annual and consolidated accounts. The Audit Committee is also responsible for overseeing the establishment of accounting policies by the Bank. The primary purpose of the Audit Committee is to protect the interests of the Bank's shareholders and assist the Directors in conducting their role effectively so that the Bank's decision-making capability and the accuracy of its reporting and financial results are maintained at high level at all times. The Audit Committee has established internal procedures and monitors these on a regular basis. The Audit Committee also scrutinises and approves related party transactions in line with the Related Party Transaction Policy. The Audit Committee considers the materiality and the nature of the related party transactions carried out by the Bank to ensure that the arms' length principle is adhered to at all times.

The Audit Committee, in line with the Capital Markets Rules, is involved in and monitors the external audit processes, performs oversight on the internal audit function and facilitates communication between the two. As part of the monitoring of the external audit process, the Audit Committee endorses the overall selection process of the statutory auditors, which commences from Request for Proposal (RFP) which is issued by the Bank, leading to the interview of the audit firms who express an interest in the Bank's RFP. The Audit Committee is involved in the interview of the shortlisted audit firms and makes its recommendation for Board approval. In relation to the review and monitoring of non-audit services provided to the audited entity, the Bank maintains a comprehensive list of permissible non-audit services which the statutory auditors may undertake in accordance with applicable regulations. This list is subject to the approval of the Audit Committee. Any proposed non-audit services that fall outside the scope of this approved list shall require the prior approval of the Audit Committee before the engagement may proceed.

During 2025, the Committee conducted its annual self-assessment, confirming its effectiveness in adding significant value to the oversight function of the Board.

In terms of Capital Markets Rules 5.117, 5.118 and 5.118A, the Audit Committee is composed of the following three (3) Non-Executive Directors, all of whom are considered as independent of the Bank, since they are free from any business, family or other relationship with the Bank or its management that may create a conflict of interest such as to impair their judgement. The Non-Executive Director appointed on the Audit Committee, whom the Bank deems to be competent in accounting by virtue of her being a professional accountant, is Deborah Schembri. Ms Schembri chairs the Audit Committee.

1. Deborah Schembri is a Certified Public Accountant. She holds a Masters in Business Administration from Henley Management College (UK) and she holds an Advanced Diploma in Retirement Provision pursued with the UK Pensions Management Institute. She is appointed Chairperson of the Audit Committee by the Board and is the Director whom the Bank considers as competent in accounting. Ms. Schembri possesses successful experience in strategy formulation, corporate governance, business and product development, customer relationships and employee engagement. She has over twenty years' experience in the financial services and various other local industries. Currently, Ms Schembri holds the role of Group Chief Financial Officer of a major local diversified group of companies operating locally and internationally and also sits on committees within the Malta Chamber of Commerce and the Institute of Financial Services Practitioners. She had also worked with one of the Big Four audit firms.

2. Dr Diane Bugeja is a lawyer by profession, practising primarily in financial services law, financial regulation and anti-financial crime compliance. She is currently a Senior Associate at Camilleri Preziosi Advocates. Prior to joining Camilleri Preziosi, Dr Bugeja held the post of Senior Manager at a Big Four accounting firm, working in Malta and in London. She subsequently joined the enforcement departments of the UK Financial Conduct Authority and the Malta Financial Services Authority.

   Dr Bugeja holds a Ph.D in law from King's College London and an M.Sc from the London School of Economics and Political Science.

3. Mr Hadrian Sammut has extensive experience in strategic implementation and holistic management of information systems. Over the past thirty-five years, Mr Sammut has been heavily involved in several large-scale projects in the public and private sector.

   Mr Sammut has had an extensive career in the field of Information Technology (IT). He started his career at the Central Bank of Malta, implementing the preliminary banking and financial information system within this institution. He then joined the Malta Stock Exchange, developing their initial back-office trading application and establishing Malta's first Central Securities Depository.

Subsequently, he assumed responsibility for the strategic planning and programme management endeavours related to the implementation of the Malta Government's initial Departmental Accounting System. As an Associate Director with a leading Big Four audit firm, Mr Sammut also provided information system advisory services to various local and foreign clients.

Over the last two decades, Mr Sammut has also been responsible for multiple engagements related to IT implementation, governance, performance and compliance across various regulated business sectors, both locally and abroad.

Mr Sammut holds an MBA degree in E-commerce from the University of Malta and a BSc (Hons.) degree in computing from the University of Greenwich, UK.

4. Dr Jonathan Spiteri is a Senior Lecturer within the Faculty of Economics, Management and Accountancy at the University of Malta. A PhD graduate in Economics from the University of Edinburgh, Dr. Spiteri's research interests include sustainability, public health, macroeconomics and behavioural science, and his research has been published in several leading peer-reviewed journals and books. He has also spearheaded the development of ESG teaching in Malta, both as part of existing university degrees as well as through the launch of a university-accredited course for industry professionals through the Institute of Financial Services (IFS).

   Beyond academia, Dr. Spiteri's consultancy experience spans more than 13 years, predominantly focusing on ESG issues and macroeconomic policy for both public and private sector entities alike, across various sectors including aerospace, textiles, hospitality and the automotive industry. He has been appointed as an expert by the European Economic and Social Committee in the drafting of several opinions covering topics like green bonds, sustainable growth and the Single Market, and is currently the Deputy Chairperson of Malta's Climate Action Authority.

   Dr. Spiteri is a co-opted member of the European Chemicals Agency's Committee for Socio-Economic Analysis, primarily in the evaluation of applications for authorisation submitted by European businesses for the use of substances of very high concern (SVHC) as defined under the REACH regulation.

More detail on the brief resumes of the Audit Committee Members is found on pages (xx) to (xxiv) of the Annual Report.

In view of the diverse skills and professional experience of each of the Audit Committee Members, the Bank considers the Audit Committee as a whole to have adequate competence and to meet the independence criteria as required by the Capital Markets Rules 5.118.

Audit Committee Members' Attendance during financial year 2025 was as follows:

Members	Meetings Held: 14 Meetings attended by member:
Deborah Schembri (Chairperson)	14
Diane Bugeja	13 (out of 14)
Hadrian Sammut	14
Jonathan Spiteri[5]	7 (out of 8)

The Chief Executive Officer, the Chief Risk Officer, the Group Chief Compliance Officer and the Group Chief Internal Auditor attend Audit Committee meetings. The Chief Financial Officer and a representative of the External Auditors attend the Audit Committee meetings by invitation. PricewaterhouseCoopers are the Group's statutory auditors. A designated person from the Office of the Company Secretary acts as Secretary to the Audit Committee.

[5] Appointed as an Audit Committee member with effect from the 4th of June 2025.

The Remuneration Committee – This is considered under the Remuneration Report.

The Nominations Committee

The main purposes of the Nominations Committee are to support and advise the Board of Directors in:

a. Ensuring that the management boards, in both management and supervisory functions, are composed of individuals who are fit and proper, both individually and collectively, for all BOV Group companies.

b. Overseeing and recommending the appointment of other Key Function Holders.

c. Evaluating the balance of knowledge, skills, diversity and experience of the Board of Directors and preparing a description of the roles and capabilities for a particular appointment and assessing the time commitment expected.

d. Ensuring proper succession plans are maintained for members of the Board of Directors, all Executive Committee (ExCo) members, Identified Staff and other Key Function Holders.

e. Periodically, assessing the structure, size, composition, performance and knowledge, skills and experience of the Board of Directors and make recommendations to the Board of Directors with regard to any changes.

It also decides on a target for the representation of the underrepresented gender in the Board of Directors and prepares a policy, i.e. the Board Diversity Policy[6], which inter alia governs the process how the Bank is to meet the target of the underrepresented gender on the Board of Directors and maintain that target.

The Committee also ensures that the decision making of the Board of Directors is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Bank as a whole. In this respect, the Committee ensures that Board members possess diverse skills and expertise in line with the Bank's risk assessments and strategy to enable Board members to contribute more effectively during Board discussions, based on their particular areas of expertise and knowledge. In performing its duties, the Committee shall have access to any resources it may require, including external professional advice or advertising, and should receive appropriate funding from the Bank to this effect. Moreover, on an annual basis the Nomination Committee conducts a Board Effectiveness and Diversity Questionnaire amongst Board members. This questionnaire includes questions relating to how Board meetings are conducted. Through this questionnaire, Board members are given the opportunity to provide their feedback and make suggestions for improvement. The outcome of this questionnaire is discussed extensively both at the Nominations Committee and at the Board level. Where gaps are identified, action is taken through the Nominations Committee to address such findings.

The Nominations Committee Members' attendance during financial year 2025 was as follows:

Members	Meetings Held: 7 Meetings attended by member:
Gordon Cordina (Chairperson)	7
Diane Bugeja[7]	5 (out of 5)
Jonathan Spiteri[8]	5 (out of 5)
Ingrid Azzopardi[9]	2 (out of 2)
Sue Vella[10]	2 (out of 2)

The Chief Executive Officer and the Chief People and Culture Officer attend Nominations Committee meetings.
The Company Secretary acts as Secretary to the Committee.

[6] Detail of which can be found further below, in the Board Diversity Policy section.
[7] Resigned as member of the Nominations Committee with effect from the 4June 2025.
[8] Resigned as member of the Nominations Committee with effect from the 4 June 2025
[9] Appointed as member of the Nominations Committee with effect from the 4 June 2025.
[10] Appointed as member of the Nominations Committee with effect from the 4 June 2025.

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The Risk Committee

The Risk Committee assists the Board in assessing the different types of risks to which the organisation is exposed. This Committee is responsible for the proper implementation and review of the Group's risk policies related mainly, but not restricted to, Credit, Market and Operational Risks. It reports to the Board on the adequacy, or otherwise, of such policies. The Committee is also responsible for reviewing delegated limits, together with an oversight of the Group's monitoring and reporting systems, to ensure regular and appropriate monitoring and reporting on the Group's risk positions.

Risk Committee Members' attendance during financial year 2025 was as follows:

Members	Meetings Held: 13 Meetings attended by member:
Robert Suban (Chairperson)	13
Nicola Angeli	13
Hadrian Sammut	13
Diane Bugeja[11]	7 (out of 7)

The Chief Executive Officer, the Chief Risk Officer, the Group Chief Compliance Officer and the Group Chief Internal Auditor attend Risk Committee meetings. A designated person from the Office of the Company Secretary acts as Secretary to the Risk Committee.

The above information on the Risk Committee, together with the information contained in the Pillar 3 disclosures which are available on the Bank's website, is also to be considered as a disclosure for the purposes of Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

The Compliance and Anti-Financial Crime Committee

The primary objective of the Compliance and Anti-Financial Crime Committee is to assist and guide the Board of Directors in the discharge of their obligations imposed from time to time by regulation in the area of financial services and in light of the Bank acting as a credit and financial institution licensed to provide services under different laws and within the framework of the Compliance Function as defined in the Compliance Charter and as approved by the Board of Directors. The Committee is also responsible for assisting the Bank in combating financial crime and money laundering activities.

Compliance and Anti Financial Crime Committee Members' attendance during financial year 2025 was as follows:

Members	Meetings Held: 8 Meetings attended by member
Diane Bugeja (Chairperson)	8
Deborah Schembri	8
Christian Bonnici West	8
Robert Suban[12]	4 (out of 4)

The Chief Executive Officer, the Chief Risk Officer, the Group Chief Compliance Officer and the Group Chief Anti-Financial Crime Officer & Money Laundering Reporting Officer attend the Compliance and Anti-Financial Crime Committee meetings. A designated person from the Office of the Company Secretary acts as Secretary to the Compliance and Anti-Financial Crime Committee.

[11] Appointed as members of the Risk Committee with effect from the 4 June 2025.

[12] Appointed as members of the Compliance and Anti-Financial Crime Committee with effect from the 4 June 2025.

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The ESG Committee
The primary purpose of the ESG Committee is to secure Board-level oversight of strategic climate and environmental-related risks and opportunity management, as well as strengthening the governance structure in relation to ESG factors. The Committee acts as the approval Board body for the decisions in relation to the Sustainability strategy and its implementation, and senior line management for points of escalation for decisions relating to climate work underway across the business line of the Bank. The ESG Committee is chaired by Jonathan Spiteri and is composed of two (2) other Non-Executive Directors, one (1) of whom is also the Chairperson of the Risk Committee.

The ESG Committee Members' attendance during financial year 2025 was as follows:

Members	Meetings Held: 4 Meetings attended by member
Godfrey Swain[13]	2 (out of 2)
Jonathan Spiteri (Chairperson)[14]	4
Robert Suban	4
Ingrid Azzopardi[15]	2 (out of 2)

The Chief Executive Officer, the Chief Risk Officer, the Chief Commercial Officer, the Chief Personal and Wealth Officer and the Chief Operations Officer attend ESG Committee meetings. A designated person from the Office of the Company Secretary acts as Secretary to the ESG Committee.

The Technology and Digital Strategy Committee (TDSC)
The primary scope of this Committee is to assist the Board of Directors in exercising its oversight role effectively by ensuring that the Bank's drive towards digital readiness as well as Strategic Information Technology and Cyber Security projects are well established and functional.

The TDSC advises and supports the Board of Directors in the monitoring of the Group's overall actual and future digital, IT, and cyber-security strategy, considering all types of activities, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Group.

The attendance of the TDSC members for financial year 2025 was as follows:

Members	Meetings Held: 8 Meetings attended by member
Hadrian Sammut (Chairperson)[16]	5 (out of 5)
Anita Mangion (Chairperson)[17]	3 (out of 3)
Gordon Cordina	8
Christian Bonnici West	8

The Chief Executive Officer, the Chief Strategy, Transformation and Data Officer, the Chief Information Officer, the Chief Risk Officer and the Chief Information Security Officer attend TDSC meetings. A designated person from the Office of the Company Secretary acts as Secretary to TDSC.

[13] Resigned as Chairperson of the ESG Committee with effect from the 29 May 2025.
[14] Appointed as Chairperson r of the ESG Committee with effect from the 4 June 2025.
[15] Appointed as members of the ESG Committee with effect from the 4 June 2025.
[16] Appointed as Chairperson and members of the TDS Committee with effect from the 4 June 2025.
[17] Resigned as Chairperson and member of the TDS Committee with effect from the 4June 2025.

Suitability Policy

This policy has been established in accordance with the applicable laws and regulations at a national and European level, and part B1 of the Investment Services Rules together with Banking Rule 24 issued by the MFSA in line with the EBA Guidelines on Internal Governance and the Joint EBA and ESMA Guidelines on the Assessment of Suitability of Members of the Management Body and Key Function Holders.

The Bank's Suitability Policy applies to the Members of the Board of Directors and Key Function Holders (including members of the Executive Committee) within the Bank of Valletta Group (collectively referred to as 'Subject Persons'). The Suitability Policy aims to ensure the suitability of the Board of Directors and Key Function Holders, not just at the inception of their appointment but also throughout the duration of their appointment. In this context, suitability refers to the ability of all Subject Persons to ensure sound and prudent management of the financial institution, viewing the safeguarding of the financial system and the interests of respective clients, depositors, shareholders, and other creditors. Subject Persons must comply with requirements of fitness and appropriateness, professional qualification, independence of mind, and time commitment (availability). This policy also provides guidance on the process of selecting and assessing the suitability of the Subject Persons.

Board Diversity Policy

The Board Diversity Policy (the 'Policy') has been drafted in line with European Securities and Markets Authority (ESMA) and European Banking Authority (EBA) guidelines on the assessment of suitability of members of the management body and key function holders, as well as in line with the requirements of Article 88 of the CRD V (Capital Requirements Directive) and Article 435(2)(c) of CRR III (Capital Requirements Regulation).

The Policy provides that the Board aspires to maintain the following diversity objectives:

i. Gender:

The Board aims to achieve and maintain a minimum 33% female representation on the Board.

ii. Age:

Pursuant to the Bank's Articles of Association, the age limit for all Non-Executive Directors shall be seventy (70) years. In addition, the Board shall endeavor to ensure that not all directors are in the same decade of their lives.

iii. Professional Experience:

Directors should preferably have at least five (5) years' professional experience in at least one of the following sectors: financial, banking, accounting and auditing, risk management, governance, compliance and anti-financial crime, Environmental, Social and Governance and information technology.

iv. Educational Background:

Directors should have a sound educational background with a qualification in any of the areas of banking, business administration, economics, risk management, accountancy and auditing, and law.

v. Geographical provenance:

Given the size of Malta as a jurisdiction, coupled with the fact that the Bank's level of international activity is very limited, for BOV, geographical provenance is not a relevant diversity factor. Notwithstanding, the Bank shall, where possible, endeavour to bring international experience to the Board table, which can be achieved by having directors on the Board with prior relevant international professional background.

For financial year 2025, the Nominations Committee prepared a report for the Board outlining the process implemented in relation to appointments of Board members on the Board. Such report also included the measurable objectives set for implementing the Policy, as well as the progress made towards achieving those objectives and targets. The BOV Diversity Report for financial year 2025 detailed the process relating to the:

i. Appointment of the Non-Executive Directors during the 2025 AGM, whereby Directors Prof Sue Vella and Ms. Ingrid Azzopardi were appointed Directors on the Board by the non-qualifying shareholders following a suitability assessment process by the Nominations Committee.

ii. The re-appointment on the Board of Ms Deborah Schembri as Non-Executive Director by the non-qualifying shareholders.

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The BOV Diversity Report also included the progress made by the Bank during 2025 to maintain or improve its Board diversity objectives and targets as defined in the Policy.

For financial year 2025, the Bank successfully achieved its professional experience objective for Board members, with all Directors possessing more than five years of relevant professional experience. Additionally, the Bank met its age-diversity objective, as not all directors are in the same decade of their lives and none of the Non-Executive Directors (NEDs) are 70 years or older. The educational background objective was also fulfilled, as most Directors hold at least one qualification pertinent to their areas of responsibility.

Regarding geographical diversity, during 2025, the Bank's Board members who possessed meaningful international experience including professional work with international banking and financial groups were the Chairperson Gordon Cordina, Nicola Angeli, Ingrid Azzopardi and Sue Vella.

Learning and Self-Development Policy

Aligned with the Bank's strategic vision, the Learning and Development Centre serves as a vital catalyst for ongoing skill enhancement, ensuring the Bank remains future proof. The Bank's guiding principle is encapsulated in the mantra 'Learn, Grow, and Empower Others.' During the reporting year, the Bank has redefined what it means to learn at the Bank. Moving beyond traditional banking courses, we have designed programs that meet our business and strategic needs, from personal and professional development to digital skills, banking expertise, agile methodology, leadership, and talent management. The Bank has also taken a giant leap in how it delivers learning as now we are curating exciting, hands-on learning experiences. Through direct engagement with stakeholders across the Bank, we have built meaningful relationships and addressed specific needs like team-building sessions.

The Bank offers professional training courses across a broad spectrum of subjects. Testament of the high standard of our courses is the recognition received from the Malta Further and Higher Education Authority (MFHEA) through its accreditation of several courses offered by the Bank. In 2025, the Bank secured a new licence as a Further and Higher Education Institution (Licence Number: 2018-003). The Bank now offers award programmes at MQF Levels 4, 5, and 6, including newly accredited courses tailored to current banking sector needs such as:

- MQF 4 Award in Applied Business for Banking
- MQF 5 Award in Data for Banking
- MQF 5 Award in Enterprise Project Management for Banking
- MQF 5 Award in Cybersecurity
- MQF 5 Award in Customer Champions
- MQF 5 Award in Regulatory Compliance
- MQF 5 Award in AML & CFT
- MQF 6 Award in Business Process Reengineering in Banking

In addition, the Award in ESG, delivered through the Institute of Financial Services (IFS) in collaboration with the University of Malta, was introduced in October 2025. Twenty-six (26) employees enrolled in this programme, which will run until February 2026.

In 2025/2026, 136 employees will graduate with one or more of these awards. Beyond our accredited programmes, we also delivered a range of standalone training sessions addressing the Bank's strategic objectives. These encompassed skills such as problem-solving, leading hybrid teams, fostering creativity and innovation, enhancing customer experience, and developing digital proficiency with tools like Power BI and advanced Excel. Such initiatives ensure our employees remain agile, innovative, and focused on customer needs within a rapidly changing environment.

The Bank continues its commitment to leadership and talent development by investing in prominent initiatives such as the STAR Programme, which focuses on building and supporting key positions and high-potential talent. In the fourth quarter of 2025, the Bank introduced a Change Management Programme specifically designed for Heads and Leads, further strengthening our leadership culture. Additionally, Unleash remains an essential program for all new managers. Additionally, the Bank offers an e-learning platform designed to empower its employees by providing opportunities for further self-development, both within the workplace, on their mobiles and the convenience of their homes.

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Our dedication to continuous learning is reflected in the significant number of training hours invested throughout 2025:

	Hours
Average number of hours of training (per person) that the Group's employees have undertaken during financial year 2025	41
Total number of hours of training during financial year 2025 including classroom, e-learning and external training	101,165

In Quarter 3 of 2025, a Learning Needs Analysis was undertaken to ensure the delivery of effective learning provisions and skills throughout the Bank. This initiative aims to maintain business agility and responsiveness to future changes. The primary objective is to enhance employees' skills, bolster employee retention, and address business and regulatory requirements in an ever demanding and rigorous regulatory landscape. Internally crafted training programmes are seamlessly integrated with external training opportunities to not only expand employees' current skill sets but also introduce fresh perspectives on thinking and problem-solving.

The Bank remains steadfast in its dedication to providing unwavering support to its employees, both in their professional and academic pursuits. This commitment is reflected in the allocation of essential resources and time to facilitate continuous development, as outlined in the Self-Development Handbook. This policy encourages all employees within the Group, whether on indefinite or definite employment, to actively pursue self-development. To facilitate this, the Bank extends assistance through grants, study loans, and study/dissertation leave, all aligned with the current business needs of the institution. The Bank reimbursed 70 employees who pursued different qualifications during 2025.

Executive Committee

The Executive Committee is entrusted with the overall responsibility for monitoring and managing the Group's financial and operational performance, overseeing the execution of the Group's strategy, monitoring customer experience, and taking the necessary decisions to ensure that the Bank is operating with the applicable rules and regulations.

During financial year 2025, the Group reviewed the composition of the Executive Committee to enable the Group to deliver its strategy more efficiently and ensure having the best possible personnel with the right skill set to lead each area. With expertise in accountancy, risk, economics, business, compliance, anti-financial crime, information & technology, strategic, project delivery and implementation & data governance, and customer experience, the Members of the Executive Committee are deemed to have the necessary collective knowledge, skills, and competence to manage the business of the Group, exert oversight of the Group's operations, recommend and follow a strategic plan for the Bank and its subsidiaries, overseeing the Group's financial, business and operational performance, establish and maintain a risk appetite framework, organise the allocation and adequacy of the Group's human resources and ensure that the Bank has a reliable and sustainable IT infrastructure, amongst other functions.

The Bank's Executive Committee meets at least monthly. It is chaired by the Chief Executive Officer. The other Members of the Committee are the:

- Chief Financial Officer
- Chief Risk Officer
- Chief Operations Officer
- Chief Commercial Officer
- Chief Personal & Wealth Officer
- Group Chief Compliance Officer
- Chief Information Officer
- Chief Customer Experience Officer
- Chief Strategy, Transformation, and Data Officer
- Chief People & Culture Officer
- Group Chief Anti-Financial Crime Officer & MLRO

The Group Chief Internal Auditor attends all Executive Committee meetings. Other personnel may, by invitation, attend Executive Committee Meetings.

More detail on the Executive Committee members and their experience is found in their brief CV on pages (xxv) to (xxix) of the Annual Report.

Corporate Governance Statement of Compliance

for the year ended 31 December 2025

Besides the Executive Committee, the Bank also has the following seven (7) Executive Committees:

- Asset and Liability Management Committee;
- Internal Control and Risk Management Committee;
- Credit Committee;
- Credit Sanctioning Committee;
- Product Governance and Pricing Committee;
- Projects Evaluation Committee; and
- Data Council.

Details on each of these Executive Committees is found below.

The **Asset and Liability Management Committee (ALCO)** is an integral part of the Bank. The Committee takes a holistic approach in managing the Group's assets and liabilities, ensuring an optimal balance between risk and return. ALCO is responsible for evaluating asset and liability movements, profit and loss trends, and balance sheet forecasts, while overseeing the management of consolidated exposures. ALCO provides strategic direction that supports the Bank's long-term objectives. In fulfilling its mandate, ALCO considers a wide range of factors, including the funding strategy, proprietary investment strategy, solvency, liquidity, and key market variables such as interest rate and credit spread risks. Additionally, ALCO has oversight of the Bank's Recovery and Resolution Plan, reinforcing its commitment to financial resilience and regulatory compliance.

The **Internal Control and Risk Management Committee (ICRMC)** was set up with the responsibility for the oversight and coordination of risk management, internal controls, compliance, and AML/CFT across the BOV Group. During 2025, the ICRMC had the following subcommittees:

- Operational Risk Management Forum;
- Outsourcing Risk Management Forum (dissolved during 2025);
- Environmental, Social, and Governance (ESG) Risk Management Forum;
- Financial Crime Compliance Management Forum;
- Compliance Management Forum;
- Information Security Forum (newly formed during 2025); and
- Third Party Risk Management Forum (newly formed during 2025).

The above listed fora continued to meet at predefined frequency during 2025 submitting for ICRMC deliberations succinct and focused presentations related to:

i. Main Forum outcomes and action points;

ii. Approval notifications and escalations to the ICRMC.

The ICRMC is responsible for the proper implementation and review of the Group's risk and internal control policies. It reports to the Executive Committee on the adequacy, or otherwise, of such policies. The ICRMC is also responsible for advising and supporting the Executive Committee in the formulation of the Bank's risk appetite and to advise and support in the monitoring of the Group's actual and future risks and the control of such risks. The ICRMC meets at least once a month to advise and support the Executive Committee in assessing the different types of risks to which the Group is exposed, whilst also taking a forward-looking perspective in respect of emerging risks. The Committee is also responsible for reviewing and discussing issues raised by the internal control functions (i.e. Risk, Compliance, Anti-Financial Crime, and Group Internal Audit) on the effectiveness of the internal control systems.

The Committee provides effective management oversight over the Group's main risks, AML and Compliance initiatives as well as the progress on any remediation action required by the supervisory authorities. The ICRMC is chaired by the Chief Risk Officer, whilst the Group Chief Compliance Officer (GCCO) serves as the Deputy Chairperson. All other Executive Committee members – except the Chief Strategy, Transformation, and Data Officer, the Chief People and Culture Officer, and the Chief Officer Customer Experience – are members of the ICRMC. As from 2025, the Chief Information Security Officer (CISO) also joined the ICRMC as a full member.

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The **Credit Committee (CC)** is responsible for assisting the Executive Committee in implementing and monitoring the credit strategy, Non-Performing Loan (NPL) strategy, level of credit provisioning and debt management. It advises and supports the Executive Committee in the formulation of the Bank's risk appetite and strategy on credit and also approves policies in relation to credit in line with the Policy Governance Framework. The Provisions Committee, mainly tasked with the approval of the level of credit provisioning, is a sub-committee of the Credit Committee and includes members from Finance, Business and Risk Management departments. The Credit Committee is chaired by the Chief Risk Officer whilst the Chief Executive Officer acts as Deputy Chair. The other members are the Chief Commercial Officer, Chief Personal & Wealth Officer, Chief Financial Officer, Head Credit Risk Management and Head Business Strategy & Risk Management. The Group Chief Internal Auditor is in attendance, whilst other members of Senior Management are invited to attend the Committee as and when required.

The **Credit Sanctioning Committee (CSC)** was established to sanction/decide on credit facilities in the performing categories. The CSC is a management committee reporting to the Executive Committee with escalation to Board of Directors in line with the terms of reference. The CSC handles connected exposures above €10,000,000 and any exposure below this target figure where there is no consensus between business and risk. The Committee is chaired by the Chief Commercial Officer. The committee consists of five members with the majority from the Commercial Department and two members from Credit Underwriting Department. Non-voting representatives from Corporate Business and Credit Underwriting may attend the Committee meetings by invitation. The Chief Risk Officer and/or senior member from Credit Risk Management Department may attend the Credit Underwriting sessions as observers, with no vote.

The **Product Governance and Pricing Committee (PGPC)** is entrusted with ensuring that the Bank has in place a product governance and pricing framework:

- A product approval matrix inclusive of delegated authority outline;
- A periodic review program of all products and services;
- Assessment of product/service pricing and approval of changes in fees and charges; and
- Discontinuation of products and services.

In discharging its responsibilities, the Committee will ensure that both existing and new products are analysed in terms of the target market, appropriateness, testing validation of methodologies have been considered, appropriateness of distribution channels for the target market, that any potential conflicts of interest are managed, and that pricing adequately covers the risk and costs involved.

The Committee is chaired by the Group Chief Compliance Officer. The other members of the Committee are the:

- Chief Risk Officer (Deputy Chairperson);
- Chief Executive Officer;
- Chief Financial Officer;
- Chief Personal & Wealth Officer;
- Chief Commercial Officer; and
- Chief Customer Experience Officer.

The **Project Evaluation Committee (PEC)** is the primary governance body responsible for evaluating and recommending project and initiative investments. It reviews proposals within its delegated authority, recommends projects for budget approval, and sanctions project initiation where appropriate. For investments that exceed its mandate, the PEC provides recommendations and advice to the Executive Committee and/or the Board, as required by applicable policies.

The PEC carefully scrutinises project proposals to ensure alignment with BOV's approved strategy and overall direction. It reviews project initiation documentation and supporting analyses, assessing the robustness of costs, benefits, resource requirements, risks, dependencies, and delivery assumptions. As part of its remit, the PEC also reviews investment proposals scheduled to commence within the Bank's 24-month planning horizon, supporting a structured and forward-looking investment roadmap.

In exercising its mandate, the PEC provides assurance and clear recommendations to the relevant approvers on the soundness of proposed investments. It considers potential impacts on customer experience, colleagues, and internal processes, and draws on independent challenge from specialist Risk and Compliance functions for regulatory and risk assessments. The PEC also provides feedback and guidance to proposers to improve proposal quality and increase approval readiness, while ensuring that investments are prioritised in line with strategic imperatives and portfolio constraints. The PEC monitors, through reporting from the Enterprise PMO and other functions, delivery performance, risk profile, and progress toward expected benefits. This includes reviewing lessons learned from project completion reviews and supporting continuous improvement in change delivery and benefits-realisation practices.

Corporate Governance Statement of Compliance

for the year ended 31 December 2025

The PEC exercises delegated financial authority for project budget approvals up to €500,000 (current limit). This authority applies to the total investment over the full project lifetime, in line with the updated Terms of Reference. Investment proposals exceeding this threshold are escalated, along with the PEC's recommendation, to the Executive Committee or the Board for a decision in accordance with the relevant policies.

The primary role of the **Data Council** is to oversee all aspects of data management controls and governance within the Bank, including the development oversight and implementation of data strategy, data systems, data CIA (Confidentiality, Integrity, Availability), data ownership and governance and data plans and initiatives while managing the upstream and downstream impacts of data changes. In addition, the council will provide oversight of model governance and validation to ensure that models used across the organisation align with regulatory, ethical, and operational standards. This includes reviewing and endorsing model risk management practices, overseeing the effectiveness of validation processes, and ensuring that appropriate controls are in place for model usage, performance, and risk assessment.

Board Succession Planning Policy

The Bank has implemented a comprehensive Succession Policy for the Bank's Board of Directors, with primary objectives that include:

1. Establishing guidelines and processes for a planned and orderly succession of Directors (both Executive and Non-Executive) and filling any unplanned vacancies on the Board.

2. Facilitating a seamless transition for new Board members to contribute to the governance of the organisation quickly and effectively.

3. Ensuring that the collective knowledge and skills of the Board align with the governance role's requirements, taking into account the objectives defined in the Board Diversity Policy.

4. Effectively preparing Board members for leadership positions to prevent key people dependencies at the governing level.

5. Contributing to any changes in Board membership in a manner which supports the independence of thought and action of individual members and the renewal of professional skills within the Board.

The Nominations Committee oversees the Succession Planning Policy for the Bank Board of Directors. This aligns with Code Provision 4.2.7 of the Capital Markets Rules, as the Chairperson of the Board of Directors also serves as the Chairperson of the Nominations Committee. The Board of Directors approves the Succession Planning Policy for the BOV Board of Directors based on the Nominations Committee's recommendations.

The Bank has a Succession Policy for Executive Committee members and Key Function Holders. This policy aims to define and sustain the Bank's management and governance profiles over time, identify and develop new talent, and mitigate risks associated with changes in executive function and leadership during transitional periods.

Moreover, an annual exercise is conducted to identify or reconfirm potential successors for ExCo, Headships, other Key Function Holders and other key positions. Potential successors are identified from a talent pool consisting of high potential employees based on the Talent Management Framework, including responsible and involved stakeholders. The Talent Management Framework is based on the 9-grid Matrix, which assesses the Performance and the Potential of employees.

The selected candidates for the talent pools are being involved in Leadership and Talent Development Programmes, specifically intended to up/reskill all individuals that form part of this pool. This process plays a pivotal role in cultivating an in-house talent pool that extends across the entire organisation.

PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT

The CEO is appointed by the Board and is inter alia responsible for the recruitment and selection of Senior Management and Key Function Holders. The CEO consults with the Nominations Committee and with the Board on the appointment of Senior Management. Training of management and employees is a priority and internal and external training is provided by the Bank's Training Centre specifically set up for this purpose. The Bank also has a system in place which monitors management and staff morale.

On joining the Board, a Non-Executive Director is provided with briefings by the CEO and Chief Officers on the activities of the Bank. All Directors are provided with appropriate induction training and a dossier that, apart from incorporating relevant information on the Bank, also includes the Bank's Policy documents.

Corporate Governance Statement of Compliance

for the year ended 31 December 2025

The Bank has a Board Governance Manual which provides a clear overview of the governance arrangements in place for the BOV Board of Directors. It also has the objective of showing how various key elements of governance, oversight, risk management and control link together and serve as a useful reference point for existing Directors and an induction manual for Directors newly appointed to the Board.

Directors may, where they judge it necessary to discharge their duties as Directors, take independent professional advice on any matter at the Bank's expense. Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring adherence to Board procedures as well as good information flows within the Board and its Committees.

In addition, the Company Secretary directs members of the Board to seminars or conferences which serve as professional development for Directors in the discharge of their functions on the Board and on the Committees. Furthermore, Directors have the opportunity to participate in individual coaching sessions facilitated by qualified external professionals. Such training may be initiated by the Chairperson based on identified needs.

During the reporting year, Directors attended training relating to Strategy, Risk, Compliance and Anti-Financial Crime, Cyber-security, Leveraged Transactions and IFRS 17 Insurance Contracts.

Directors are also required to attend mandatory e-learning modules on a number of subjects including Anti-Financial Crime, Information Security Awareness, Conflicts of Interest, Market Abuse and GDPR.

PRINCIPLE 7: EVALUATION OF THE BOARD'S PERFORMANCE

During the period under review, the Nominations Committee undertook an evaluation of the performance of the Board, the Chairperson and the Board Committees. The evaluation exercise was conducted through a Board Effectiveness and Diversity Questionnaire (the "Questionnaire") prepared by the Nominations Committee. Directors, including the Executive Directors, were required to complete the Questionnaire.

The Questionnaire had positive outcome results with high scores attained in the majority of questions.

The points requiring attention are the following:

- All Directors are appropriately involved in Board discussions;
- Other risk related matters such as recovery plan; and
- Information is received in sufficient time to allow for proper consideration, with scope for additional briefing if necessary.

The result of the Questionnaire was analysed by the Nominations Committee and discussed at Board level. Actions are being taken to address those areas where improvement may be necessary.

Furthermore, in accordance with the Board Diversity Policy, as part of the annual evaluation of the Board and its Committees effectiveness, the Board members are required to take into consideration the balance of all diversity aspects mentioned in the Board Diversity Policy and the level of their diversification as a whole. In order to assess the Board's effectiveness during financial year 2025 with respect to the diversity aspects in the Board Diversity Policy, relating to gender, age, professional experience, educational background and geographical provenance, the Questionnaire also included questions relating to these diversity aspects. The Board scored well with respect to all diversity aspects.

PRINCIPLE 8: COMMITTEES

The Remuneration Committee is dealt with under the Remuneration Report which also includes the Remuneration Statement of Compliance in terms of Code Provisions 8.A.3 and 8.A.4, as well as in line with 8.B.7. The other committees are mentioned under principles 4 and 5.

Corporate Governance Statement of Compliance

for the year ended 31 December 2025

PRINCIPLES 9 AND 10: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET AND INSTITUTIONAL SHAREHOLDERS

The Bank recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The Board is of the view that during the year under review, the Bank has communicated effectively with the market through a number of company announcements and press releases.

The Bank also communicates with its shareholders through the Bank's Annual General Meeting (AGM). Further details are provided under the section entitled General Meetings. All Directors attend the AGM and are available to answer questions, if necessary.

The Chairperson and the CEO also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns. During these meetings no market sensitive information is disclosed.

The Chairperson also ensures that arrangements are made for all Directors to attend the AGM and for the Chair of the Audit Committee and the Nominations Committee to be available to answer questions at the AGM.

Apart from the AGM, the Bank communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis and through an annual newsletter to shareholders. The Bank also publishes Interim Directors' Statements twice yearly, covering performance and developments during the first and third quarters of the financial year. These statements provide a general description of the Bank's financial position and performance, together with an explanation of any material events and transactions that occurred during the relevant period and their impact on the Bank's financial position. The Board reviews and approves each Interim Directors' Statement prior to publication, ensuring that disclosures are clear, accurate, and aligned with the Bank's commitment to timely and transparent communication with the market. These interim updates form an integral part of the Bank's overall governance and reporting framework, complementing the halfyearly financial report and the annual financial statements.

Furthermore, the Bank holds a meeting for stockbrokers and financial intermediaries, usually on a quarterly basis, to coincide with the publication of its Financial Statements and the Interim Directors' Statement. Other meetings with stockbrokers and financial intermediaries are held as necessary. From time to time, the Bank also holds meetings with the Malta Association of Small Shareholders

During 2025, the Bank launched its first-ever Investor Days, held on 3rd and 4th November in Gozo and Malta respectively, with the latter also streamed live to widen participation. These events provided shareholders, customers, and the financial community with direct access to the Bank's leadership, including the Chairperson, Chief Executive Officer, and Chief Financial Officer, who presented the Bank's strategic direction, financial performance, transformation progress, and sustainability priorities. Panel discussions featuring members of the Executive Committee further reinforced the Bank's commitment to transparency, accountability, and continued open dialogue. The Investor Days form an important element of the Bank's broader governance and stakeholder engagement framework, supporting clear communication of strategy, performance drivers, and longterm value creation.

The Office of the Company Secretary maintains two-way communication between the Bank and its investors. Individual shareholders can raise matters relating to their shareholding and the business of the Group, at any time throughout the financial year and are given the opportunity to ask questions at the AGM or submit written questions in advance. In terms of Article 18.3 of the Articles of Association of the Bank and Article 129 of the Companies Act, 1995 (Chapter 386, Laws of Malta), the Directors may call an Extraordinary General Meeting on the requisition of shareholders holding not less than one-tenth of the paid-up share capital of the Company.

Corporate Governance Statement of Compliance

for the year ended 31 December 2025

PRINCIPLE 11: CONFLICTS OF INTEREST

Directors are obliged to perform their duties conscientiously and will not put themselves in a position in which their private interests or the private interests of their family members, friends or associates might be in actual, potential or perceived conflict with the interest of the Bank of Valletta and its shareholders.

Should a perceived, potential or actual conflict arise during the tenure of a directorship, a Director must disclose and record the conflict in full and on time to the Board and subsequent reporting to the Compliance Department is required. A Director shall not participate in a discussion concerning matters in which they have a conflict of interest unless the Board finds no objection to the presence of such Director. In any event, the Director shall refrain from voting on the matter.

A Director having a continuing material interest that conflicts with the interests of the Group should take effective steps to eliminate the grounds of conflict. Each Director is required to declare to the Group their interest in the share capital of the Group and should only deal in such shares as allowed by law and in accordance with internal policies.

Furthermore, the Group maintains a Conflicts of Interest Policy and related controls designed to identify, prevent and mitigate conflicts of interest. The Board of Directors is also presented with the Group's Conflicts of Interest Policy on an annual basis for their consideration and approval.

This framework also extends to related-party transactions, which are governed by a separate Board-approved policy to ensure that such transactions are conducted on an arm's-length basis and in the best interests of the Group and its shareholders. All related party transactions are subject to appropriate review and oversight to safeguard against potential conflicts.

Directors' interest in the share capital of the Bank as of 31 December 2025 was as follows:

	Beneficial Interest
Kenneth Farrugia[18]	128,707 shares
Anatoli Grech[19]	6,983 shares
Diane Bugeja	32,241 shares
Deborah Schembri	361 shares
Hadrian Sammut	1,931 shares
Robert Suban[20]	53,000 shares
Ingrid Azzopardi[21]	4,679 shares

No Director has any other benefit or non-beneficial interest in the share capital of the Bank.

[18] Includes any shares held by spouse or partner.

[19] Includes any shares held by spouse or partner.

[20] Held on a nominee basis jointly with spouse.

[21] Held on a nominee basis jointly with spouse.

Corporate Governance Statement of Compliance
for the year ended 31 December 2025

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

Bank of Valletta is a very active player within the Maltese community, consistently demonstrating its commitment to sustainable development and social well-being. Through the BOV Foundation, the Bank embeds ESG principles across its operations and initiatives, ensuring that its impact is both measurable and meaningful.

In 2025, BOV focused on five strategic pillars: environmental sustainability, education and financial literacy, support for vulnerable communities, cultural heritage and arts, and ethical behaviour. Highlights included:

- Community Engagement: Over 650 employees volunteered nearly 4,000 hours through the BOV Volunteering Initiative, supporting organisations such as Id-Dar tal-Providenza and Puttinu Cares.
- Education: Mental health literacy programmes in schools and financial education for youth and seniors were expanded, alongside university awards promoting academic excellence.
- Heritage & Culture: Restoration of historic artworks and commissioning of contemporary art projects, as well as support for opera productions in Malta and Gozo.
- Sports: Strengthened grassroots programmes in football, basketball, and aquatic sports, promoting inclusivity and life skills.
- Environment: The second cycle of BOV Rebbiegħa funded habitat restoration and coastal clean-ups, while partnerships with NGOs like Żibel and BirdLife Malta advanced sustainability education.

Further details on these initiatives and their impact are provided in the Corporate Social Responsibility section of this report.

C. NON-COMPLIANCE WITH THE CODE

Principle 9 (Code Provision 9.2, 9.3 and 9.4)

Code Provision 9.2 provides that minority shareholders should be able to call special meetings on matters of importance to the company. However, a minimum threshold of share ownership, as established in the Memorandum or Articles of Association of the company, should be set up before a Group or an individual may call a special meeting. The Bank does not have such a threshold included in its Memorandum or Articles. Nevertheless, as required in terms of the Capital Markets Rules, shareholders holding not less than 5% of the voting issued share capital of the Bank may request the Bank to include items on the agenda of a general meeting of the Bank and to table draft resolutions for items included in the agenda of such general meeting.

Code Provision 9.3 requires the Bank to have in place a mechanism to resolve conflicts between minority shareholders and controlling shareholders. Even though the Bank does not have such a mechanism in place, the Bank maintains an open dialogue with all its Qualifying and Non-Qualifying shareholders to ensure no such conflicts arise.

Code Provision 9.4 requires that minority shareholders should be allowed to formally present an issue to the Board of Directors. Although the Bank does not have a policy in terms of this Code Provision, the Bank maintains an open dialogue with the Malta Association of Small Shareholders.

These Code Provisions were not applicable to the Bank during the financial year.

D. INTERNAL CONTROL

Authority to manage the activities of the Bank is delegated to the Chief Executive Officer within the limits set by the Board.

The Board is ultimately responsible for the Bank's systems of internal control and for reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable as opposed to absolute assurance against material misstatement or loss. Through the Audit Committee, the Risk Committee and the Compliance and Anti-Financial Crime Committee, the Board reviews the process and procedures to ensure the effectiveness of the Group's internal control systems, which are monitored by the Group Internal Audit Department.

Pursuant to the MFSA Banking Rule 07 (BR/07) on the Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act, the key features of the Group's systems of internal control are as follows:

Corporate Governance Statement of Compliance

for the year ended 31 December 2025

Organisation
The Group operates through the Board of Directors of subsidiary companies and equity-accounted investee companies with clear reporting lines and delegation of powers.

Control Environment
The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives.

Risk Identification
The Management of each of the Group members is responsible for the identification and evaluation of key risks applicable to their areas of business. The risk management model adopted by BOV is the classic "three lines model", wherein, the first line of defence is constituted by the functions that own and manage risks, namely the business units; the second line is constituted by the functions that oversee risks, namely Risk Management, Compliance and Anti-Financial Crime; and the third line is constituted by Internal Audit, which is the function that provides independent assurance. The Risk Management function, within the second line of defence, falls under the responsibility of the Chief Risk Officer, and operates within a wider Bank structure that reflects the risk appetite and risk management philosophy articulated by the Board of Directors.

Reporting
Functional, operating and financial reporting standards are applicable to all entities of the Group. These are supplemented by operating standards set, as required, by the Bank's Board and the Executive Committee. Systems and procedures are in place to identify, control and to report on the major risks including credit risk, changes in the market prices of financial instruments, liquidity, operational error and fraud. Exposure to these risks is monitored by ALCO and by the Risk Committee. The Board receives periodic management information giving comprehensive analysis of financial and business performance including variances against budgets.

E. CAPITAL MARKETS RULE 5.97.5

Whilst Capital Markets Rule 5.97.5 is not applicable, the information relating to the shareholder register required by this Capital Markets Rule is found in the Directors' Report.

F. GENERAL MEETINGS

The annual general meeting is the highest decision-making body of the Bank. A general meeting is called by twenty-one (21) days' notice, and it is conducted in accordance with the Articles of Association of the Bank.

The AGM deals with what is termed as "ordinary business", namely, the receiving or adoption of the annual financial statements, the declaration of a dividend, if any, the appointment of the auditors, Board authorisation to fix the auditors' emoluments and the election of Directors. Other business which may be transacted at a general meeting (including at the AGM) will be dealt with as special business.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Capital Markets Rules have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than 5% in nominal value of all the shares entitled to vote at the general meeting may request the Bank to include items on the agenda of a general meeting and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Bank at least forty-six days before the date set for the relative general meeting.

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Bank. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the Directors or by such persons as the Directors may delegate for that purpose.

Report of the Remuneration Committee

for the year ended 31 December 2025

1. Terms of Reference and Membership Remuneration Committee

The Remuneration Committee (the Committee) works under the guidance of its Terms of Reference as approved by the Board of Directors. The Committee is charged with overseeing the development and implementation of the remuneration and related policies of the Group. It makes recommendations to the Board of Directors on the Remuneration Policy of the Group, supports the Board of Directors in overseeing the remuneration system's design and operation and ensures that remuneration is appropriate and consistent with the Bank's culture, long term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements. The role of the Committee is to devise the appropriate remuneration packages needed to attract, retain and motivate Directors, as well as Key Function Holders required for the proper governance of the Group.

Until 4 June 2025, the Remuneration Committee was chaired by Nicola Angeli. Robert Suban and Godfrey Swain were members. From 5 June 2025, the Remuneration Committee continued to be chaired by Nicola Angeli, with Jonathan Spiteri and Sue Vella as members.

All Committee members are Independent Non-Executive Directors. The Chief Executive Officer and the Chief People and Culture Officer attend meetings of the Committee. None of the Executives participated in the discussion regarding their remuneration. The Company Secretary acts as secretary to the Committee.

2. Meetings

The Remuneration Committee held three (3) meetings during the period 1 January to 4 June 2025. Nicola Angeli, Robert Suban and Godfrey Swain attended all three (3) meetings. From 5 June till 31 December 2025, the Committee held three (3) meetings. Nicola Angeli, Jonathan Spiteri and Sue Vella attended all three (3) meetings.

3. Remuneration Statement

3.1 REMUNERATION POLICY – EXECUTIVE MANAGEMENT

The Board of Directors determines the framework of the overall remuneration policy for Executive Management based on recommendations from the Committee. The Committee, on the recommendations of the Chief Executive Officer, then establishes the individual remuneration arrangements of the Group's Executive Management, namely the members of the Executive Committee.

The Remuneration Policy, which complies with regulatory requirements and the principles of good business conduct, applies consistently to all employees within the Group. Its objective is to align employees' remuneration with the Group's performance, business strategy and business models, risk appetite framework, values and long-term goals. The overriding principle of the Remuneration Policy is that individual performance is evaluated according to both quantitative/financial and qualitative/behavioural measures.

Further details about the Group's Remuneration Policy are found in the Pillar 3 disclosures which are published on the Bank's website.

The Committee considers that the current Executive Management remuneration packages are designed to fit its strategy and built on meritocracy. They are based upon the appropriate local market equivalents and are adequate for the responsibilities involved. The Committee is of the opinion that the remuneration packages are such, as to enable the Group to attract, retain and motivate executives having the appropriate skills and qualities, in order to ensure the proper management of the organisation. Such packages are kept under constant review.

Hereinafter, for the purposes of this Remuneration Statement, references to "Senior Executives" shall mean the Chief Executive Officer and the other members of the Executive Committee.

Senior Executives enjoy the health insurance arrangements and death in service benefits as all Bank employees. Senior Executives are also entitled to the use of a company car or a car cash allowance.

Report of the Remuneration Committee

for the year ended 31 December 2025

The Chief Executive Officer's remuneration is reviewed and approved by the Committee and by the Board of Directors. The Chief Executive Officer is eligible for an annual bonus entitlement by reference to the attainment of pre-established objectives and targets as laid down in the Chief Executive Officer's contract of engagement or as may be determined by the Committee and by the Board of Directors.

The Members of the Executive Committee are eligible for an annual bonus entitlement. The Members of the Executive Committee are also eligible for an annual salary increase which is approved by the Committee.

The Committee is of the view that the amount of performance bonus paid out at all staff levels is not significant, but currently adequate to support the Bank's performance and transformation journey.

Other than the Voluntary Occupational Pension Scheme offered by the Bank to all its employees, no further supplementary pension or other pension benefits are payable to the Senior Executives. Insofar as early retirement schemes are concerned, the Senior Executives are subject to an Early Voluntary Retirement (EVR) scheme which is applicable for members of the Executive Committee (ExCo). This EVR scheme applies to ExCo members who have attained the age of 55 years and who have been in the Bank's employment for at least 7 years.

The Bank officially launched its first workplace pension - BOV VOPS in October 2022, a Voluntary Occupational Pension Scheme that falls under the second pillar. It is one of the initiatives spearheaded by the People and Culture function to strengthen employee retention and engagement.

The salient features and benefits of BOV VOPS are the following:

- The Bank will match every employee's contribution up to €2,400 in a given calendar year. This commitment is guaranteed at least until 2030;

- The employee will be eligible for 25% tax rebate on his/her contributions (max €750 on €3,000), under Pillar 2 (Work Place Pensions);

- Fringe Benefit Tax does not apply on BOV VOPS;

- Employees who have a workplace pension in place through their previous employer(s), are eligible to transfer their pot under BOV VOPS.

The BOV VOPS is classified as a Defined Contribution Pension Scheme. As at end December 2025, 1,224 employees have enrolled in the scheme and the total amount of defined contribution plan benefits paid by the Bank during 2025 in relation to the BOV VOPS is included in Note 6 (Employee Compensation and Benefits) of the Financial Statements.

Senior Executives are eligible to participate in and benefit from the BOV VOPS.

Non-Executive Directors (excluding any Non-Executive Directors who are also employees of the Bank) are not eligible to participate in and to benefit from the BOV VOPS.

Total emoluments received by Senior Executives during FY2025 are reported under Section 3.3 within this Report, in terms of Code Provisions 8.A.5.

Variable Remuneration of Senior Executives (Executive Committee)
The Variable Remuneration of Senior Executives is determined by the Remuneration Committee. Early in 2025, all Senior Executives were given Performance Objectives for the year which were approved by the Remuneration Committee. There are the following core elements to each individual performance assessment:

1. Corporate Performance Rating

- Financial Performance
- Governance adherence

2. Individual Performance Rating

- Business and Customer Objectives
- Operational Efficiency & Effectiveness
- People & Culture
- Governance, Regulatory Compliance & Risk Management
- ESG

Moreover, all Senior Executives are scored on twelve (12) behavioural criteria, namely:

- Accountability
- Change Orientation
- Empathetic and Positive Leadership
- Communication
- Consistently work within compliance frameworks
- Customer orientation
- Decisiveness
- Goal Orientated and Diligence
- Integrity, Trust and Respect
- Professionalism
- Creativity, innovation and problem solving
- Teamwork and Collaboration

During Q1 2026, an assessment of the performance of the Senior Executives was carried out by the Chief Executive Officer and approved by the Remuneration Committee and notified to the Board of Directors. The performance assessment of the two Executive Directors was approved by the Board of Directors. All reviews were conducted by the Chief Executive Officer. However, in the case of the Chief Risk Officer (CRO), the Chief Commercial Officer (CCO), Group Chief Internal Auditor (GCIA), Chief Financial Officer (CFO), Group Chief Compliance Officer (GCCO) and Chief AFC & MLRO (CAFCO), further discussions were held with the Risk Committee (for the CRO and the CCO), Audit Committee (for the CFO & GCIA) and Compliance and Anti-Financial Crime Committee (for the GCCO & CAFCO) accordingly.

Variable Remuneration of Chief Executive Officer
Information on the performance assessment and the variable remuneration of the Chief Executive Officer is reported in the Directors' Remuneration Report, within this Annual Report in terms of Chapter 12 of the Capital Markets Rules .

3.2 REMUNERATION POLICY – DIRECTORS

The Remuneration Policy for Directors was drawn up in accordance with Capital Markets Rules 12.26 and was approved during the Bank's Annual General Meeting. The maximum annual aggregate emoluments that may be paid to the Directors is approved by shareholders at the General Meeting in terms of Article 32.1 of the Bank's Articles of Association. The aggregate emoluments of all Directors of €850,000 per annum, was fixed at the Annual General Meeting held on 29 May 2025. This amount excludes the salaries of Directors in the Bank's employment.

During FY2025, following shareholders' approval at the Annual General Meeting to revise the aggregate directors' remuneration to €850,000; the base annual fee paid to each Non-Executive Director was increased from €30,000 to €40,000. In the case of the Chairperson of the Board, the base annual fee was increased from €95,000 to €130,000. In addition to the base fee, Non-Executive Directors who are also appointed as members of one of the Board Committees receive additional compensation. The additional remuneration paid depends on whether the Non-Executive Director is Chair or a member of such Board Committee. During 2025, Non-Executive Directors who were appointed Chair of a Board Committee were granted an annual €10,500 Committee fee. Whilst Non-Executive Directors who were appointed Members of a Board Committee were granted an annual €6,500 Committee fee. In the case of the Nominations Committee and the Remuneration Committee, following the split of the NomRem Committee into two committees in 2024, the remuneration for each of the two committees was set at one half of the above amounts, to reflect the lower number of meetings and volume of work involved in these Committees. With effect from 1 June 2025, the Chairperson of the Bank has ceded the Committee fees to which he is entitled as Chair or Member of a Board Committee. Executive Directors are not entitled to any fees for sitting on the Bank's Board of Directors and for attending Board Committee meetings (as required).

Report of the Remuneration Committee

for the year ended 31 December 2025

The total remuneration paid to Non-Executive Directors during FY2025 complies with the Remuneration Policy for Directors. The remuneration granted to Non-Executive Directors contributes to the long-term performance of the Bank in view that Non-Executive Directors contribute actively during Board and Board Committee discussions and prepare themselves well ahead of meetings. There is positive engagement and interaction amongst Non-Executive Directors, as well as with the Bank's management and employees, which is consistently observed also during training sessions which are organised from time to time by the Bank specifically for Directors.

Service Contracts for Directors

Non-Executive Directors

The Non-Executive Directors have service contracts with the Bank, none of which provide for severance payments upon termination of their respective directorship. In terms of the said service contracts, as well as pursuant to the Remuneration Policy for Directors, the Non-Executive Directors are entitled to certain benefits after the termination of their directorship, including discounts on products and services offered by the Group. The Chairperson is entitled to a car cash allowance as may be determined by the Remuneration Committee.

Service contracts regulate the term of office of Non-Executive Directors, referring specifically to the provisions within the Memorandum and Articles of Association (as further explained under Principle 3 of the Corporate Governance Statement of Compliance). Non-Executive Directors do not benefit from any pension or early retirement schemes by virtue of their office. Upon termination of their service agreement, Non-Executive Directors who have served a minimum of one (1) 3-year term, shall be entitled to a four-month fully paid gardening leave. The gardening leave shall be paid on condition that following resignation from Non-Executive Director of the Bank, the Non-Executive Director is not employed or is otherwise engaged on a part-time or full-time basis, or as director or consultant with an entity having a licence issued under the Banking Act (Cap 371 of the Laws of Malta) and/or any other bank or financial institution that is in direct or indirect competition with the Bank within a four (4) month period from his/her termination of his/her service agreement with the Bank.

Executive Directors

The Chief Executive Officer is appointed as Executive Director, on an ex officio basis, by virtue of his role of Chief Executive Officer.

The second Executive Director on the Board is currently the Group Chief Compliance Officer, who has a term of office of three (3) years and shall thereafter be eligible for reappointment.

On a non-contractual basis, both the Chief Executive Officer and the Group Chief Compliance Officer may be eligible to a retirement gratuity of up to three times their salary, subject to a prescribed level of service, by virtue of their being employees of the Bank.

Vacation of office of Directors shall be served in writing. Service contracts also provide for the Directors' powers and duties vis-à-vis the Bank and their obligation to dedicate sufficient time to carry out their responsibilities. Directors are obliged to avoid conflicts of interest and shall take reasonable steps to keep the Bank's matters confidential. Directors' emoluments are designed to reflect the time committed by Directors to the Bank's affairs, including the different Board Committees of which Directors are members, and their responsibilities on such Committees.

Share Options and Share-Incentive Schemes

None of the Non-Executive Directors, in the capacity as a Director of the Bank, is entitled to profit sharing, share options or pension benefits. During 2025, there were no changes in the terms and conditions of existing share options occurring during the financial year.

Pursuant to the Remuneration Policy for Directors, in the case of Executive Directors, subject to the de minimis rule, in order to align the interests of Executive Directors with the long-term interests of shareholders, at least 50% of the annual variable pay outcome will normally be paid out in ordinary shares of the Bank, with the balance normally be paid out in cash. For Financial Year 2025, given that the de minimis exceptions permitted by relevant banking regulations applies for the variable pay granted to Anatoli Grech, the variable pay awarded to Anatoli Grech shall be paid fully in cash and no part thereof will be deferred to a later year/s. In the case of Kenneth Farrugia, 50% of Mr Farrugia's variable pay shall be awarded in cash, whereas the remaining 50% shall be awarded in BOV shares. 40% of the cash bonus amount and of the BOV shares bonus shall be paid upfront, whilst the remaining 60% of the cash bonus and BOV shares bonus will be deferred over a period of 5 years. The BOV shares will be vested in the subsequent years.

Report of the Remuneration Committee

for the year ended 31 December 2025

In terms of non-cash benefits, Directors are entitled to health insurance. They are also entitled to a refund of reasonable out-of-pocket expenses. In addition, the Executive Directors only are entitled to the use of a company car or a car cash allowance.

One of the Non-Executive Directors serving till 29 May 2025, as well as both the Executive Directors, are employees of the Bank and therefore also receive remuneration by virtue of their employment.

3.3 CODE PROVISION 8.A.5

Senior Executives' Emoluments (Executive Committee)

Fixed Remuneration	Group Fees	Variable Remuneration	Share Options	VOPS	Fringe Benefits
€ 2,589,575*	€ 29,500 **	€ 679,492	None	€ 25,000 ***	Non-cash benefits: health insurance, beneficial loan arrangements, car and fuel allowance, flight allowance and refund of out-of-pocket expenses: € 216,097

** This amount includes government bonus and long service bonus.*
*** This amount represents emoluments received by Senior Executives in relation to their directorships and memberships on the Bank's subsidiary companies and respective Committees.*
**** This amount represents contribution made by the Bank under the BOV Voluntary Occupation Pensions Scheme (VOPS) with respect to those Senior Executives who have registered under the BOV VOPS.*

Directors' Fees (Non-Executive Directors)*

Fixed Remuneration	Group Directors Fees	Variable Remuneration	Extraordinary Items	Share Options	Fringe Benefits
€ 645,354	€ 26,000*	None	€ 8,250**	None	Non-cash benefits: such as health insurance, car cash allowance (Chairperson only), telephony fees and refund of out-of-pocket expenses: € 45,133

**This table includes fees earned by both Non-Executive Directors and Executive Directors in relation to their directorships on the Bank's subsidiary companies and their membership on Board Committees of the Bank's subsidiary companies.*
*** This amount represents fees for services rendered by one Non-Executive Director during FY2025 in relation to her role as INED Innovation and CX Liaison.*

Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules

The Remuneration Policy for Directors (the "Policy") regulates the remuneration of the Non-Executive Directors as well as that of the Executive Directors. The Remuneration Committee is tasked with keeping the Policy under review and considers whether it requires revision or updating in line with market demands in order to ensure that the Bank's Board of Directors attracts and retains, suitable members that provide the collective skills and experience required for the proper functioning of the Board. The Policy shall be reviewed and any material amendments to the Policy shall be submitted to a vote by the general meeting before adoption, and in any case at least every four years. The Remuneration Policy for Directors as revised, was last approved by the general meeting during the AGM held on the 31 May 2024.

Report of the Remuneration Committee

for the year ended 31 December 2025

The Remuneration Policy for Directors is available on the Bank's website on https://www.bov.com/financial-reports

There were no deviations from the procedure for the implementation of the Remuneration Policy for Directors.

Information in terms on Appendix 12.1 of the Capital Markets Rules

Executive Directors

The Executive Directors' total remuneration as salaried employees is regulated pursuant to the Remuneration Policy for Directors, the Bank's Remuneration Policy and the Executive Director's respective contract of engagement. The Bank's policy is that the remuneration of Executive Directors ought to reflect mainly their executive positions within the Bank. Such remuneration consists of a fixed salary, variable remuneration and benefits as may be provided for in their employment contract with the Bank.

The Bank believes that a combination of fixed and variable remuneration aims to attract and retain suitable executives who have the necessary competence, skills, qualities and experience to enable them to discharge their duties according to the highest standards.

The fixed remuneration component gives due consideration to the level of responsibility which such position entails, whereas the variable component is subject to the performance assessment by the Remuneration Committee. This assessment may include risk-adjusted performance indicators and shall be aligned with the strategic objectives and delivery value to shareholders.

Any variable component of Executive Director remuneration is subject to malus and clawback provisions which allow a reduction or reversal of any variable remuneration. The Remuneration Committee may enforce such provisions up to 7 years from the date of the performance assessment (which may be increased to 10 years if there is an on-going investigation) in case of:

- (Malus only) material misstatement of the Bank's financial results
- (Malus only) material error
- (Malus and clawback) circumstances warranting summary dismissal
- (Malus and clawback) material failure of risk management
- (Malus only) material downturn in economic activity
- (Malus only) where the director participated in/was responsible for conduct which resulted in significant losses to BOV; and
- (Malus only) where the director failed to meet the appropriate fit and proper requirements.

During the period under review no malus and clawback provisions were exercised.

Non-Independent Non-Executive Director by virtue of being salaried employee of the Bank

Besides being a Non-Executive Director on the Bank's Board of Directors, James Grech holds an indefinite salaried office with the Bank. James Grech served as a Non-Executive Director until 29 May 2025.

James Grech was not considered to be an Executive Director because his position was not one of executive decision making with the Bank, and he was appointed to the Board by shareholders in general meeting.

Report of the Remuneration Committee

for the year ended 31 December 2025

Remuneration paid to Executive Directors and Non-Executive Director by virtue of being a salaried employee of the Bank

	Kenneth Farrugia €	Kenneth Farrugia €	Anatoli Grech €	Anatoli Grech €	James Grech €	James Grech * €
	FY 2024	**FY 2025**	**FY 2024**	**FY 2025**	**FY 2024**	**FY 2025**
Fixed pay	276,182	440,000	145,000	165,000	72,426	29,677
Government Bonus	N/A	513	N/A	513	N/A	209
Long Service Bonus	N/A	23,038	N/A	N/A	N/A	N/A
Fringe Benefits	10,605	10,163	11,049	13,088	4,614	2,698
VOPS	2,400	2,400	2,400	2,400	N/A	N/A
BOV directors' fees	N/A	N/A	N/A	N/A	27,917	12,500
Other Group Companies directors' fees	10,000	10,000	9,714	10,000	N/A	N/A
Total Fixed Remuneration	**299,187**	**486,114**	**168,163**	**191,001**	**104,957**	**45,084**
Variable pay						
- Cash	41,612	78,842	37,717	46,753	5,504	3,383
- Value of Shares	41,612	78,842	N/A	N/A	N/A	N/A
Aggregate	**382,411**	**643,798**	**205,880**	**237,754**	**110,461**	**48,467**
Fixed vs Variable Pay Ratio (%)	**78-22**	**76-24**	**82-18**	**80-20**	**95-5**	**93-7**

** The remuneration (fixed and variable) including any other benefits of James Grech is pro rata until 29 May 2025, being the date of resignation from his position as Non-Executive Director on the Bank's Board of Directors.*

Shares and Share Options awarded in 2025

	Share Value €	Performance Period
Kenneth Farrugia		
Vested Shares	78,842	1 January to 31 December 2025

Moreover, in line with the Bank's Variable Remuneration Share Plan, in 2025 the Bank acquired 21,449 shares at the price of €1.94 per share for a total amount of €41,611.06 rounding it to the nearest share. This in fulfilment of the shares component of the deferred variable remuneration for FY 2024 of Kenneth Farrugia.

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the table hereunder represents the percentage annual change of remuneration of the executive directors and non-independent non-executive director by virtue of his being a salaried employee of the Bank, of the Bank's performance, and of average remuneration on a full-time equivalent basis of the Bank's and Group's employees (excluding directors) over the previous four financial years.

Performance Indicators	% Difference 2020 vs 2021	% Difference 2021 vs 2022	% Difference 2022 vs 2023	% Difference 2023 vs 2024	% Difference 2024 vs 2025
Annual Change of the Bank's Performance based on Cost to Income Ratio	8 percentage points	(17) percentage points	(17) percentage points	(3) percentage points	5 percentage points*
Annual Change of the Bank's Performance based on Profit Before Tax	2698%	-18%	379%	21%	-14%**
Annual Change of Remuneration for Kenneth Farrugia	N/A	N/A	424%	-5%	33%
Annual Change of Remuneration for James Grech	7%	-6%	12%	1%	-9%
Annual Change of Remuneration for Anatoli Grech	N/A	N/A	N/A	7%	13%
Annual Change of the Average Remuneration of the Bank's employees, on a full-time equivalent basis	3.20%	5.31%	13.10%	1.03%	1.83% ***
Annual Change of the Average Remuneration of the Group's employees, on a full-time equivalent basis	2.70%	4.89%	15.12%	1.14%	1.76% ***

** The increase in Cost-to-income ratio for FY 2025 is due to an increase of 3% in Operating income compared to a 14% increase in costs.*

*** The Bank's Profit Before Tax for FY 2025 of €254.0m is driven by a strategic focus on both revenue and cost management with positive results across the Bank's core areas.*

**** The Annual Change of the Average Remuneration, was computed after considering the total remuneration to employees (excluding Directors) divided by full-time equivalent employees for Bank and Group for 2024 and 2025. For the purposes of this computation, total remuneration paid to employees excluded Early Retirement Scheme lump sum payments and Voluntary Occupational Pension Scheme payments to allow for a meaningful comparison.*

Determining the Performance of the Executive Directors and of the Non-Independent Non-Executive Director by virtue of being salaried employee of the Bank

The performance assessment of Kenneth Farrugia was based on the evaluation of the targets achieved against the objectives laid down in his performance objectives for FY 2025 as approved by the Remuneration Committee and the Board of Directors. The performance assessment of Kenneth Farrugia, was based on a Corporate Performance element which includes four core elements, split into Financial Performance Gates (Revenue Per Employee and Cost to Income Ratio) and Governance Performance Gates (Supervisory Review and Evaluation Process (SREP) Score & ESG). These are overarching KPIs which underpin the Bank's strategic targets whilst remaining coherent to the Bank's Risk Appetite Framework.

These gateways lead to the Key Performance Indicators (KPIs) scorecard of the CEO, and the KPIs are clustered into the following groupings:

1. Business and Customer Objectives
2. Strategic Projects
3. Operational Efficiency and Effectiveness
4. People and Culture
5. Governance, Regulatory, Compliance and Risk Management
6. ESG Objectives

Moreover, Kenneth Farrugia was scored on twelve behavioural criteria, namely:

- Accountability
- Change Orientation
- Empathetic and Positive Leadership
- Communication
- Consistently work within compliance frameworks
- Customer orientation
- Decisiveness
- Goal Orientated and Diligence
- Integrity, Trust and Respect
- Professionalism
- Creativity, innovation and problem solving
- Teamwork and Collaboration

The assessment of Kenneth Farrugia's performance was carried out also by means of scores which Non-Executive Directors of the Board were invited to allocate to each of the KPIs specified in Kenneth Farrugia's performance objectives for FY 2025. Upon the recommendation of the Remuneration Committee, a final bonus payment of €157,684 was approved by the Board.

In accordance with the Remuneration Policy for Directors, the percentage of variable remuneration received by Kenneth Farrugia for 2025 was 32% of his fixed remuneration. Mr Farrugia's percentage of variable remuneration is therefore lower than 100% of fixed remuneration threshold. The performance and the variable remuneration of Kenneth Farrugia was approved also by the Board, following a recommendation from the Remuneration Committee.

The performance and the variable remuneration of Anatoli Grech was carried out by the Chief Executive Officer, and recommended for Board approval, by the Remuneration Committee in a joint session with the Compliance and Anti-Financial Crime Committee.

The Key Performance Indicators for Anatoli Grech align with strategy objectives and risk assessment framework objectives and are clustered into the following groupings:

1. Business and Customer Objectives
2. Operational Efficiency and Effectiveness
3. People and Culture
4. Governance, Regulatory, Compliance and Risk Management
5. ESG Objectives

Anatoli Grech, similar to the CEO and the other Chief Officers, was also assessed on twelve behavioural criteria as per above.

The targets are designed to encourage sound and effective compliance risk management without compromising objectivity and independence.

Report of the Remuneration Committee

for the year ended 31 December 2025

The variable pay granted to Anatoli Grech for Financial Year 2025 shall be paid fully in cash. The amount of variable pay to be received by Anatoli Grech amounts to approximately 24% of his fixed remuneration and is lower than the 100% of fixed pay threshold.

Given that the de minimis exceptions permitted by relevant banking regulations apply for the variable pay granted to Anatoli Grech for Financial Year 2025, the bonus awarded to him shall be paid fully in cash and no part thereof will be deferred to a later year/s.

In the case of James Grech, the variable remuneration as a salaried employee of the Bank, is governed by the Remuneration Policy of the Group. The Key Performance Indicators of Mr James Grech consisted of both team and individual objectives that in turn reflect performance and behavioural competencies. The performance assessment of James Grech was carried out by the Head Investment Operations, Custody Operations & Foreign Bank Relationships to whom James Grech reports. The amount of variable pay to be received by James Grech amounts to approximately 8% of his fixed remuneration and is lower than the 100% of fixed pay threshold.

No deferral requirements applied to James Grech during performance year 2025.

Non-Executive Directors

The maximum annual aggregate emoluments that may be paid to the Directors is approved by shareholders at the General Meeting in terms of Article 32.1 of the Bank's Articles of Association. The aggregate emoluments of all directors of €850,000 per annum, was fixed at the Annual General Meeting held on 29 May 2025. This amount excludes the salaries of Directors in the Bank's employment.

Information on annual emoluments paid to Non-Executive Directors is outlined in section 3.2 above.

Non-Executive Directors may receive various benefits as approved by the Remuneration Committee. Currently, all Non-Executive Directors are entitled to health insurance and to a reimbursement of reasonable out-of-pocket expenses incurred by them. As per Bank's Remuneration Policy for Directors, Non-Executive Directors are not eligible to participate in the annual bonus plan or pension arrangement. In this regard, the ratio of Fixed vs Variable Pay for the Bank's Non-Executive Directors is 100% - 0%.

Report of the Remuneration Committee

for the year ended 31 December 2025

Non-Executive Directors' fees and benefits	FY2024 Fees	FY2024 Fringe Benefits	Total 2024	FY2025 Fees	FY2025 Fringe Benefits	Total 2025	Percentage Annual Change of Aggregate Emoluments				
							(2020 - 2021)	(2021 - 2022)	(2022 - 2023)	(2023 - 2024)	(2024 - 2025)*
	€	€	€	€	€	€	%	%	%	%	%
Gordon Cordina	107,271	9,794	117,065	120,313	11,281	131,593	-2%	14%	5%	8%	12%
Anita Mangion	38,208	2,700	40,908	48,458	2,820	51,278	13%	39%	-3%	9%	25%
James Grech (resigned 29 May 2025)	27,917	2,014	29,931	12,500	4,009	16,509	10%	10%	2%	11%	35%
Diane Bugeja	44,104	2,856	46,960	60,479	2,976	63,455	-2%	1%	15%	25%	35%
Christian Bonnici West **	25,083	1,425	26,508	48,833	4,093	52,926	N/A	N/A	N/A	N/A	17%
Hadrian Joseph Sammut **	25,083	1,123	26,206	54,958	3,566	58,524	N/A	N/A	N/A	N/A	14%
Jonathan Spiteri **	23,188	1,197	24,385	51,708	3,424	55,132	N/A	N/A	N/A	N/A	33%
Deborah Schembri	48,083	2,752	50,835	59,333	2,898	62,231	N/A	N/A	50%	29%	22%
Godfrey Swain (resigned 29 May 2025) ****	39,063	2,356	41,419	32,813	3,452	36,265	N/A	35%	1%	19%	114%
Robert Suban	42,021	3,130	45,151	60,479	3,267	63,746	N/A	N/A	N/A	35%	41%
Nicola Angeli	35,813	-	35,813	47,583	-	47,583	N/A	N/A	N/A	31%	33%
Sue Vella (appointed 19 August 2025) ***	-	-	-	27,125	1,710	28,835	N/A	N/A	N/A	N/A	N/A
Ingrid Azzopardi (appointed 28 July 2025) ***	-	-	-	29,021	1,637	30,658	N/A	N/A	N/A	N/A	N/A
Elizabeth Camilleri (resigned 31 May 2024)	18,542	-	18,542	-	-	-	N/A	20%	0 %	37%	N/A
Kevin J. Borg (resigned 31 May 2024)	11,458	2,414	13,872	-	-	-	N/A	16%	1%	9%	N/A
Total	**485,834**	**31,761**	**517,595**	**653,604**	**45,133**	**698,737**					

** Percentage annual change of aggregate emoluments (2024-2025) was based on annualised remuneration for 2025. James Grech and Godfrey Swain resigned from Directors of the Bank on the 29 May 2025. Therefore, these two directors' remuneration for 2025 was paid pro rata until date of resignation. Anita Mangion's fees for FY 2025, also included a payment of €8,250 relating to her role as INED Innovation and CX Liaison, as approved by the Board of Directors.*

*** Percentage annual change of aggregate emoluments (2024-2025) was based on annualised remuneration for 2025. Christian Bonnici West and Jonathan Spiteri were appointed on the Board of Directors during the Bank's AGM held on the 31 May 2024. Hadrian Joseph Sammut was co-opted on the Board on the 28 June 2024. Therefore, these three Directors' remuneration for 2024 was paid pro rata as from date of appointment. In the case of Nicola Angeli, in view that he was appointed on the Board of Directors by UniCredit S.p.A, which was one of the Bank's Qualifying Shareholders, and given that Mr Angeli is an employee of UniCredit S.p.A, Mr Angeli's director's remuneration on the Board was granted to UniCredit S.p.A.*

**** Ingrid Azzopardi and Sue Vella were appointed on the Board of Directors during the Bank's AGM held on the 29 May 2025. Their appointment was subject to regulatory approval which was subsequently received on the 28 July 2025 and 19 August 2025 respectively.*

***** Godrey Swain has served a 3-year term as Non-Executive Director and in terms of the Remuneration Policy he was entitled to a four-month fully paid gardening leave.*

Report of the Remuneration Committee

for the year ended 31 December 2025

The Directors' remuneration takes into consideration the Board members' required competencies, skills, effort and scope of the Board work. It is intended to ensure that the Bank can attract and retain high-quality people, enabling the Bank to execute its business strategy and serve its long-term interests, including its sustainability goals.

The Bank has complied in full with the procedure for the implementation of the Remuneration Policy for Directors as defined in Chapter 12 of the Capital Markets Rules.

The Directors' Remuneration Report for 2024 was approved at the Annual General Meeting held on 29 May 2025, by show of hands. There were no issues raised on the Report during the said Annual General Meeting.

The Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules is being put forward to an advisory vote during the 2026 Annual General Meeting pursuant to the requirements of Capital Markets Rule 12.26L.

In accordance with Capital Markets Rule 12.26N, the External Auditors have checked that all information, as required in terms of Appendix 12.1 of Chapter 12 of the Capital Markets Rules, has been included in the Directors' Remuneration Report within this Remuneration Report.

Environmental Social and Governance (ESG)

for the year ended 31 December 2025

1. Environmental Matters

The disclosures on environmental matters are prepared in accordance with the requirements of the Non-Financial Reporting Directive (NFRD), specifically Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014. The additional thematic areas mandated under this Directive, namely social and employee matters, respect for human rights, and anticorruption and bribery, are primarily addressed in the respective sections of this Annual Report

Within a context of intensifying climate-related and environmental (C&E) expectations in Malta and across Europe, the financial sector is increasingly required to enhance transparency, resilience, and long-term sustainability reporting. This transition is being shaped by key EU regulatory developments, notably the Corporate Sustainability Reporting Directive (CSRD, Directive (EU) 2022/2464) and the Sustainable Finance Disclosure Regulation (SFDR, Regulation (EU) 2019/2088), which together establish more stringent expectations for sustainability-related transparency and accountability.

Supervisory authorities are likewise emphasising the importance of embedding C&E considerations credibly within risk management. This includes more robust materiality assessments, clearer governance structures, and more forward-looking analytical capabilities. These developments signal a significant shift, as sustainability becomes integral to financial stability, societal well-being, and responsible long-term value creation.

In response, BOV is strengthening its approach to identifying and evaluating environmental related impacts, capturing emerging opportunities, and advancing initiatives that protect and create value for all stakeholders. The following sections outline the Bank's holistic pathway for embedding sustainability across operations and strategic decision-making; positioning environmental matters not simply as a compliance requirement, but as a strategic driver of resilience, innovation and enduring growth, aligned with Malta's and Europe's sustainability ambitions.

1.1 STRATEGIC OBJECTIVES

Sustainability remains a central pillar of the Bank's 2024–2026 strategic framework, guiding its long-term direction and operational priorities. The Bank aims to maintain agility in a dynamic landscape shaped by shifting customer expectations, regulatory developments, demographic changes, and emerging risks, particularly in relation to climate-related impacts.

As part of the environmental commitment, BOV reinforced its responsibility to mitigate climate impacts arising from its own operations and to improve overall energy efficiency.

During 2025, the Bank made strategic progress on its Climate Transition Plan (CTP), a key milestone within its long-term sustainability agenda. The document sets out a roadmap for how BOV plans to deliver on its climate ambitions, in line with evolving regulatory expectations and best practice for financial institutions. Scheduled for completion in 2026, this plan will guide BOV's alignment with the EU's decarbonisation pathway through 2050 and will serve as the Bank's central roadmap for climate action. It encompasses the development of a comprehensive greenhouse gas (GHG) inventory across all scopes, the establishment of science-based emission reduction targets, and forward-looking scenario analyses designed to steer the Bank toward a low carbon operating model.

2024

- *GHG Inventory Development*
- *Scenario Analysis & Risk Assessment*
- *Initial Emission Reduction Targets*

2025

- *Achieved 20% Reduction in Scope 1 & 2 Emissions*
- *Energy Efficiency Initiatives*
- *Enhanced Sustainability Training*

2026

- *Science-Based Emission Targets*
- *Long-Term Scenario Planning*

Environmental Social and Governance (ESG)

for the year ended 31 December 2025

1.1.1 REDUCING SCOPE 1 AND 2 EMISSIONS

Building on this momentum, BOV continued advancing its measurable objective to reduce Scope 1 and Scope 2 GHG emissions by 20% by 2026. The latest emissions data indicate that BOV achieved and surpassed this target in 2025, underscoring its ongoing commitment to sustainability. While the current targets are not yet aligned with a 1.5°C pathway consistent with the Paris Agreement, the Bank will define additional emission-reduction objectives in its CTP, aiming for closer alignment with science-based trajectories across all emission scopes.

Energy-efficiency improvements also remained a priority throughout the year. The Bank implemented a series of targeted measures, including Heating, Ventilation and Air Conditioning (HVAC) upgrades, enhanced lighting solutions, improvements to hot water systems, and selective branch refurbishments. Additional initiatives, such as the introduction of UV window film technology at the Premium Banking Centre, also supported these efforts. These actions not only contribute to the Bank's environmental objectives but also enhance operational performance and customer experience.

Recognising that technology alone cannot drive meaningful emissions reduction, the Bank also strengthened its focus on organisational culture. During 2025, BOV intensified its sustainability focused educational initiatives, promoting energy saving practices, waste reduction efforts, and more sustainable commuting habits among employees. These initiatives aim to embed environmental responsibility into everyday workplace behaviour, strengthening the collective contribution to the Bank's climate objectives. This reflects a maturing and increasingly standardised approach to advancing BOV's decarbonisation agenda and broader ESG commitments.

Complementing this, the Bank is strengthening its digital processes to reduce waste, particularly printing. Cloud technologies and digital signatures all contribute to lowering BOV's operational carbon footprint.

1.1.2 REDUCING SCOPE 3 EMISSIONS

The Bank's emissions extend beyond those generated by its own operations, as they also include indirect emissions arising from activities in its value chain, referred to as Scope 3. These include emissions produced by suppliers, business travel, employee commuting, the use of the Bank's financed products, and other downstream or community related impact that the Bank influences but does not directly control.

In support of reducing Scope 3 emissions linked to employee commuting, the Bank has expanded sustainable mobility initiatives by installing electric vehicle charging stations at the Head Office and allocating dedicated green parking spaces for electric and plug in hybrid vehicles. The Hybrid Working Policy continues to contribute to lowering emissions associated with employee commuting. These initiatives further demonstrate BOV's commitment to lowering its indirect emissions and promoting environmentally responsible behaviour across the organisation.

Further analysis conducted during the year highlighted that certain lending and investment exposures contain potentially significant locked-in emissions. These embedded emissions present challenges in meeting long-term decarbonisation objectives. The financed-emissions analysis enables the Bank to focus its decarbonisation efforts on sectors with comparatively higher emission intensities. The level of potentially locked-in emissions within these assets may complicate the Bank's transition pathway and increase the effort required to meet established GHG reduction objectives. The CTP currently in development by the Bank will address more clearly the strategy to reduce the Bank's financed emissions over time.

1.1.3 SUSTAINABLE FINANCE

Supporting customers in their transition remains a central pillar of the Bank's sustainability strategy. The Bank prioritises expanding access to sustainable financial products that empower customers to make climate positive choices. BOV continues to increase the availability and uptake of green products across both retail and corporate segments, offering financing that supports energy-efficient buildings, low carbon alternatives, and environmentally responsible upgrades.

The Bank's retail green lending initiatives were consolidated in 2025 through two environmentally focused products, the Green Home Loan and the Green Personal Loan. These offerings streamline the Bank's retail sustainable finance proposition, making it easier for customers to access financing for energy-efficient and low carbon solutions. Within the corporate segment, green financing is supported by a revised pricing model, designed to incentivise and reward sustainability-oriented investments and environmentally responsible business decisions. The Bank offers lower interest rates for projects that reduce carbon emissions. Additionally, a structured SME lending product was launched to support sustainability-focused investments. The Bank actively monitors the penetration of these sustainable products to ensure ongoing alignment with evolving environmental standards and customer expectations.

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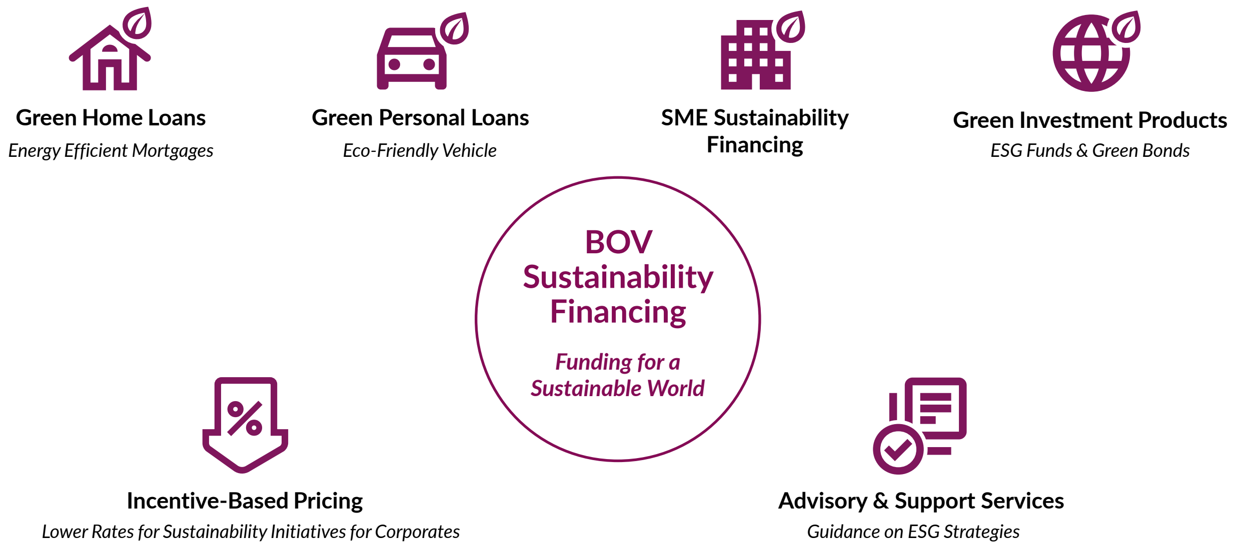
Alongside lending initiatives, BOV strengthened its contribution to sustainable development through the integration of sustainability considerations within its investment operations. By integrating investments that align with recognised sustainability objectives, the Bank ensures that its investment portfolio supports broader climate mitigation goals and contributes to long-term, sustainable economic growth. This approach reinforces the Bank's ambition to remain a responsible financial intermediary while enabling high-net-worth clients, through the Wealth Management arm, to access investment opportunities that reflect their sustainability preferences.

In line with MiFID II, the Bank distributes sustainability preference questionnaires to its clients receiving investment advisory services or discretionary portfolio management services. This questionnaire is used to capture a client's sustainability preference, specifically whether they want investments that are EU Taxonomy-aligned products, SFDR Article 8 or Article 9 products or ones that consider Principal Adverse Impacts (PAIs). The questionnaires form an integral part of a fact find process for Wealth Management clients. During 2025, the response rate to the Sustainability Preference Questionnaires distributed across the Wealth Management portfolio remained low. Sustainability Preferences were collected for all such dealings, with only seven clients indicating that they hold a sustainability preference. The Bank offers a suite of sustainable investment products, including Article 8 and Article 9 funds, green bonds, and EU Taxonomy-aligned instruments, reflecting its strategic commitment to responsible finance and sustainable value creation.



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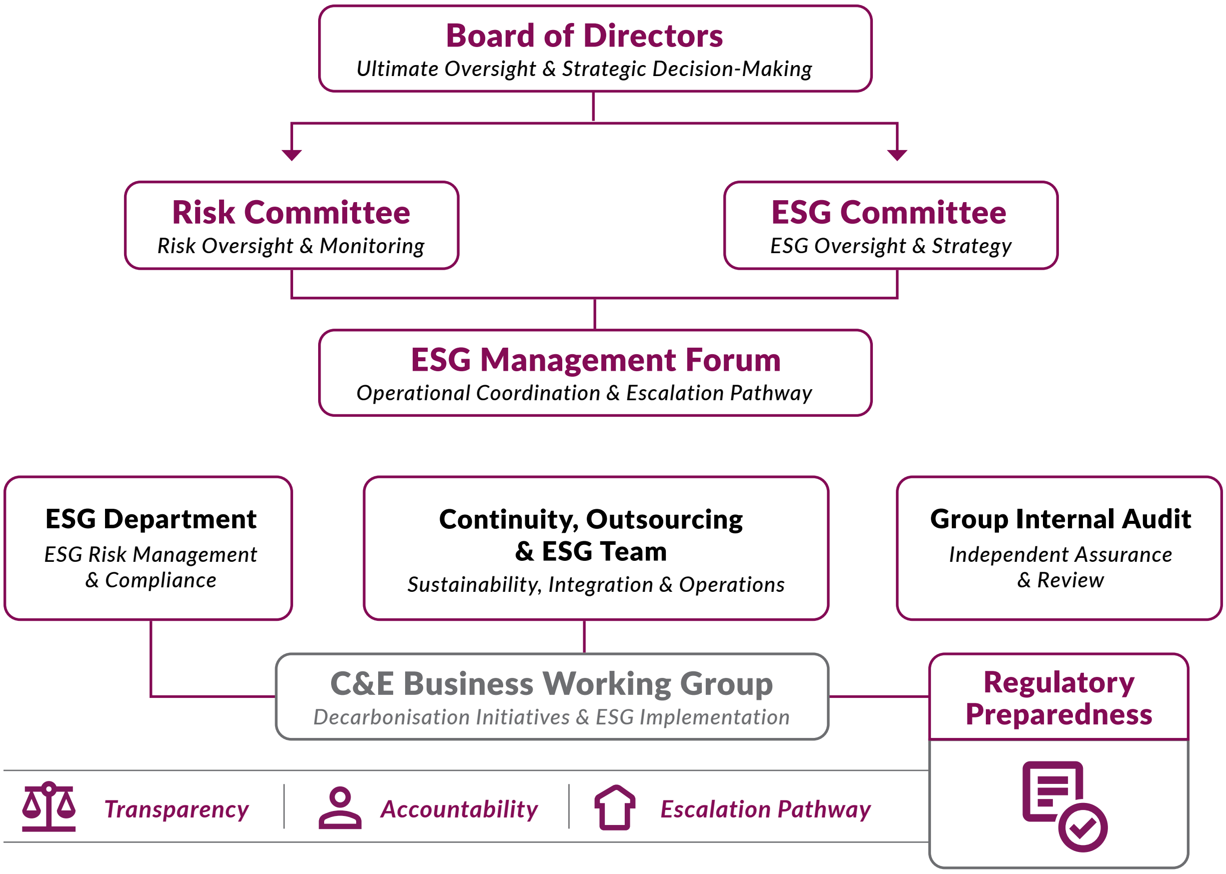
1.2 GOVERNANCE

BOV's governance structure ensures that environmental considerations are systematically integrated across all levels of the organisation. Sustainability oversight extends from the Board of Directors, Executive Committees, and dedicated ESG governance bodies. The framework is built on transparency, accountability, and clear escalation mechanisms. Each committee operates with clearly defined responsibilities and decision-making authorities, supported by structured channels for escalating significant issues. A formalised escalation pathway enables early identification of emerging environmental risks, ensuring they are assessed thoroughly and elevated to the appropriate decision-makers without delay. This approach also strengthens the Bank's preparedness for evolving regulatory requirements. Through its ESG governance framework, BOV is equipped to respond promptly and effectively to sustainability-related developments, mitigating risks while preparing for emerging ESG-driven regulatory requirements.



1.2.1 BOARD OF DIRECTORS

The Board serves as the ultimate decision-making authority, providing strategic oversight of environmental-related matters, financial performance, and regulatory compliance. In 2025, the Board intensified its engagement with sustainability matters, driven by the growing strategic importance of C&E risks. Through regular updates provided by both the Risk Committee and the ESG Committee, the Board maintained comprehensive oversight of C&E risks, upcoming regulatory developments, and progress on BOV's sustainability priorities. This level of visibility enabled informed, forward-looking decision-making, supporting the Bank's commitment to responsible banking by ensuring it remains resilient, adaptable, and strategically aligned with market developments and stakeholder expectations.

1.2.2 RISK COMMITTEE

The Risk Committee is responsible for providing strategic guidance and oversight of the full spectrum of risks facing the Group, including environmental-related risks. In 2025, it received four quarterly updates through the Sustainability Dashboard, which presents detailed sectoral concentration analyses of the Bank's lending and proprietary portfolios, strategic Key Performance Indicators (KPIs), risk appetite metrics, progress toward decarbonisation targets, and other environmental monitoring indicators. The ESG Committee receives this dashboard on an annual basis.

During the year, the Risk Committee approved the revised environmental materiality assessment and the updated collateral valuation haircut model. It also endorsed the quantitative outputs of the internal climate stress testing model, including enhancements designed to address regulatory requirements.

1.2.3 ESG COMMITTEE

The ESG Committee continued to play a pivotal role in reinforcing BOV's governance foundations, strengthening internal controls, and ensuring that ESG considerations remained central to the Bank's long-term strategy, operational resilience, and stakeholder engagement. Chaired by a Non-Executive Board member, the Committee brings together Non-Executive Directors and senior members of management, including the Chief Risk Officer and other key stakeholders. All ESG matters were initially evaluated by the ESG Management Forum and escalated to the ESG Committee for oversight, direction, and strategic guidance as required.

In 2025, the Committee's work covered a wide range of critical strategic and regulatory topics. It approved several key documents, including the Supplier Code of Conduct, the updated C&E Materiality Assessment, and the results of the internal climate stress testing exercise and financial materiality assessment. The Committee also received regular updates on regulatory developments, such as the Omnibus Package and the implementation of the CSRD, ensuring that the Bank's reporting frameworks, data capabilities, and governance processes remained aligned with disclosure obligations and supervisory expectations. In line with CSRD requirements, the Committee provided oversight and direction on the Bank's CTP, supporting a structured approach to long-term decarbonisation and enhanced climate risk management.

1.2.4 ESG MANAGEMENT FORUM

The ESG Management Forum serves as the operational engine supporting the Bank's ESG strategy, overseeing the management of material ESG impacts, risks, and opportunities. Led by the Head of ESG Department, the Forum facilitates cross-departmental coordination and encourages functions across the Bank to report on key sustainability matters. This governance arrangements remain essential as the Bank continues to strengthen its resilience and capacity to mitigate ESG risks. The Forum also provides advisory input to the ESG Committee and, where appropriate, the Risk Committee on material C&E topics.

In 2025, the Forum held substantive discussions on the Bank's sustainability performance as reflected in the Sustainability Dashboard, which remained a standing quarterly agenda item. The Forum also reviewed a range of topics that aligned with those considered by the ESG Committee. Throughout the year, it consolidated insights and engaged in detailed discussions on the Bank's sustainability initiatives while overseeing key progress such as the CTP and CSRD readiness. Additionally, the Forum reviewed sector-specific sustainability risks, customer preferences, and updates to governance processes to ensure continued alignment with evolving regulatory expectations.

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1.2.5 ESG DEPARTMENT

The ESG Department operates within the Bank's Risk Management Department. It remains a central pillar of the Bank's sustainability framework. It continues to promote strong governance, uphold regulatory compliance, and reinforces the Bank's commitment to responsible and sustainable financial practices. The Department maintains oversight of ESG risks including environmental matters within the broader risk management framework, ensuring that sustainability considerations are systematically integrated into strategic and operational decision-making.

By aligning its activities with international sustainability standards such as NFRD, TFCD, CSRD/ESRS and GHG Protocol , as well as evolving financial regulatory requirements, the Department supports the Bank in navigating an increasingly complex ESG landscape. Its work underpins the Bank's long-term sustainability objectives and strengthens organisational resilience. The Department also plays a key role in embedding ESG principles across the business, shaping product development, customer engagement, and strategic planning to ensure alignment with the Bank's sustainability ambitions.

In line with regulatory expectations, the Department is instrumental in delivering both current and emerging disclosure obligations, including those under the NFRD, CRR III, EU Taxonomy (Article 8), and CSRD. This work is supported by the maintenance of robust, high-quality datasets, particularly C&E data, which are essential for accurate risk assessment and effective regulatory reporting. The Department continuously monitors developments in ESG regulation at both the national and international levels, ensuring early identification of potential impacts on the Bank's risk profile and reporting responsibilities.

During 2025, the Department further strengthened ESG capabilities across the Bank. Through a series of targeted information sessions, the team supported colleagues across multiple functions in enhancing their ability to identify, manage, and mitigate C&E risks at source. These efforts contributed to deeper integration of ESG risk considerations within governance structures and across the Bank's decision-making processes.

1.2.6 CONTINUITY, OUTSOURCING & ESG TEAM

By maintaining a comprehensive approach to sustainability, the Continuity, Outsourcing & ESG Team continues to effectively integrate ESG considerations across the Bank's operations. Throughout the year, the team continued to drive and advance environmental initiatives across all operational areas, reinforcing the Bank's commitment to embedding sustainability into day-to-day practices. This sustained effort supports the broader organisational vision of reducing emissions and progressing toward decarbonisation, while strengthening the Bank's long-term resilience through a robust, operationally embedded sustainability framework.

In 2025, the team also maintained regular and formal narrative engagement with the regulator, providing updates on the Bank's action plans related to the thematic review of climate-related actions, and the Management of C&E risks. These touchpoints ensured transparency on progress, responsiveness to supervisory expectations, and clear accountability for the timely implementation of required remediation measures.

1.2.7 GROUP INTERNAL AUDIT

Acting as the third line of defence, the Group's Internal Audit function provides essential independent assurance over the robustness of the Bank's ESG controls, processes, and governance structures. In addition, it offers advisory guidance when necessary.

1.2.8 C&E BUSINESS WORKING GROUP

The Bank's decarbonisation initiatives, including reduction in emissions (scope 1, 2 and 3) and the implementation of other sustainability practices across the Bank, are led by the Business Strategy Working Group, with the 2027-2029 strategy still in the process of being finalised as part of the CTP.

The ESG Business Strategy Working Group operates under the mandate of the ESG Management Forum and the ESG Committee forms part of the Bank's management-level ESG governance. Comprising first and second-line senior representatives from key functions such as the Corporate Finance, Risk, Consumer Finance, Wealth Management, and Operations, the Working Group coordinates the implementation of ESG strategy initiatives. This approach ensures that progress is driven through the cultivation of a strong sustainability culture and responsible behaviours across the organisation.

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The Working Group was established with a mandate to develop and prioritise strategic initiatives supporting the Bank's C&E objectives, and it continued to convene regularly throughout 2025. It followed closely on 14 strategic initiatives across key business areas. Meaningful progress has been registered on most of the initiatives. Looking ahead, the scope of the working group will be expanded to encompass Social and Governance dimensions, thereby evolving into a broader ESG strategy forum for the Bank.

1.2.9 BUILDING THE BANK'S EXPERTISE IN ESG

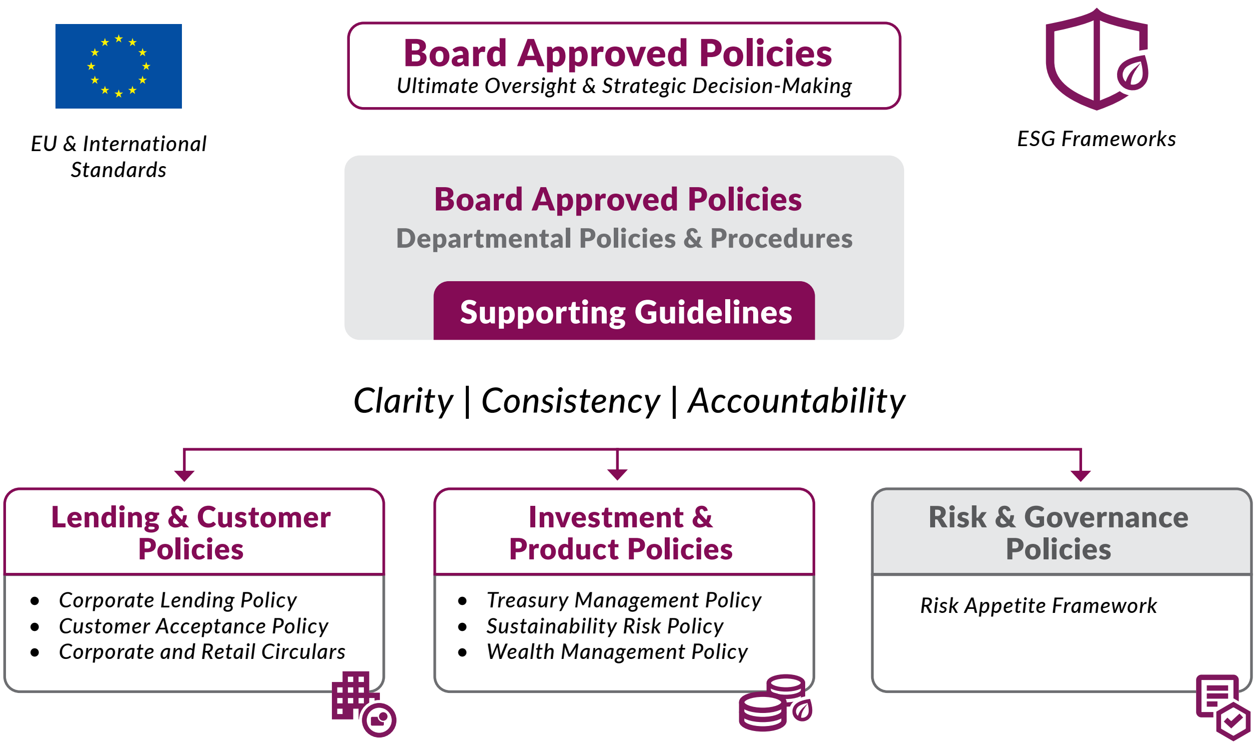
BOV invested significantly in upskilling employees on ESG-related topics in 2025. Training included internal learning programmes, external courses and conferences, focus groups and workshops. These initiatives support BOV's ambition to maintain a knowledgeable workforce capable of delivering on its sustainability commitments.

1.2.10 BOV POLICY FRAMEWORK

As part of its commitment to strong corporate governance, BOV ensures that well-defined and comprehensive policies serve as the foundation of its governance framework, shaping the Bank's strategic direction, risk management practices, and organisational culture. Policies are consistently aligned with EU and international standards, regulatory expectations, and recognised ESG frameworks, ensuring responsible operations and supporting a resilient, sustainable future for the Bank and its stakeholders. Clarity, consistency, and effective implementation are supported through a structured, multi-layered policy hierarchy that ranges from Board approved policies to detailed procedures and supporting guidelines.

Consequently, sustainability considerations are embedded throughout this framework, reflected in a wide range of policies that either directly address ESG-related risks or reference such risks where relevant. These policies are not confined to a single function but span multiple areas across the Bank, forming an interconnected governance ecosystem. Collectively, they translate governance expectations into practical standards for conduct, compliance, and effective risk management, reinforcing ESG accountability at all organisational levels and supporting consistent, transparent decision-making.

Product, lending, and investment-related policies ensure that sustainability considerations are integrated throughout the lifecycle of financial products. Corporate and retail lending policies incorporate climate-related considerations by evaluating the impact of high-risk sectors on credit decisions.



The Corporate Lending Policy addresses climate-related credit exposures by setting clear limits and approval processes for lending to corporates involved in climate sensitive industries, which therefore require enhanced due diligence. These industries include mining and quarrying, mining support services, the manufacture of coke and refined petroleum products, the manufacture of chemicals and chemical products, the manufacture of basic metals, and the manufacture of motor vehicles, trailers, and semitrailers. For these sectors, the Bank applies specific financing caps. In addition, the Bank considers the sector of accommodation, transport, real estate, energy, warehousing and wholesale as climate-sensitive in the local context. These sectors are also mentioned within the Policy and are subject to mandatory customer assessments, including dedicated questionnaires, independent due-diligence measures. These controls help reduce the risks associated with financing entities that materially contribute to climate and environmental pressures. In parallel, the Customer Acceptance Policy (CAP) has been broadened to include these very high-risk sectors, as defined under the C&E credit underwriting framework, categorising them as restricted relationships requiring further scrutiny. Collectively, these enhancements reinforce the Bank's due-diligence processes and ensure that customer engagements remain aligned with C&E considerations.

Complementing this, retail circulars promote green lending by offering incentives for environmentally friendly consumer purchases and energy-efficient home improvements. In addition, product governance procedures further embed ESG considerations across the product lifecycle, ensuring that sustainability criteria are incorporated into product design, approval processes, and distribution practices.

Investment-related frameworks, including the Treasury Management Policy (TMP), the Wealth Management Exclusion Policy, and the Sustainability Risk Policy, reinforce the Bank's commitment to ethical and climate-aligned investment practices. These policies collectively restrict investments in harmful or high-impact sectors and ensure that ESG risks are systematically integrated into both advisory and investment decision-making processes. In line with this approach, the Wealth Management Exclusion Policy prohibits investments in entities with significant climate impact, applying the same criteria used in the EU Paris-aligned Benchmarks to guide exclusions. This ensures that financial advisors and portfolio managers neither recommend nor invest in such entities, thereby aligning investment activities with the goals of the Paris Agreement. Additionally, the TMP strengthens the Bank's environmental objectives by setting a defined target for green bond investments as a proportion of the total bond portfolio.

Across all areas, BOV's policies are subject to rigorous governance processes, stakeholder engagement, and periodic review.

1.3 RISK MANAGEMENT

In accordance with CRR III Article 4(1)(52e) of Regulation (EU) 575/2013, C&E risks refer to the potential financial losses that may arise from current or future C&E impacts affecting counterparties or invested assets.

The Bank evaluates both physical and transition risks as part of its broader process for identifying and analysing environmental risks. In line with CRR III Article 4(1)(52f), physical risks are understood as environmental-driven risks of losses arising from the negative financial impacts of current or future acute or chronic physical effects of climate change or long-term environmental degradation on the Bank's counterparties or invested assets. Acute physical risks include extreme weather events such as floods, storms, heatwaves, and wildfires, while chronic physical risks stem from long-term environmental changes such as rising temperatures, sea-level rise, and shifts in precipitation patterns. These risks may adversely affect asset values, collateral quality, operational continuity, and the creditworthiness of counterparties.

Additionally, in accordance with Article 4(1)(52g) CRR III, transition risk refers to the risk of losses arising from the negative financial impacts of policy, legal, technological, or market changes linked to the transition towards environmental objectives, which may affect the Bank's counterparties, business model, or invested assets.

1.3.1 PROCESSES FOR THE IDENTIFYING AND ASSESSING ENVIRONMENTAL RISKS

Throughout 2025, the Bank enhanced existing processes and refined its methodology to better identify, assess, the potential impacts arising from climate change. A key element of this progression is the Bank's expanded application of climate modelling, double materiality analysis, and sector-based climate analytics.

1.3.1.1 Business Environment Scanning

The Bank conducts environmental scanning through continuous monitoring of domestic and international climate-economic trends, regulatory developments, and sectoral dynamics to identify emerging C&E risks. This includes annual reviews of global and European climate scenarios, regular assessments of supervisory expectations, and ongoing research on market, technological, and geopolitical shifts. The Bank further strengthens its understanding through ESG-focused consumer and business surveys, which help capture evolving sustainability-related market trends. These activities ensure the Bank remains attuned to the fast-changing sustainability landscape, enabling the legitimate and timely integration of insights into its risk management framework, portfolio oversight, and long-term business model resilience efforts.

1.3.1.2 Environmental Materiality Assessment

BOV conducts an annual comprehensive environmental materiality assessment to identify all material risks, assess, and prioritise its C&E risks. This assessment examines how climate change and environmental degradation could influence the Bank's operations and balance sheet across the short, medium, and long term. It applies forward-looking analytical methods to evaluate the significance of these risks for the Bank's portfolios.

Physical Risk Taxonomy

First-Order Climate Hazards

- *Rising Temperatures & Heatwaves*
- *Drought*
- *Urban Flooding*
- *Coastal Erosion & Sea Level Rise*

Second-Order Climate Hazards

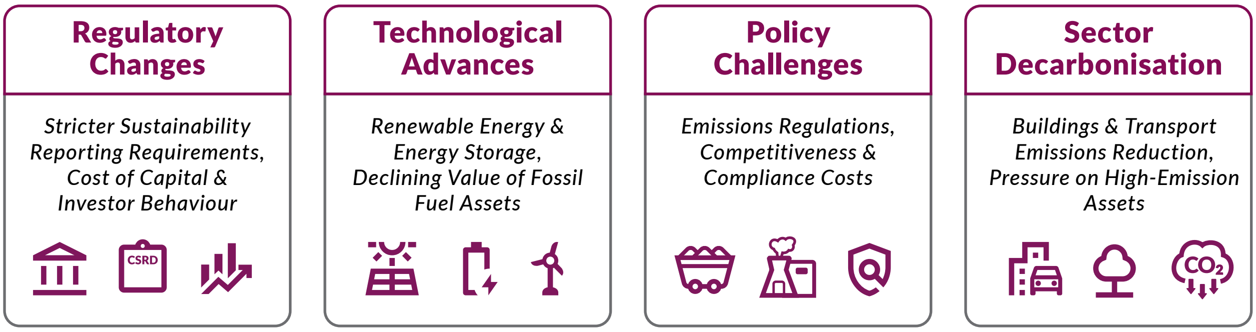
- *Biodiversity Loss*
- *Reduced Air Quality*
- *Invasive Species*
- *Ecosystem Degradation*

BOV's environmental materiality assessment incorporates a climate hazard taxonomy specifically designed for the Maltese environment, distinguishing between first-order and second-order climate hazards. First-order hazards represent direct climate impacts for which projection data on hazard intensity and/or frequency are available, such as rising temperatures and more frequent heatwaves. Second-order hazards, by contrast, arise indirectly because of these first-order effects, such as biodiversity loss or ecosystem degradation driven by prolonged heat or drought conditions. This structured taxonomy enables the Bank to assess physical risks in a consistent and granular manner, reflecting both direct climatic changes and the broader environmental effects they trigger. The framework also includes transition risks driven by regulatory change, technological developments, and shifts in market or consumer behaviour.

Expert assessments identified C&E related hazards relevant to Malta. Rising temperatures and more frequent heatwaves represent the most urgent risk, intensifying across all scenarios. Additional long-term environmental pressures, such as drought, reduced air quality, invasive species and biodiversity loss, have more limited sectoral impacts, with agriculture being the exception. Coastal erosion, sea level rise, and landslides are not expected to materially escalate over time, although gradual sea level rise and sector-specific effects on tourism warrant monitoring. Evidence also suggests a potential gradual increase in urban flooding, driven by more frequent thunderstorms.

Additionally, the Bank identifies the C&E hazards which can impact different sectors across Europe, and estimated severity levels of these impacts over different time horizons.

Transition Risk Taxonomy



Transition risks are influenced primarily by uncertainty over future environmental policies. Strong policy trajectories raise compliance and competitiveness challenges for high-emitting sectors but also stimulate demand for new technologies and low carbon solutions. For Malta, the most significant transition risk drivers relate to increasing regulatory requirements for financial institutions, particularly those arising from the CSRD, which may influence investor behaviour and the cost of capital. In parallel, technological advancements in the energy sector, especially in renewable generation and energy storage, are shifting the relative value of fossil fuel assets compared with green alternatives. Additionally, emissions reduction policies targeting buildings and transport necessitate substantial medium-term decarbonisation, placing pressure on high emission assets within these sectors.

Sectorial Taxonomy

The materiality assessment also produces an extensive taxonomy linking C&E risks drivers to the most exposed sectors of the Maltese economy and evaluates both physical and transition risks under two contrasting NGFS climate scenarios; one aligned with global climate goals and another assuming limited policy action.

Transmission Channels

Physical and transition risks can influence creditworthiness, collateral values, operational disruptions, legal liabilities, and market or liquidity positions. The Bank identified a wide range of potential transmission channels, which are mapped across physical and transition risk drivers in the corresponding figures.

Portfolio Level Analysis and Materiality Thresholds

The assessment highlights that the Bank is particularly sensitive to heat-related physical risks, with several sectors showing elevated vulnerability. Agriculture faces very-high vulnerability, though BOV's exposure to this sector is low. The 'energy' and 'health and social care' sectors also exhibit very-high vulnerability due to rising temperatures and peak demand stress. Sectors such as 'accommodation and food services' and 'real estate' display high vulnerability, reflecting climate-related impacts on tourism appeal and residential comfort. The 'construction' sector shows medium vulnerability, due to heat-related productivity constraints. Additionally, most sectors contributing materially to national GHG emissions exhibit medium transition vulnerability in the medium term and high vulnerability in the long-term, including 'manufacturing', 'energy', 'construction', 'wholesale and retail', 'transport and storage,' and 'real estate'.

Materiality was also assessed based on portfolio exposure. The Bank's largest sectoral exposures (greater than 1% of total assets) include fisheries, electricity production, construction, hospitality, real estate activities, and holding/financial leasing companies. Climate-related events or policy shifts affecting these sectors are therefore considered material. Nonetheless, the Bank's overall portfolio remains well diversified, with limited exposure to fossil fuel extraction or processing.

Quantitative Materiality Assessment

During 2025, the Bank refined its approach to quantify climate hazards, originally identified through expert judgement, strengthening the assessment of inherent C&E risks. Scenario and quantitative analysis are used to map risk drivers to sector-specific exposures , improving the Bank's view of vulnerabilities and supporting integration of climate considerations into strategy and risk management. The assessment evaluates credit, market, and liquidity risk, results are embedded in the risk-control framework, and the analysis are incorporated into stress testing and ICAAP.

The assessment applies an economic modelling approach developed by external experts that calibrates the latest NGFS Phase V scenarios (released in January 2025) to Malta's specific geographical and economic context, enabling an evaluation of how different climate-related pathways could impact the Maltese economy and its key sectors. The three climate scenarios are the following: Net Zero where the transition to a low carbon economy happens early and smoothly, Delayed Transition where action is delayed, and the Fragmented World where countries fail to coordinate and climate policies are inconsistent and delayed.

The analysis also considers expected physical impact, such as changes in crop yields, reduced productivity during extreme heat, effects on tourism, and potential damage from flooding or rising sea levels. These impacts are modelled using two global emissions pathways: a lower emissions pathway for scenarios with stronger climate action and a higher emissions pathway for scenarios with limited mitigation. Malta-specific macroeconomic indicators such as GDP, unemployment and interest rates, as well as sector-level variables including changes in sales, imports, exports and emissions for the three scenario and up to 2050 were used for sectorial-level evaluation of climate risk materiality.

The same indicators and scenarios were incorporated into the Internal Climate Stress Test, which relies on an internally developed model to estimate client-level expected credit losses, which are thereafter included into the ICAAP.

Scenario results indicate that credit risk is material, with total expected losses estimated at around 2.3% of the portfolio and certain sectors showing elevated sensitivity, although no sector exceeds 1% of portfolio value in default risk. In contrast, liquidity and market risks are not material, as projected impacts on cash outflows and the Liquidity Coverage Ratio remain minimal across all scenarios and time horizons.

Nonetheless, the quantitative assessment is based on model assumptions that naturally involve limitations, given the complexity of projecting future climate conditions. While climate science can indicate the types of outcomes that may occur, there remains inherent uncertainty regarding the exact timing, scale, and severity of extreme events.

Through this structured assessment, the Bank reaffirms a clear view of which C&E risks are material, enabling their integration into the broader prudential risk management framework. The Bank will continue to reassess the materiality of physical and transition risk drivers periodically, ensuring that risk evaluations remain aligned with evolving .

1.3.1.3 Double Materiality Assessment

The CSRD was transposed into Maltese law in 2026, yet the Bank strengthened its business model through the execution of the Double Materiality Assessment (DMA) in 2024. This requirement enabled the Bank to deepen its understanding of its most significant impacts, risks, and opportunities.

In 2025, the Bank continued to build on this foundation by further embedding the DMA into both strategic planning and risk management processes. This enhanced integration, grounded in assessments of both impact materiality and financial materiality provides a holistic view of the Bank's responsibilities, risk exposures, and emerging opportunities over the short, medium, and long term. It has given a strengthened insight into its sustainability-related priorities, placing it in a stronger position to meet evolving regulatory expectations while further advancing sustainability objectives by integrating these considerations across its operations.

The Bank's DMA adopts a rigorous, ESRS-aligned methodology that systematically identifies all potentially material sustainability matters across the full hierarchy of ESRS topics, sub-topics, and sub-sub-topics. This comprehensive approach ensures consideration of all relevant environmental areas, including climate change, pollution, water and marine resources, biodiversity and ecosystems, and the circular economy.

The Bank evaluates both impact and financial materiality through an assessment of the likelihood and magnitude of sustainability-related impacts and risks, applying thresholds and methodologies aligned with its established internal risk frameworks. This analytical approach is strengthened by insights drawn from stakeholder engagement, peer benchmarking, and recognised ESG frameworks, enabling the Bank to reach a well-substantiated and robust materiality judgement...

Stakeholder engagement formed a central pillar of the DMA process. Perspectives were gathered from a wide spectrum of stakeholder groups including internal teams, corporate and retail clients, local communities, workers within the value chain, and shareholders. This ensures that the assessment is reflective of the priorities, concerns, and expectations of those most affected by the Bank's activities. The inclusive approach not only enhances the relevance and legitimacy of the DMA but also supports the early identification of both risks and strategic opportunities associated with the transition to a sustainable economy.

The assessment is firmly rooted in evidence, enriched by in-depth workshops with teams across the organisation. These sessions yielded essential qualitative and quantitative insights on C&E exposures, helping the Bank validate its assumptions, sharpen materiality judgements, and build a comprehensive understanding of sustainability-related impacts and risks.

The resulting analysis is validated through governance structure before finalising the material topics, ensuring a comprehensive understanding of how ESG matters both affect the Bank financially and how the Bank's activities impact society and the environment.

Through the DMA, BOV determined that a notable share of its financed activities, particularly in the downstream value chain, falls within high climate impact sectors (NACE sectors A-H and L). These exposures contribute to GHG emissions and environmental degradation, while, conversely, the Bank's green financing products support climate positive initiatives such as electric vehicles, energy efficient buildings, renewable energy, and retrofitting projects.

The DMA also underscored the importance of developing a formal CTP for the Bank's own operation. While a CTP is essential across all areas of the Bank, it is particularly critical for the lending portfolio, where it serves as a framework for managing financed emissions and steering clients toward lower-carbon pathways. The lending portfolio is the Bank's largest and most material portfolio, which is also reflected in the fact that financed emissions (Category 15) account for 99.48% of the Bank's total aggregated emissions. At the same time, a CTP focusing on financed emissions, will enable the Bank to address its direct downstream impacts, strengthen its credibility when engaging with clients on transition expectations, and ensure alignment with emerging regulatory requirements.

To assess climate impacts across the value chain, the Bank also applies a carbon assessment process, measuring Scope 1, 2, and 3 emissions and conducting C&E stress tests to understand vulnerabilities within its lending and real estate portfolios. These analyses are performed across three-time horizons; short-term (up to 2027), medium-term (up to 2030), and long-term (up to 2050), enabling the Bank to address immediate risks, navigate policy and market changes, and plan for long-term resilience.

Short-Term: This term focused on the immediate risks and vulnerabilities. By analysing short-term impacts, the Bank can quickly address pressing challenges, enabling swift strategic adjustments and operational responses to maintain stability and performance.

Medium-Term: It captures the transitional phase where significant policy changes and market adjustments are expected. This period is crucial for BOV to navigate medium-term uncertainties and align its strategies with anticipated economic, regulatory, and environmental shifts, ensuring a smooth transition through potentially turbulent times.

Long-Term: This term provides a comprehensive view of long-term risks and opportunities, spanning until 2050. It allows the Bank to consider the enduring impacts of climate change and develop forward-looking strategies that ensure long-term sustainability and resilience. This perspective is vital for planning and investing in initiatives that will secure the Bank's future in a rapidly changing world.

Looking ahead, BOV will continue to strengthen its ESG capabilities through enhanced business scanning, sector-specific engagement, and targeted environmental monitoring. Focus will be placed on economic activities that are more vulnerable to physical and transition risks, ensuring the Bank remains agile, well-informed, and resilient as sustainability challenges evolve. These ongoing efforts will be further reinforced by the development of the Bank's CTP, which complements and builds on the initiatives already in progress.

1.3.2 PROCESSES FOR MANAGING ENVIRONMENTAL RISKS

1.3.2.1 Risk Mitigation Measures

Risk Limits for Climate Sensitive Sectors

The Bank's C&E risk limits form an integral part of its Risk Appetite Framework (RAF) and are designed to support the mitigation of both transition and physical environmental risks. These limits help prevent the buildup of exposures to counterparties operating in sectors identified as very high-risk and are calibrated in line with the Bank's overall risk profile to ensure safe and prudent operations. Specific exposure limits are applied to activities such as mining and quarrying, mining support services, the manufacture of coke and refined petroleum products, the manufacture of chemicals and chemical products, the manufacture of basic metals, and the manufacture of motor vehicles, trailers, and semitrailers. In 2025, the Bank introduced an additional limit for exposures in the aquaculture sector (A03.02), reflecting the identification of ocean acidification as an emerging environmental threat relevant to the fishing industry, where the Bank maintains notable exposure.

In 2025, performance across these sectors remained well within acceptable limits, with a complete exit from the refined petroleum products sector planned by 2031.

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Corporate Customer Engagement and Transition Support

The Bank further strengthens its understanding of environmental risks through targeted corporate engagement meetings with clients identified as the most carbon intensive within its loans and advances portfolio, recognising their heightened exposure to transition risks as the economy shifts toward low carbon and climate-resilient practices.

These engagement meetings held annually or semi-annually, reinforce the Bank's commitment to supporting clients on their decarbonisation journey while improving visibility into each client's transition plans, challenges, and opportunities. Throughout 2025, discussions covered climate risk preparedness, emissions reduction targets, progress against transition milestones, and requests for updated environmental disclosures, including the latest available Scope 1, 2, and 3 emissions, together with supporting documentation outlining implementation challenges and associated costs, as well as the submission of CTPs where available. By requesting updates on clients' sustainability initiatives, the Bank aims to facilitate their progress in reducing emissions, thereby mitigating credit risk and contributing to broader sustainability objectives.

The effectiveness of these engagements is dependent on clients' willingness to collaborate and reflects the Bank's proactive approach to managing transition risk and promoting sustainable practices.

Exclusions and Restrictions

The Bank incorporates an exclusion criterion within its Wealth Management portfolio, drawing on the minimum standards for Paris-Aligned Benchmarks as set out in Commission Delegated Regulation (EU) 2020/1818, which supplements Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks. These requirements informed the development and intent of this Policy.

Under this framework, investment is excluded in any company involved in controversial weapons, in tobacco related activities, deriving 5% or more of revenue from thermal coal, deriving 50% or more of revenue from oil and gas production, or deriving 5% or more of revenue from oil sands.

The application of this exclusion criterion is dependent on data provided by third-party data providers and accordingly, any limitations or gaps in the data available from such providers may affect the identification of companies included in the exclusion list. Unavailable data is treated as a lack of transparency and data unavailability is not valid grounds for exclusion.

Issuers are screened quarterly, and any company placed on the exclusion list may only be reconsidered through a formal appeal to the Wealth Management Investment Committee supported by strong justification. Otherwise, the company must be removed from the Bank's recommended list within three months, and consequently, they cannot be recommended during financial advice.

1.3.2.2 Risk Control Activities

In 2025, the Bank further strengthened the ESG provisions including environmental matters within its Sanction Letter Clauses for Business Loan Agreements to ensure alignment with evolving regulations, standards and best practices. The enhanced clauses embed clearer environmental requirements, including expectations related to sustainable business practices, the submission of Energy Performance Certificates (EPCs) and compliance with environmental permitting obligations. This practice will become in effect in 2026.

1.3.2.3 Monitoring of C&E risks

Portfolio Concentration Analysis

High & Very High Risk Sectors

Carbon Intensive Sectors

Quarterly Sector Comparison

Climate-Related KPIs

Emission Reduction Targets

Transition Risk Tracking

ESG Key Risk Indicators

Additional Monitoring Areas

Corporate Engagements

ESG Surveys

EPC Performance

Sustainability Preferences

Reported Quarterly to:

ESG Management Forum

Risk Committee

Annually ESG Committee

1.3.2.3.1 Monitoring of Portfolios

The Bank's Sustainability Dashboard serves as its primary C&E risk monitoring tool, providing quarterly portfolio concentration analysis across loans and advances as well as the proprietary bond and equity portfolios. It quantifies the Bank's exposure to sectors classified as high or very high-risk and to carbon intensive sectors as defined by the ECB, presenting these results in a sectoral format that enables quarter-on-quarter comparison and early identification of emerging climate-related risks. Furthermore, it also monitors the contribution earned from sectors highly sensitive to climate-related risks. The Dashboard consolidates the Bank's ESG Key Risk Indicators from the RAF and tracks progress against the climate-related KPIs set out in the 2024–2026 Strategy. It also captures other environmental related practices, including progress on corporate engagement meetings, completion of corporate questionnaires, EPC collection performance and sustainability preference questionnaires. The Dashboard is presented quarterly to the ESG Management Forum and Risk Committee, and annually to the ESG Committee.

1.3.2.3.2 C&E Questionnaire to Corporate Customers

The Bank conducts sector-specific C&E questionnaires with selected corporate clients, operating six very high and high-risk sectors which include accommodation, transport, real estate, power, warehousing and wholesale. The questionnaires are automated within the credit risk management system and are based on predefined exposure thresholds and the timing of previous submissions. The system also streamlines the collection and scoring of questionnaire responses through calibrated sector-specific models. In addition, a workflow trigger to the ESG Department team has been introduced for cases meeting predefined criteria, supported by automated reminders issued to customers who have not yet completed their questionnaires.

High & Very High-Risk Sectors

Accommodation

Transport

Real Estate

Power

Warehousing

Actions Being Taken

Automated Scoring & Reminders

Assess Physical & Transition Risks

Transition Plans & Emission Targets

The C&E questionnaires facilitate monitoring of the customers' operational risk stemming from climate change matters and their readiness to manage physical and transition risks. Tailored information requests, such as transition plans and emissions-reduction targets, further enhance the Bank's understanding of each client's decarbonisation trajectory. The insights gathered form part of both onboarding assessments and annual business and risk reviews.

As of December 2025, questionnaire results indicated that most of the clients are classified as medium risk, with no clients identified as high-risk in this cycle.

Looking ahead, the Bank aims to expand the questionnaires to incorporate social and governance-related questions to improve the identification and monitoring of social and governance risks, particularly among corporates vulnerable to labour, human rights, or workforce-related challenges. This enhancement will deepen the Bank's understanding of clients' such practices and ensure that potentially green-labelled financing remains aligned with the OECD Guidelines for Multinational Enterprises, the ILO Declaration on Fundamental Principles and Rights at Work, and the Universal Declaration of Human Rights. Together, these practices contribute to a more holistic view of clients' sustainability performance and support accurate classification of exposures as Taxonomy-aligned or otherwise.

1.3.3 INTEGRATION OF ENVIRONMENTAL RISKS INTO OVERALL RISK MANAGEMENT

Environmental considerations continued to be embedded more deeply across the Bank during the year, with further strengthening of their integration within the Bank's risk management frameworks. The Bank's approach to managing C&E risks evolved further in line with the growing awareness and relevance of these risks. As a result, C&E considerations are embedded within the enterprise risk management framework and the Bank's broader risk culture.

C&E risks are incorporated in the Bank's broad risk culture and respectively in the Risk Management Framework. Furthermore, systematically embedded for all material risk types including credit, market, liquidity, and operational risk. This reflects the Bank's recognition that environmental risks can materialise through multiple transmission channels and must always be considered to support prudent, forward-looking decision-making. Risk Management teams incorporate C&E considerations directly into their processes, methodologies, and assessments, ensuring these risks are systematically addressed.

1.3.3.1 Credit Risk

As highlighted in previous sections, C&E factors are integrated in credit risk through a range of risk assessments, including materiality assessments, concentration analysis, scenario analysis, and stress testing. Sectoral risk management helps monitor and reduce exposures to vulnerable industries through risk appetite thresholds and limits. At the corporate level, the Bank strengthens oversight through client engagement meetings, ESG questionnaires, client scoring, and by incorporating environmental considerations into pricing, onboarding and underwriting processes. The Bank has also begun integrating climate risk into collateral valuation and continues to develop new green financing products.

Climate Stress Testing

Climate risk integration is particularly evident in the Bank's approach to stress testing. The Bank's internal C&E risk model annually evaluates the impact of climate-related risks as they manifest through the Bank's credit risk category.

The CST model incorporates both physical and transition risks, modelling the Bank's material operations, such as corporate loans, including real estate corporate loans, and mortgages. This comprehensive approach ensures that the Bank's operations are robust and capable of adapting to evolving climate risks, reinforcing its commitment to sustainable and resilient financial practices. Starting from 2025, the transition-related component of the projected losses (expressed as a percentage of RWA) estimated by the CST, were used to address the implications of a soon coming Systemic climate-related risk buffer proposed by the EBA.

The model combines risk parameters, such as Probability of Default and Loss Given Default, with bottom-up exposure data, including emissions profiles, EPC (when available),estimations of EPC and financial statement information, enabling a forward-looking quantification of how C&E risks may affect the Bank's broader risk profile. The model use estimations of emissions of counterparties at client level rather than sector-average emission intensities, with counterparty emissions being estimated based on the Partnership for Carbon Accounting Financials (PCAF) standard for determining financed emissions. To ensure methodological consistency with the C&E Materiality Assessment supervisory alignment, and full traceability, the model applies the NGFS climate scenarios; Net Zero 20250, disorderly, and fragmented world. The use of various scenarios across different time horizons allows the Bank to understand potential risks and vulnerabilities under different future states, especially the resilience of counterparties operating in sectors facing hard transitions.

Climate Scenario Comparison

Orderly Transition	*Disorderly Transition*	*Fragmented World*
Gradual Policy Action	*Delayed Action*	*Divergent Policies*
Stable Economy	*Economic Volatility*	*Regional Conflicts*
Lower Emissions	*Higher Emissions*	*Severe Impacts*

During 2025, the Bank further enhanced this model by incorporating updated scenarios and extending the underlying risk taxonomy in line with the latest C&E materiality assessment. This model is designed to estimate Expected Credit Losses (ECL) arising from C&E risks over short, medium, and long-term horizons. The updated model outputs will be available at the beginning of 2026. Thereafter, short-term stress testing results will feed into both the ICAAP and ILAAP, enabling the Bank to assess whether its capital and liquidity buffers are sufficient to withstand the potential materialisation of C&E risks. Medium and long-term projections will be reported to the ESG Committee, Risk Committee and Board of Directors to inform strategic planning, portfolio steering and long-term risk management. BOV can better prepare for a range of potential futures, ensuring that its strategies and operations remain robust under varying conditions.

1.3.3.2 Liquidity Risk

For liquidity risk, the Bank uses the financial materiality assessment to understand how climate scenarios, particularly extreme weather events, may affect its High-Quality Liquid Assets (HQLA) position and potential liquidity outflows.

A detailed overview of how C&E risks may influence the Bank's credit and liquidity risk profile is provided in section 1.3.1.2 Environmental Materiality Assessment.

1.3.3.3 Market Risk

Market risk management incorporates environmental risk through a range of interconnected practices. It assesses sectoral concentrations to understand exposures to environmentally sensitive industries. This is supported by scenario analysis and stress testing, which evaluate how C&E developments could affect market conditions and portfolio performance. Risk appetite limits are applied to ensure exposures remain within acceptable boundaries as these factors evolve. Collectively, these measures guide the Bank's strategic transition toward a greener investment portfolio, reinforced by a growing allocation to green bond holdings.

1.3.3.4 Operational Risk

In managing operational risk, the Bank applies both the financial and double materiality assessments to evaluate the potential disruption of operational processes and services arising from extreme climate-related hazards.

Climate Stress Testing

The Bank recognises the importance of proactive risk management to minimise service disruptions, preserve customer confidence and respond effectively to regulatory and stakeholder expectations. To support this, BOV conducts a range of scenario analyses, including those focused on extreme weather events in Malta such as heatwaves, drought, urban flooding and heavy precipitation as well as transition-related regulatory scenarios. These analyses provide a holistic view of potential vulnerabilities and strengthen the Bank's readiness to manage the impacts of C&E events.

1.4 KEY ENVIRONMENTAL INDICATORS

BOV Group has developed a comprehensive suite of sustainability-related targets and metrics that support its strategic management of environmental impacts, risks, and opportunities.

Overall, performance across the Bank's sustainability targets and metrics demonstrates strong progress in integrating ESG considerations into strategic planning, risk management, and operational execution. The Bank continues to strengthen its methodologies, data governance, and modelling capabilities to further enhance the accuracy and transparency of its sustainability reporting while supporting long-term value creation and alignment with European sustainability standards.

1.4.1 ENVIRONMENTAL TARGETS

BOV's environmental targets form an integral part of the Bank's RAF. The RAF provides a structured mechanism for monitoring risks in support of the Bank's strategic priorities and operational objectives. It serves as a benchmark for tracking progress and driving continuous improvement, ensuring that all material risks remain within defined parameters and safeguarding both the Bank's financial and non-financial resilience while meeting the needs and interests of its stakeholders.

The Framework outlines the qualitative risk principles that guide the level and type of risks the Bank is willing to assume in pursuing its sustainability strategy, while also incorporating quantitative targets. Such targets support sound decision-making whilst ensuring ongoing accountability and alignment with the Group's overall risk appetite. The RAF environmental targets are reviewed annually to ensure alignment with regulatory expectations and evolving sustainability priorities.

BOV monitors environmental targets on a monthly or bi-monthly basis, applying the four-eye principle and data validation processes to ensure ongoing accuracy and accountability. If a RAF target is breached, an internal escalation procedure is activated, requiring a detailed assessment and formal approval.

The Bank's current environmental targets primarily focus on managing exposure to high transition-risk sectors, promoting green financing across its portfolios and reducing greenhouse gas emissions from its own operations (Scope 1 and Scope 2). As BOV advances its CTP, gaining a deeper understanding of financed emissions will allow the Bank to realign and further strengthen these targets, particularly those aimed at expanding green financing and supporting customers in making environmentally responsible choices. All climate-mitigation targets remained stable or exceeded their respective thresholds throughout 2025.

List of environmental targets:

- BOV scope 1 and 2 emission reduction of 20% by 2026
- % of green business loans vs total business loans
- % of exposure to companies active in fossil fuel sector
- % of green retail personal loans vs total personal loans
- % of green investments in Treasury portfolio
- % of green lending in speculative & rental property lending

1.4.2 ENVIRONMENTAL METRICS

The GHG Protocol Corporate Accounting and Reporting Standard establishes the requirements and guidance for preparing a corporate-level greenhouse gas (GHG) emissions inventory. Under this framework, emissions are classified into three scopes: Scope 1, Scope 2, and Scope 3.

In line with its emission reduction objectives, the Bank monitors and compiles its carbon emissions on a regular basis to effectively track progress and plan its decarbonisation pathway.

Scope 1 includes all direct emissions generated from the Bank's own activities. These consist of emissions from fuel used in vehicles owned or leased by BOV, fugitive emissions from refrigerant leakages, and emissions arising from the operation of diesel generators within the Bank's buildings.

Scope 2 covers indirect emissions associated with the Bank's purchased electricity. Purchased electricity is converted into emissions using the grid emissions intensity factors provided by the European Environment Agency, which are derived from national energy balance statistics and emissions reported to the UNFCCC and the EU Greenhouse Gas Monitoring Mechanism.

The accompanying tables present the metrics for the Bank's energy consumption mix and energy production for financial year 2025, alongside a comparison with 2024.

Energy Consumption Mix	2025 MWh	2024 MWh
Energy consumption related to own operations	5,866.38	**6,716.59**
of which:		
Energy consumption from fossil sources	5,048.00	6,078.52
Energy consumption from nuclear sources	95.72	-
Energy consumption from renewable sources	581.25	638.07

Energy Production	2025 MWh	2024 MWh
Non-renewable energy production	-	-
Renewable energy production	159.24	215.27

Scope 3 is the largest emissions category for the Bank. It includes all other indirect emissions that occur across BOV's value chain, that is, emissions arising from activities linked to the Bank's operations but generated from sources not owned or controlled by BOV. In accordance with the GHG Protocol, Scope 3 emissions are classified into 15 categories covering both upstream and downstream activities. As not all categories are relevant to every organisation, BOV calculates and reports only those Scope 3 categories that are applicable and material to its business model. For BOV, categories 1, 3, 5, 6, 7, 8 and 15 form an integral part of the Bank's overall Scope 3 inventory. Amongst these, category 15 (investments) , commonly referred to as financed emissions, is by far the most significant for the Bank.

- **Category 1** - Purchased Goods and Services: Emissions associated with the procurement of goods and services such as IT software, furniture, and stationery. The Bank applies the spend-based method, multiplying expenditure values by relevant emission factors.

- **Category 3** – Fuel and Energy-Related Activities (FERA): Emissions relating to the production, transmission, and distribution of the fuel and electricity consumed by the Bank.

- **Category 5** - Waste Generated in Operations: Emissions from waste treatment at BOV facilities, calculated using waste type specific emission factors for different waste streams and treatment methods. This applies to facilities where waste management services are directly contracted by BOV, such as BOV Centre and Wignacourt, while waste generated at other facilities is handled through public collection services.

- **Category 6** - Business Travel: Emissions from employee business travel using transportation modes not owned or controlled by the Bank. Emissions from air travel are calculated using the distance-based method. Accommodation-related emissions are excluded.

- **Category 7** - Employee Commuting: Emissions from employees travelling between their homes and Bank facilities using private cars, taxis, carpooling, buses, motorcycles, or ferries. Teleworking emissions are excluded. Emissions are calculated using a distance-based method informed by annual employee commuting surveys.

- **Category 8** - Upstream Leased Assets: Emissions from leased buildings and facilities, including those hosting ATMs.

- **Category 15** - Investments (Financed Emissions): These emissions are calculated in line with the PCAF Standard, applying asset-class specific methods across business loans, mortgages and commercial real estate, motor vehicle loans, listed equity and bonds, and exposures to subsidiaries and associates. The estimation process relies on an attribution factor, which allocates a share of each borrower's or investee's emissions to BOV based on the ratio of the Bank's outstanding exposure. Whenever possible, primary emissions and financial data are used. In absence of such data, BOV applies proxies, sectoral average or external data sources, consistent with PCAF's data-quality hierarchy.

During financial year 2025, BOV generated 1.9 million tonnes of CO_2 equivalent emissions. Scope 1 and 2 sources remained comparatively minimal sources, with the Bank achieving a 24% reduction in these categories between 2021 and 2025. Most emissions originated from Scope 3 activities including, primarily Scope 3 Category 15 (financed emissions) which represents 99.5% of BOV's total GHG emissions, reflecting the significant climate impact associated with the Bank's core financial activities. This category encompasses emissions arising from corporate and retail lending, financial instruments held on the balance sheet, clients' investment activities, and those attributed to BOV's subsidiaries and associates. In 2025, financed emissions increased relative to 2024, driven primarily by the scale and composition of the Bank's lending and investment portfolio. While the rise is notable, it also reinforces the importance of BOV's strategic decarbonisation efforts. These emissions will be a central focus of the Bank's Climate Transition Plan (CTP), which is currently under development and scheduled for completion in 2026.

Environmental Social and Governance (ESG)

for the year ended 31 December 2025

BOV GHG Emissions	2025	2024
Scope 1 and Scope 2 emissions (tCO_2e)	2,132	2,451
Scope 1, Scope 2 and Scope 3 emissions (tCO_2e)	1,896,082	1,535,478
Scope 1, Scope 2 and Scope 3 emissions excluding Category 15 (tCO_2e)	9,894	11,476
GHG intensity (tCO_2e/€)	0.00382	0.00316

BOV GHG Emissions by Category	2025 (tCO_2e)	2024 (tCO_2e)
Scope 1:	**150**	**162**
Stationary fuel combustion in owned or operated generators	70	12
Fugitive emissions	8	72
Mobile fuel combustion in owned or operated vehicles	72	78
Scope 2:	**1,982**	**2,289**
Electricity used in buildings	1,936	2,251
Electricity used by ATMs	46	38
Scope 3; Categories 1-14:	**7,763**	**9,025**
Category 1: Purchased Goods and Services	6,624	7,445
Category 3: Fuel and Energy-Related Activities	505	585
Category 5: Waste Generated in Operations	1	2
Category 6: Business Travel	60	61
Category 7: Employee Commuting	548	923
Category 8: Leased Assets	24	8
Scope 3; Category 15:	**1,886,188**	**1,524,002**
TOTAL	**1,896,082**	**1,535,478**

2. Article 8 of the Taxonomy Regulation

In support of a net-zero emissions economy, the European Commission introduced the EU Taxonomy[1], a comprehensive classification system that defines which economic activities can be considered environmentally sustainable. The taxonomy acts as a key tool for determining whether an activity qualifies as environmentally sustainable.

The assessment process begins by assessing the eligibility criteria of an economic activity, with numerous economic activities falling within the scope of the EU Taxonomy. However, achieving a 'taxonomy-aligned' status is more selective process; only those activities that satisfy the detailed technical screening criteria qualify as environmentally sustainable. The EU Taxonomy sets out detailed technical criteria across six environmental objectives, namely climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

Furthermore, for an activity to be classified as environmentally sustainable, it must be assessed to substantially contribute to at least one of these objectives while ensuring that it does not significantly harm the others (the 'Do No Significant Harm' or 'DNSH' requirement). The DNSH criteria is outlined in the Technical Screening Criteria set out in the Delegated Acts of the EU Taxonomy Regulation. In addition, the economic activity must comply with the minimum safeguards established under the Regulation.

The Disclosures Delegated Act[2] became applicable for the first time on 1 January 2022, with the first disclosures for the financial reporting period ended 31 December 2021, adopting a phased-in approach to the disclosure re-quirements of KPIs. In the previous two years, financial institutions were only required to disclose their proportion of exposures towards taxonomy-eligible and non-eligible activities. Since 31 December 2023, financial institutions were required to disclose the proportion of exposures towards taxonomy-aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) covered by the Climate Delegated Act[3]. The Environmental Delegated Act[4] entered into force on 1 January 2024 and hence the related KPIs were first disclosed as of 31 December 2024.

In addition, the recently published EU Taxonomy Regulation[5], amending Regulation (EU) 2021/2178 (disclosures information and presentation) and Regulation (EU) 2021/2139 (technical screening criteria), aims to reduce complexity and administrative burden for reporting entities. These changes are part of the broader "Omnibus I" package to enhance usability and clarity of the EU Taxonomy.

For 2025, no activities are claimed as being associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 (Taxonomy Regulation). This is in line with the December 2025 Draft Commission Notice[6] (refer to Question 5) and Q&A 25_1726[7] (refer to Question 5).

[1] EU Taxonomy Regulation (EU) 2020/852

[2] Disclosures Delegated Regulation (EU) 2021/2178

[3] Climate Delegated Regulation (EU) 2022/1214 and Climate Delegated Regulation (EU) 2023/2485 (Applicable from January 2024)

[4] Environmental Delegated Regulation (EU) 2023/2486 (applicable from January 2024)

[5] Commission Delegated Regulation (EU) 2026/73

[6] Draft Commission Notice

[7] Questions and answers on EU Taxonomy simplifications to cut red tape for companies

Statements of profit or loss

for the year ended 31 December

	Note	The Group		The Bank	
		2025	2024	2025	2024
		€000	€000	€000	€000
Interest and similar income					
- on loans and advances	2	282,228	306,747	282,228	306,747
- on debt, other fixed income instruments and derivatives	2	163,998	130,427	163,996	130,396
Interest expense	3	(58,833)	(51,257)	(58,833)	(51,257)
Net interest income		**387,393**	**385,917**	**387,391**	**385,886**
Fee and commission income		108,036	98,500	98,898	89,419
Fee and commission expense		(19,964)	(17,121)	(19,964)	(17,121)
Net fee and commission income	4	**88,072**	**81,379**	**78,934**	**72,298**
Dividend income		563	567	9,417	8,309
Trading profits	5	13,617	13,792	13,652	13,749
Net (loss)/gain on investment securities and hedging instruments	5	(91)	4,101	(91)	4,101
Other income	5	7,283	-	7,320	-
Operating income		**496,837**	**485,756**	**496,623**	**484,343**
Employee compensation and benefits	6	(136,831)	(123,360)	(134,127)	(120,649)
General administrative expenses	7	(89,024)	(73,016)	(87,477)	(71,340)
Amortisation of intangible assets	20	(12,770)	(13,148)	(12,759)	(13,048)
Depreciation	21	(8,186)	(7,164)	(8,177)	(7,133)
Net impairment (charge)/reversal	8	(42)	23,831	(42)	23,831
Operating profit		**249,984**	**292,899**	**254,041**	**296,004**
Share of results of equity-accounted investees, net of tax	18	10,409	9,466	-	-
Profit before tax	9	**260,393**	**302,365**	**254,041**	**296,004**
Income tax expense	10	(88,685)	(102,766)	(90,105)	(103,482)
Profit for the year		**171,708**	**199,599**	**163,936**	**192,522**
Earnings per share [1]	11	**26.7c**	**31.1c**		

[1] *The comparative earnings per share have been restated to take into consideration the total number of shares following the bonus issue.*

Statements of profit or loss and other comprehensive income

for the year ended 31 December

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Profit for the year	**171,708**	**199,599**	**163,936**	**192,522**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Debt investments at FVOCI				
- change in fair value	(116)	(210)	(116)	(210)
tax thereon	41	74	41	74
	(75)	(136)	(75)	(136)
Items that will not be reclassified to profit or loss:				
Equity investments at FVOCI				
- change in fair value	(536)	(5,544)	(536)	(5,544)
tax thereon	188	1,940	188	1,940
Surplus on revaluation of property	4,680	6,861	4,680	6,861
tax thereon	(468)	(686)	(468)	(686)
Actuarial gains/(losses) on remeasurement of defined benefit obligations	537	(519)	537	(519)
tax thereon	(188)	182	(188)	182
Other comprehensive income for the year, net of tax	**4,138**	**2,098**	**4,138**	**2,098**
Total comprehensive income	**175,846**	**201,697**	**168,074**	**194,620**

The notes are an integral part of these financial statements.

Statements of financial position

as at 31 December

	Note	The Group 2025 €000	The Group 2024 €000	The Bank 2025 €000	The Bank 2024 €000
ASSETS					
Balances with Central Bank of Malta, cash and other related assets	13	921,224	1,085,871	921,224	1,085,871
Investments and loans and advances to customers at fair value through profit or loss	14	89,238	102,149	87,847	100,607
Derivative financial assets	14	2,987	4,071	2,987	4,071
Investments at amortised cost	15	6,781,209	6,251,257	6,781,209	6,251,257
Investments at fair value through other comprehensive income	15	73,830	85,439	73,830	85,439
Loans and advances to banks	16	258,754	328,547	258,754	328,547
Loans and advances to customers at amortised cost	17	7,985,473	6,846,302	7,985,473	6,846,302
Investments in equity-accounted investees	18	124,577	117,160	72,870	72,870
Investments in subsidiary companies	19	-	-	6,230	6,230
Intangible assets	20	40,980	45,317	40,980	45,306
Property and equipment	21	172,205	153,519	172,179	153,487
Deferred tax	23	28,954	29,032	28,963	29,004
Other assets	24	50,892	50,435	48,105	48,201
Total Assets		**16,530,323**	**15,099,099**	**16,480,651**	**15,057,192**
LIABILITIES					
Derivative financial liabilities	14,29	4,568	4,200	4,568	4,200
Amounts owed to banks	25	99,894	9,150	99,894	9,150
Amounts owed to customers	26	13,740,565	12,803,915	13,745,110	12,807,957
Current tax		37,580	8,173	37,309	8,427
Deferred tax	23	8,291	8,119	8,291	8,119
Other liabilities	27	233,095	225,373	232,593	224,842
Provisions	33	17,554	18,388	17,554	18,388
Unsubordinated debt securities in issue	30	351,659	350,846	351,659	350,846
Subordinated liabilities	30	540,143	263,136	540,143	263,136
Total Liabilities		**15,033,349**	**13,691,300**	**15,037,121**	**13,695,065**
EQUITY					
Called up share capital	31	642,234	583,849	642,234	583,849
Share premium account	31	49,277	49,277	49,277	49,277
Revaluation reserves and other components of equity	32	99,083	89,977	98,973	89,867
Retained earnings	32	706,380	684,696	653,046	639,134
Total Equity		**1,496,974**	**1,407,799**	**1,443,530**	**1,362,127**
Total Liabilities and Equity		**16,530,323**	**15,099,099**	**16,480,651**	**15,057,192**
MEMORANDUM ITEMS					
Contingent liabilities	33	646,890	414,181	646,890	414,181
Commitments	34	3,210,569	3,000,258	3,210,569	3,000,258

The notes are an integral part of these financial statements.

These financial statements on pages 79 to 224 were approved by the Board of Directors and authorised for issue on 26 March 2026 and signed on its behalf by Dr Gordon Cordina (Chairperson), Deborah Schembri (Director) and Kenneth Farrugia (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2025.

Statements of changes in equity

for the year ended 31 December

	Share Capital	Share Premium Account	Revaluation reserves and other components of equity	Retained Earnings	Total
The Group	€000	€000	€000	€000	€000
At 1 January 2024	583,849	49,277	86,150	548,457	1,267,733
Profit for the year	-	-	-	199,599	199,599
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	(136)	-	(136)
Equity investments at FVOCI	-	-		-	
- change in fair value, net of tax	-	-	(3,604)	-	(3,604)
Surplus on revaluation of property, net of tax	-	-	6,175	-	6,175
Actuarial losses on remeasurement of defined benefit obligations, net of tax	-	-	-	(337)	(337)
Total other comprehensive income	-	-	**2,435**	**(337)**	**2,098**
Total comprehensive income for the year	-	-	**2,435**	**199,262**	**201,697**
Other movements					
Realisation of gains on sale of property, net of tax	-	-	(22)	22	-
Realisation of losses on sale of equity investments at FVOCI, net of tax	-	-	278	(278)	-
Transfers to non-distributable reserves	-	-	1,136	(1,136)	-
Transactions with owners, recorded directly in equity:					
Dividends to equity holders	-	-	-	(61,631)	(61,631)
At 31 December 2024	**583,849**	**49,277**	**89,977**	**684,696**	**1,407,799**
At 1 January 2025	583,849	49,277	89,977	684,696	1,407,799
Profit for the year	-	-	-	171,708	171,708
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	(75)	-	(75)
Equity investments at FVOCI	-	-		-	
- change in fair value, net of tax	-	-	(348)	-	(348)
Surplus on revaluation of property, net of tax	-	-	4,212	-	4,212
Actuarial gains on remeasurement of defined benefit obligations, net of tax	-	-	-	349	349
Total other comprehensive income	-	-	**3,789**	**349**	**4,138**
Total comprehensive income for the year	-	-	**3,789**	**172,057**	**175,846**
Other movements					
Realisation of gains on sale of property, net of tax	-	-	(2,661)	2,661	-
Realisation of gains on sale of equity investments at FVOCI, net of tax	-	-	(230)	230	-
Transfers to nondistributable reserves	-	-	9,279	(9,279)	-
Transactions with owners, recorded directly in equity:					
Bonus issue	58,385	-	-	(58,385)	-
Dividends to equity holders	-	-	-	(85,600)	(85,600)
Acquisition of treasury shares	-	-	(1,071)	-	(1,071)
At 31 December 2025	**642,234**	**49,277**	**99,083**	**706,380**	**1,496,974**

The notes are an integral part of these financial statements.

Statements of changes in equity

for the year ended 31 December (continued)

	Share Capital	Share Premium Account	Revaluation reserves and other components of equity	Retained Earnings	Total
The Bank	€000	€000	€000	€000	€000
At 1 January 2024	583,849	49,277	86,040	509,972	1,229,138
Profit for the year	-	-	-	192,522	192,522
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	(136)	-	(136)
Equity investments at FVOCI				-	
- change in fair value, net of tax	-	-	(3,604)	-	(3,604)
Surplus on revaluation of property, net of tax	-	-	6,175	-	6,175
Actuarial losses on remeasurement of defined benefit obligations, net of tax	-	-	-	(337)	(337)
Total other comprehensive income	**-**	**-**	**2,435**	**(337)**	**2,098**
Total comprehensive income for the year	**-**	**-**	**2,435**	**192,185**	**194,620**
Other movements					
Realisation of gains on sale of property, net of tax	-	-	(22)	22	-
Realisation of losses on sale of equity investments at FVOCI, net of tax	-	-	278	(278)	-
Transfers to non-distributable reserves	-	-	1,136	(1,136)	-
Transactions with owners, recorded directly in equity:					
Dividends to equity holders	-	-	-	(61,631)	(61,631)
At 31 December 2024	**583,849**	**49,277**	**89,867**	**639,134**	**1,362,127**
At 1 January 2025	583,849	49,277	89,867	639,134	1,362,127
Profit for the year	-	-	-	163,936	163,936
Other comprehensive income					
Debt investments at FVOCI					
- change in fair value, net of tax	-	-	(75)	-	(75)
Equity investments at FVOCI	-	-		-	
- change in fair value, net of tax	-	-	(348)	-	(348)
Surplus on revaluation of property, net of tax	-	-	4,212	-	4,212
Actuarial gains on remeasurement of defined benefit obligations, net of tax	-	-	-	349	349
Total other comprehensive income	**-**	**-**	**3,789**	**349**	**4,138**
Total comprehensive income for the year	**-**	**-**	**3,789**	**164,285**	**168,074**
Other movements					
Realisation of gains on sale of property, net of tax	-	-	(2,661)	2,661	-
Realisation of gains on sale of equity investments at FVOCI, net of tax	-	-	(230)	230	-
Transfers to non-distributable reserves	-	-	9,279	(9,279)	-
Transactions with owners, recorded directly in equity:					
Bonus issue	58,385	-	-	(58,385)	-
Dividends to equity holders	-	-	-	(85,600)	(85,600)
Acquisition of treasury shares	-	-	(1,071)	-	(1,071)
At 31 December 2025	**642,234**	**49,277**	**98,973**	**653,046**	**1,443,530**

The notes are an integral part of these financial statements.

Statements of cashflows

for the year ended 31 December

	Note	The Group		The Bank	
		2025	2024	2025	2024
		€000	€000	€000	€000
Cash flows from operating activities					
Interest and commission receipts		378,382	398,255	369,244	389,135
Interest and commission payments		(27,772)	(26,395)	(27,772)	(26,395)
Recoveries on loans and advances previously written-off		3,032	3,929	3,032	3,929
Payments to employees and suppliers		(218,138)	(189,173)	(211,501)	(184,451)
Operating profit before changes in operating assets and liabilities		**135,504**	**186,616**	**133,003**	**182,218**
(Increase)/decrease in operating assets:					
Loans and advances to banks and customers		(1,131,401)	(696,370)	(1,131,401)	(696,370)
Reserve deposit with Central Bank of Malta		(11,248)	(4,288)	(11,248)	(4,288)
Fair value through profit or loss financial assets		15,446	3,954	15,189	5,203
Treasury bills with original maturity of more than 3 months		(44,757)	-	(44,757)	-
Other assets		9,470	(5,931)	7,704	(5,912)
Increase/(decrease) in operating liabilities:					
Amounts owed to customers		957,359	548,322	957,905	547,536
Other liabilities		(2,096)	18,344	(2,101)	18,309
Net cash (used in)/from operating activities before tax		(71,723)	50,647	(75,706)	46,696
Net tax paid		(59,454)	(115,484)	(61,436)	(116,839)
Net cash used in operating activities		(131,177)	(64,837)	(137,142)	(70,143)
Cash flows from investing activities					
Dividends received		3,555	2,971	9,417	8,309
Interest received from debt investments		139,424	100,850	139,424	100,818
Payments for debt instruments		(1,250,007)	(2,083,678)	(1,250,007)	(2,083,678)
Proceeds from sale or maturity of debt investments		745,599	1,131,065	745,599	1,131,065
Proceeds from sale of equity instruments		1,318	111	1,413	111
Payments for purchase of property and equipment and intangible assets		(31,263)	(23,259)	(31,259)	(23,262)
Proceeds from disposal of property and equipment and intangible assets		2,500	-	2,500	-
Net cash used in investing activities		(388,874)	(871,940)	(382,913)	(866,637)
Cash flows from financing activities					
Payments for acquisition of treasury shares		(1,071)	-	(1,071)	-
Interest paid on unsubordinated debt securities in issue		(35,000)	(35,000)	(35,000)	(35,000)
Interest paid on subordinated liabilities		(10,780)	(5,781)	(10,780)	(5,781)
Net proceeds from issue of subordinated liabilities		272,837	99,093	272,837	99,093
Payments of lease liabilities		(1,370)	(1,413)	(1,366)	(1,410)
Dividends paid to equity holders		(85,600)	(61,631)	(85,600)	(61,631)
Net cash from/(used in) financing activities		139,016	(4,732)	139,020	(4,729)
Net change in cash and cash equivalents before effects of exchange rate changes		(381,035)	(941,509)	(381,035)	(941,509)
Effect of exchange rate changes on cash and cash equivalents		354	(156)	354	(156)
Net change in cash and cash equivalents after effects of exchange rate changes		(381,389)	(941,353)	(381,389)	(941,353)
Net change in cash and cash equivalents		(381,035)	(941,509)	(381,035)	(941,509)
Cash and cash equivalents at 1 January		1,277,225	2,218,734	1,277,225	2,218,734
Cash and cash equivalents at 31 December	36	**896,190**	**1,277,225**	**896,190**	**1,277,225**

The notes are an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2025

1. MATERIAL ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

Article 4 of Regulation 1606/2002/EC requires that companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU if, at their reporting date, their securities are admitted to trading on a regulated market of any EU Member State. Consequently, the separate and the consolidated financial statements of the Bank are prepared in conformity with the requirements of IFRSs as adopted by the EU. These financial statements have also been prepared in accordance with the provisions of the Banking Act, 1994 (Chapter 371, Laws of Malta) and the Companies Act, 1995 (Chapter 386, Laws of Malta).

Legal Notice 19 of 2009 as amended by Legal Notice 233 of 2016, Accountancy Profession (Accounting and Auditing Standards) (Amendments) Regulations, 2016, enacted in Malta, defines compliance with generally accepted accounting principles and practice as adherence to IFRSs as adopted by the EU.

The financial statements have been prepared on the historical cost basis as modified by the fair valuation of specific assets and liabilities. Assets and liabilities are measured at historical cost except for the following that are measured at fair value: financial assets measured at fair value through other comprehensive income (FVOCI), financial instruments classified at fair value through profit or loss (FVTPL), derivative financial instruments and the land and buildings class within property and equipment. Additionally, assets held for realisation are measured at fair value less costs to sell if it is lower than their previous carrying amount.

References to the 'Group' applies also to the 'Bank'.

1.1.1 GOING CONCERN ASSUMPTION

Stress testing scenarios were carried out to assess the appropriateness of the going concern basis in preparing the financial statements for 2025.

In making this assessment as at 31 December 2025, which covers at least, but not limited to, twelve months from the end of the reporting period, the Directors considered the Group's business plan, profitability projections, funding and capital plans, taking into account the implications of a range of factors such as the prolongation of the heightened geopolitical tensions and ransomware. The matters of primary consideration by the Directors are set out below:

- Capital: The Group has developed capital plans under base and stress scenarios, and the Directors believe that the Group has sufficient capital to meet its regulatory capital requirements throughout the period of assessment. Stress tests used (both for capital and liquidity purposes) were based upon an assessment of reasonably possible downside that the Group may experience including climate related risks together with related strategic and reputational considerations. Taking into consideration the capital regulatory requirements together with a management buffer, a surplus in all capital ratios is reported under all scenarios considered.

- Funding and Liquidity: The Directors have considered the Group's funding and liquidity position and are satisfied that the Group has sufficient funding and liquidity throughout the period of assessment. This statement is based on the development of different stress testing scenarios and consideration of the outcomes of such scenarios.

In order to meet regulatory requirements pertaining to MREL, the Bank had obtained approval from the Central Bank of Ireland for a base prospectus towards the establishment of a Euro Medium Note Programme of a maximum amount of €500 million. On 6 December 2022, the Bank had issued €350 million Senior non-preferred notes. Furthermore, during financial year 2024, the Bank obtained regulatory approval for a Medium-Term Bond Programme of up to €250 million all of which have been fully allotted. In the current year, the Bank received regulatory approval for another Unsecured Euro Medium-Term Bond Programme of up to a maximum amount of €325 million, out of which €125 million have been issued during the last quarter of the year (Refer to Note 30).

Based on the above, 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 Group's ability to continue as a going concern over the period of assessment.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.1 BASIS OF PREPARATION (continued)

1.1.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following amendment for the first time for its annual reporting period commencing 1 January 2025:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023).

This amendment did not have any impact on the Group's financial statements for the year ended 31 December 2025.

1.1.3 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

These standards and amendments include the following, apart from IFRS 18 Presentation and Disclosure in Financial Statements which is highlighted separately below:

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024);
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024); and
- Annual Improvements Volume 11 (issued on 18 July 2024).

These amendments referred to above are effective for reporting periods beginning on or after 1 January 2026 and are applied retrospectively in accordance with IAS 8. Earlier application is permitted in this respect. The Group is in the process of assessing the impact of the amendments to IFRS 9 and IFRS 7. The other amendments are not expected to have a material impact on the Group's financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements*
IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual periods beginning on or after 1 January 2027. The new accounting standard introduces key new concepts that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, particularly, those related to the statement of financial performance and comprise providing management-defined performance measures (MPMs) within the financial statements.

The Group will adopt IFRS 18 from its mandatory effective date of 1 January 2027 and does not intend to apply the Standard early. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

Management is currently evaluating the detailed implications of applying the new standard on the Group's consolidated financial statements. This assessment includes:

- Analysing the classification of income and expenses into the new required categories;
- Evaluating the implications of revised subtotals in the statement of profit or loss, particularly for bank-specific revenue and cost line items;
- Reviewing internal reporting structures and MPMs to determine whether they fall within the scope of the new disclosure requirements; and
- Assessing system and process changes required to support retrospective application.

The Bank expects the most significant effects to relate to the presentation of the statement of profit or loss, including new required subtotals, reclassification of certain income and expense items, and expanded disclosures on performance measures and the application of disaggregation principles. The Group will continue its assessment during 2026 and will devise a detailed implementation plan currently underway.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.1 BASIS OF PREPARATION (continued)

1.1.4 STANDARDS AND AMENDMENTS NOT YET ENDORSED BY THE EU

The following new standards and amendments have not yet been endorsed by the EU:

- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024);
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (issued on 13 November 2025); and
- Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 21 August 2025).

The new standards and amendments are not expected to have a material impact on the Group's financial statements.

1.2 BASIS OF CONSOLIDATION

The Group financial statements comprise the financial statements of Bank of Valletta p.l.c., (the Bank), a public liability company domiciled and incorporated in Malta, and its subsidiaries.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g., those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The results and assets and liabilities of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, transactions, income and expenses are eliminated on consolidation. Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at their present ownership interests' proportionate share in the recognised amounts of the acquiree's net identifiable assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests comprise the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

The excess of the cost of acquisition over the Group's share of the fair value of the net identifiable assets and liabilities is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable assets and liabilities, the difference is recognised directly in profit or loss.

Associates
Equity-accounted investees comprise interests in associates, which are those entities over which the Group has significant influence but not control or joint control. The results of equity-accounted investees are included in the consolidated financial statements using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases. The Group's share of the post-acquisition profits or losses of the investee are recognised in profit or loss, and the Group's share of movements in other comprehensive income of the investee are recognised in other comprehensive income.

The material accounting policies adopted are set out in the following pages.

1.3 FINANCIAL INSTRUMENTS

1.3.1 AMORTISED COST AND EFFECTIVE INTEREST RATE

Interest income and expense is recognised using the effective interest method, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument, or when appropriate a shorter period, to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. For purchased or originated credit-impaired (POCI) financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

Notes to the Financial Statements
for the year ended 31 December 2025

1. MATERIAL ACCOUNTING POLICIES (continued)

1.3 FINANCIAL INSTRUMENTS (continued)

1.3.1 AMORTISED COST AND EFFECTIVE INTEREST RATE (continued)

The calculation of the effective interest rate includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums upon initial recognition.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on 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 expected credit loss allowance.

1.3.2 INTEREST INCOME AND EXPENSE

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or liability. Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Financial assets that are not POCI but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis; or

- POCI financial assets, for which the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset from initial recognition. The calculation of interest income does not revert to a gross bass, even if the credit risk of the asset improves.

The effective interest rate is revised as a result of periodic re-estimation of cash flows for floating-rate instruments to reflect movements in market rates of interest.

1.3.3 INITIAL RECOGNITION

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. All loans and advances to customers and to banks are recognised when cash is advanced to borrowers. All securities which are purchased and sold are recognised and derecognised on settlement date, which is the date on which an asset is delivered to or by the Group.

1.3.4 MEASUREMENT AT INITIAL RECOGNITION

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability 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 or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

An expected credit loss allowance (ECL) is also recognised after initial recognition for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note 39.2.1.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 FINANCIAL ASSETS

1.4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

The Group 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.

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:

i. the Group's business model for managing the asset; and

ii. the cash flow characteristics of the asset.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) on specified dates, 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 39.2.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest 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 on specified dates, and that are not designated at FVTPL, are measured at FVOCI. Movements in the fair value are taken through OCI, but impairment gains or losses on specified dates, interest revenue in line with the effective interest method and foreign exchange gains and losses on the instrument's amortised cost are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gain on investment securities and hedging instruments'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss within 'Trading profits' in the period in which it arises. Fair value gains or losses, debt instruments that were designated as hedged items in hedging relationships are presented separately in 'Net gain on investment securities and hedging instruments'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Financial assets are designated at fair value through profit or loss on initial recognition where such designation results in more relevant information because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring financial instruments or recognising the gains and losses on them on different bases.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 FINANCIAL ASSETS (continued)

1.4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS (continued)

Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management in this manner. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and the Group's expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are 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.

Cash flows that represent solely payments of principal and interest

'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the financial asset host is not within the scope of IFRS 9, because the SPPI criterion would be applied to the entire hybrid contract had the financial asset host been within the scope of IFRS 9;
- the hybrid instrument is not measured at FVTPL;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 FINANCIAL ASSETS (continued)

1.4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS (continued)

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis and is irrevocable. Other equity instruments are classified as measured at FVTPL.

Gains and losses on equity instruments measured at FVOCI are never reclassified to profit or loss and no impairment is recognised. Dividends are recognised in profit or loss when the Group's right to receive payment is established. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment. Fair value gains and losses on equity investments measured at FVTPL are included within the 'Trading profits' line item in the statement of profit or loss.

1.4.2 MODIFICATION OF TERMS

In the case of loans and advances which encountered actual or apparent financial difficulties, the Group may grant a concession (forbearance activities) where a customer's financial difficulty indicates that with the original terms and conditions of the contract satisfactory repayment may not be possible.

A concession or forbearance refers to either of the following:

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

The Group may also modify the terms and conditions of a loan agreement as a result of commercial restructuring activity rather than due to the credit risk of the borrower.

When modification of a loan agreement occurs, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see 1.4.5) and a new financial asset, treated as a newly originated financial instrument, is recognised at fair value. If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset by discounting the new contractual cash flows using the original effective interest rate or, if applicable, the revised effective interest rate from the application of the fair value hedge accounting. The adjustment to the gross carrying amount is recognised as a modification gain or loss and is included within 'Interest and similar income' in the Statement of profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2025

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 FINANCIAL ASSETS (continued)

1.4.3 IMPAIRMENT

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises an allowance for such expected credit 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 39.2.1.2 provides more detail on how the expected credit loss allowance is measured.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL 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: as a provision;

- where a financial instrument includes both drawn and undrawn components, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is recognised within other comprehensive income and disclosed in the Revaluation reserves and other components of equity.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Modification of financial assets

When there is a modification of financial assets' terms (Note 1.4.2), the date of renegotiation is considered to be the date of initial recognition for expected credit loss allowance impairment calculation purposes including for the purpose of determining whether a significant increase in credit risk has occurred.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.4 FINANCIAL ASSETS (continued)

1.4.3 IMPAIRMENT (continued)

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an expected credit loss allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

1.4.4 WRITE-OFFS AND RECOVERIES

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determined that the borrower does not have assets or sources of income that would generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included within the Impairment charge line item in the Statement of Profit or Loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

1.4.5 DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or when the group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI, is recognised in profit or loss.

1.4.6 FAIR VALUATION OF FINANCIAL ASSETS

Where possible, fair value is based on quoted bid prices in an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

1.5 FINANCIAL LIABILITIES

1.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial liabilities are initially measured at fair value less, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to their issue. Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.5 FINANCIAL LIABILITIES (continued)

1.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES (continued)

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and those designated at fair value through profit or loss upon initial recognition. During the current and the previous year, the Group did not designate any financial liabilities as at fair value through profit or loss upon initial recognition. Derivatives are categorised as held for trading, unless they are designated and effective hedging instruments.

Financial liabilities that are measured at amortised cost using the effective interest method include amounts owed to banks, amounts owed to customers, senior non-preferred liabilities and subordinated liabilities.

Fair value gains or losses on financial liabilities at fair value through profit or loss are recognised in profit or loss. For financial liabilities carried at amortised cost, amounts are recognised in profit or loss when the financial liability is derecognised and through the amortisation process whereby any difference between the proceeds, net of transaction costs, and the settlement or redemption amount is recognised over the term of the financial liability.

Financial liabilities are classified in separate line items of the Statement of Financial Position based on the nature of the instrument and the counterparty. Financial liabilities where the creditor has a lower priority than others are classified as subordinated liabilities whilst senior non-preferred liabilities that fulfil the minimum requirements for own funds and eligible liabilities (MREL) are presented in a separate line item.

1.5.2 DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when it is extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

1.6 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

'Financial guarantee contracts' are contracts that require the Group as the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Expected credit loss allowances are recognised in respect of financial guarantee contracts issued and all loan commitments not measured at fair value through profit or loss, in accordance with the expected credit loss model under IFRS 9 Financial Instruments (see Note 1.4.3).

Financial guarantee contracts are recognised as a financial liability at the time when the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees on initial recognition equals the present value of the premium in an arm's length transaction.

Expected credit loss allowances attributable to financial instruments which include both drawn and undrawn components are presented as highlighted within note 1.4.3.

1.7 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements
for the year ended 31 December 2025

1. MATERIAL ACCOUNTING POLICIES (continued)

1.8 DERIVATIVES AND HEDGED ACCOUNTING

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

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

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

Derivatives designated as hedging instruments in fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a Central Counterparty (CCP) by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

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

Accordingly, on hedge discontinuation, any hedging adjustment previously effected to a hedged financial instrument is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

Other derivatives

Derivatives which are not designated as hedging instruments in a qualifying hedge relationship are classified as held for trading for accounting purposes and are measured at fair value through profit or loss. These derivatives also comprise those instruments which are held for risk management purposes or for economic hedging purposes, but do not meet the hedge accounting criteria. All changes in fair value of these derivatives are recognised immediately in profit or loss as a component of trading profits (refer to Note 5).

1.9 SALE AND REPURCHASE AGREEMENTS

Securities sold subject to a linked repurchase agreement (repos) continue to be recognised in that statement of financial position, and the counterparty liability is included within amounts owed to banks. Securities purchased under agreements to resell (reverse repos) are not recognised but the amounts paid are recorded as loans and advances to banks. The difference between sale and repurchase prices or purchase and subsequent sale prices is recognised over the term of the repo/reverse repo agreements using the effective interest method and is presented as interest.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.10 INVESTMENTS IN SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTEES

Investments in subsidiaries and equity-accounted investees are initially recognised in the Bank's statement of financial position at cost, which includes transaction costs, and subsequently measured in the Bank's separate financial statements at cost less any impairment loss which may have arisen. Interests in equity-accounted investees are subsequently accounted for using the equity method in the consolidated financial statements, which include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases. Dividends from the investments are recognised in the Bank's profit or loss when its right to receive dividend is established.

At the end of each reporting period, the Bank reviews the carrying amount of its investments in subsidiaries and equity-accounted investees to determine whether there is any indication of impairment and if any such indication exists, the recoverable amount of the asset is estimated.

1.11 PROPERTY AND EQUIPMENT

Property and equipment are classified into the following classes – land and buildings, IT infrastructure and equipment and other (primarily furniture and fittings), and are initially measured at cost.

Subsequent to initial recognition, freehold and long-term leasehold properties are measured in the statement of financial position at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation for buildings. Surplus arising on revaluation, net of tax, is recognised in other comprehensive income and is credited to a reserve within shareholders' equity. Revaluations are performed by professionally qualified architects on a regular basis such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Other tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

1.12 LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1.12.1 GROUP ACTING AS A LESSEE

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises, the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising principally the amount of the initial measurement of the lease liability. After commencement date, the Group measures its right-of-use asset by applying the cost model and is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the asset's useful life is shorter. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. While the Group revalues the land and buildings class within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. This rate is based on the swap rate curves as proxies for risk-free rates, Malta Government Stocks yields to reflect the local context and the application of a risk margin.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.12 LEASES (continued)

1.12.1 GROUP ACTING AS A LESSEE (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The interest cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

1.12.2 SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (below €5,000) and short-term leases (lease term of 12 months or less without a purchase option). The Group recognises the lease payments associated with these leases as an expense in profit or loss on a straight-line basis over the lease term.

1.13 INTANGIBLE ASSETS

Intangible assets comprise computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Group's accounting policy for property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the respective criteria within IAS 38 Intangible assets are met. Directly attributable costs that are capitalised as part of the carrying amount of the software include employee benefits.

Computer software is initially measured at cost. It is subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

1.14 DEPRECIATION AND AMORTISATION

Depreciation on property and equipment commences when these assets are available for use and is charged to profit or loss so as to write off the cost or revalued amount of assets, other than land, less any estimated residual value, over their estimated useful life, using the straight-line method, on the following bases:

Notes to the Financial Statements
for the year ended 31 December 2025

1. MATERIAL ACCOUNTING POLICIES (continued)

1.14 DEPRECIATION AND AMORTISATION (continued)

Property and equipment		
Freehold and long-term leasehold buildings	2%	per annum
IT infrastructure and equipment	10% - 25%	per annum
Other (primarily furniture and fittings)	5% - 33%	per annum
Right-of-use assets	Over the term of the lease	

The depreciation method applied, the residual value and the useful life are reviewed at the end of each reporting period and adjusted if appropriate.

Amortisation on intangible assets commences when these assets are available for use and is charged to profit or loss so as to write off the cost of assets, less any estimated residual value, over their estimated useful life, using the straight-line method, on the following bases:

Intangible assets		
Computer software	10% - 33%	per annum

The amortisation method applied, the residual value and the useful life are reviewed at the end of each reporting period and adjusted if appropriate.

1.15 IMPAIRMENT OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

At the end of each reporting period the Group reviews the carrying amount of its property and equipment and intangible assets to determine whether there is any indication that the carrying amount of those assets might not be recoverable due to an impairment loss attributable to events or changes in circumstances. If such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss, being the amount by which its carrying amount exceeds its recoverable amount, and the carrying amount of the asset is reduced to its recoverable amount in line with the requirements of IAS 36 Impairment of Assets. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the loss is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for that asset.

1.16 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Expected credit loss allowances in respect of loan commitments and financial guarantee contracts are presented as a provision (refer to note 1.4.3).

1.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and deposits receivable on demand or with a contractual period to maturity of less than 3 months; advances to banks repayable within 3 months from the date of the advance; balances with the European Central Bank and Central Bank of Malta, excluding reserve deposit requirements; and treasury bills with an original maturity of less than 3 months. Amounts owed to banks that are repayable on demand or with a contractual period to maturity of less than 3 months and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flow.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.18 TREASURY SHARES

When the Bank purchases its own equity instruments, under its share buyback programme, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity. Shares held by the Bank are presented separately as treasury shares, as a deduction within equity.

No gain or loss is recognised in profit or loss on the purchase, sale, reissuance, or cancellation of the Bank's own equity instruments as these transactions are recorded directly in equity.

Treasury shares held by the Bank are excluded from the denominator in the computation of basic and diluted earnings per share and are not entitled to dividends or voting rights whilst held by the Bank.

1.19 DIVIDENDS PAYABLE

Interim dividends and special dividends approved by the Directors are recognised when paid. Final dividends are recognised as liability upon approval by the shareholders at the Annual General Meeting. Special dividends may be declared separately from the typical dividend cycle (interim and final) and are usually a one-off payment distributed to shareholders from the profit of the period and/or from retained earnings.

1.20 FAIR VALUATION OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in, its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

Fair value reflects conditions including, but not limited to, liquidity in the market at a specific date and may therefore differ significantly from the amounts which will actually be received on the maturity or settlement date.

The best evidence of fair value of an instrument is a quoted price in an active market for that instrument. The determination of what constitutes an active market is subjective and requires the collation of data and the exercise of judgement.

A financial instrument is regarded as quoted in an active market 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 Bank determines whether active market conditions exist by taking into consideration various characteristics, including:

- a significant decline in volume and level of trading activity;
- significant variations in available prices either over time or among market participants;
- the absence of market prices or presence of stale prices;
- unusually wide bid/offer spreads; and
- exceptionally minimal transactions when compared with the quantum of the issue in question.

Where it is concluded that an active market does not exist a valuation technique is used. The latter gives consideration to transaction prices in inactive markets, however it makes use of other observable market data which include a combination of the following:

- the risk premium of instruments of the same issuer traded in more active markets, comprising the same type of debt, the same currency and with the same or similar maturity;
- the spreads payable on credit default swaps of the issuer;
- the risk premium over and above the risk free bonds for similarly rated issuers in the same industry sector;
- yield curve or discounted cash flow (DCF) calculations to maturity using appropriate interest rate/discount factors;
- liquidity adjustments to reflect ability to sell asset over a reasonable timeframe; and
- other overall reasonableness tests.

Notes to the Financial Statements

for the year ended 31 December 2025

1. MATERIAL ACCOUNTING POLICIES (continued)

1.20 FAIR VALUATION OF FINANCIAL INSTRUMENTS (continued)

The main assumptions and estimates which management considers when using valuation techniques are the likelihood and expected timing of future cash flows on the instrument, selecting an appropriate discount rate for the instrument and a risk premium. The valuation techniques used by the Group incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing those financial instruments.

1.21 TAXATION

Income tax expense comprises current and deferred tax, and is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, as appropriate.

Current tax

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, and includes any adjustments in relation to the prior periods.

Deferred tax

Deferred tax is determined under the liability method in respect of all temporary differences between the carrying amount of an asset or liability in the financial statements and its tax base. Deferred tax liabilities are generally recognised for all taxable temporary differences subject to certain exceptions and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is not recognised for temporary differences related to investments in subsidiaries when it is probable that they will not reverse in the foreseeable future.

1.22 OPERATING INCOME

Interest income and expense

Interest income and expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or, when appropriate, a shorter period to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums. In relation to credit-impaired financial assets, the Bank utilises a credit-adjusted effective interest rate based on estimated future cash flows taking into account expected credit losses.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.22 OPERATING INCOME (continued)

Fee and commission income and expense

The Group earns fee income from services provided over time and from execution of specific transactions at a point in time. The Group recognises fees earned on transaction arrangements at a point in time when it would have provided the service to the customer. When the customer arrangements require services to be provided over time, fee income is recognised on a systematic basis over the term of the arrangement. A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses are generally expensed as the services are received.

Dividend income

Dividend income from investments is recognised when the right to receive payment has been established.

1.23 FOREIGN CURRENCY TRANSLATION

For the purpose of the consolidated and separate financial statements, the presentation currency is the Euro. The functional currency of the Bank and of all its subsidiaries is the Euro.

In preparing the financial statements of the individual group entities, transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the rates of exchange ruling at the end of the reporting period. Gains and losses arising from such translation are dealt with in profit or loss and presented within trading income. Non-monetary assets and liabilities denominated in foreign currencies, that are stated at fair value, are translated to Euro at the exchange rate ruling on the date the fair value was measured. Non-monetary assets and liabilities denominated in foreign currencies, that are measured in terms of historical cost, are not retranslated.

1.24 EMPLOYEE BENEFITS

The Group and the Bank contribute towards the state pension in accordance with local legislation. The Group has no further payment obligations once the required contributions have been paid. The contributions are expensed in profit or loss in the period in which they are due

1.24.1 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are expensed as the related service is provided. A liability is recognised in respect of employees' service up to the end of the reporting period and is measured at the amounts expected to be paid when the obligation is settled.

1.24.2 POST-EMPLOYMENT BENEFITS - DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution plans are extinguished once the contributions have been paid. The contributions are recognised as Employee compensation and benefits in the Statement of Profit or Loss when they are due as the related employee services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1. MATERIAL ACCOUNTING POLICIES (continued)

1.24 EMPLOYEE BENEFITS (continued)

1.24.3 POST-EMPLOYMENT BENEFITS - DEFINED BENEFIT PLANS

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period calculated annually using the projected unit credit method. The obligation is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately. This method requires the Group to attribute benefit to the current period in order to determine current service cost and to the current and prior periods in order to determine the present value of the defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. Current and past service costs and net interest costs are recognised in profit or loss.

Remeasurement gains and losses attributable to the defined benefit liability, comprising actuarial gains and losses, are recognised directly in other comprehensive income in the period in which they arise and are not reclassified to profit or loss in a subsequent period. They are included in retained earnings in the statement of changes in equity and in the statement of financial position. Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits.

1.24.4 TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1.25 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The amounts recognised in the financial statements are determined by reference to the accounting policies, assumptions and estimates that underlie the preparation of financial statements. The judgements made by management in applying the Group's and the Bank's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period are disclosed within the financial statements.

1.25.1 EXPECTED CREDIT LOSS ALLOWANCES

Estimates and underlying assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year comprise those applied in determining expected credit loss allowances. Note 39.2.1.2.5 discloses the relevant information in respect of inputs to the IFRS 9 ECL measurement model, including key assumptions used in relation to the application of forward-looking information.

2. INTEREST AND SIMILAR INCOME

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Amortised cost:				
- on loans and advances to banks	2,301	3,555	2,301	3,555
- on loans and advances to customers	263,821	251,875	263,821	251,875
- on balances with Central Bank of Malta	15,393	51,062	15,393	51,062
Fair value through other comprehensive income:				
- on treasury bills	713	255	713	255
	282,228	**306,747**	**282,228**	**306,747**
- fair value through other comprehensive income	4,582	5,123	4,582	5,123
- amortised cost	148,528	112,720	148,528	112,720
- fair value through profit or loss	2	32	-	1
- interest rate swaps	550	2,030	550	2,030
Contract interest income on debt, other fixed income instruments and derivatives	153,662	119,905	153,660	119,874
Amortisation of discounts and premiums				
- fair value through other comprehensive income	(974)	(834)	(974)	(834)
- amortised cost	11,310	11,356	11,310	11,356
	10,336	10,522	10,336	10,522
Interest and similar income on debt, other fixed income instruments and derivatives	**163,998**	**130,427**	**163,996**	**130,396**
	446,226	**437,174**	**446,224**	**437,143**

Interest income on loans and advances to customers includes interest arising from loans and advances measured at amortised cost and at fair value through profit or loss. For the year ended 31 December 2025, interest income on loans designated at fair value through profit or loss amounted to €1.6 million (2024: €2.3 million).

3. INTEREST EXPENSE

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Amortised cost:				
- On amounts owed to banks	4,852	6,502	4,852	6,502
- On amounts owed to customers	2,860	3,227	2,860	3,227
- On unsubordinated debt securities in issue	35,816	35,747	35,816	35,747
- On subordinated liabilities	15,277	5,781	15,277	5,781
Fair value through profit or loss:				
- On interest rate swaps	28	-	28	-
	58,833	**51,257**	**58,833**	**51,257**

4. NET FEE AND COMMISSION INCOME

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Credit related fees and commissions	29,860	25,058	29,860	25,058
Cards related fees and commissions	17,008	15,834	17,008	15,834
Investment services related fees and commissions	25,146	23,836	16,007	14,728
Payments related fees	8,688	8,632	8,688	8,632
Other fees	7,370	8,019	7,371	8,046
	88,072	**81,379**	**78,934**	**72,298**

The fees and commissions earned by the Group are predominantly recognised at the point in time when the transaction takes place.

The other fee and commission income earned from contracts with customers is measured based on the consideration specified in the contract with a customer. The Group recognises revenue over time as the services are provided.

The fees and commission relating to financial assets and financial liabilities not measured at FVTPL are not considered to be significant.

5. OTHER OPERATING INCOME

5.1 TRADING PROFITS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Net income on foreign exchange activities	8,336	5,816	8,381	5,777
Fair value movements and net gains on sale of financial instruments designated at fair value through profit or loss	5,294	7,983	5,284	7,979
Fair value movements and net gains on sale of financial instruments mandatorily measured at fair value through profit or loss	(13)	(7)	(13)	(7)
	13,617	**13,792**	**13,652**	**13,749**

5.2 NET (LOSS)/GAIN ON INVESTMENT SECURITIES AND HEDGING INSTRUMENTS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Amortised cost instruments				
- net gain on disposal	-	4,213	-	4,213
	-	**4,213**	**-**	**4,213**
Financial assets at FVOCI - debt instruments				
- net (loss) on disposal	(76)	(111)	(76)	(111)
- net revaluation gain/(loss) on hedged items attributable to hedged risk	883	(1,280)	883	(1,280)
	807	**(1,391)**	**807**	**(1,391)**
Derivative financial instruments				
- net (loss)/gain on derivative financial instruments designated as hedging instruments	(898)	1,279	(898)	1,279
	(91)	**4,101**	**(91)**	**4,101**

5.3 OTHER INCOME

During the year ended 31 December 2025, the Group recognised a significant amount of other income amounting to €6.4 million. This income arose from a one-off derecognition of a liability previously recognised under 'Other Liabilities' in the Statement of Financial Position. The derecognition of the liability and subsequent recognition as income was attributable to an update to the contractual terms with a third-party counterparty, which resulted in the extinguishment of the Group's obligation under the original agreement. Whilst the resultant income recognised during the year under review is non-recurring in nature, future income arising from the revised contractual arrangement will be recognised on an ongoing basis within 'Net fee and commission income'.

6. EMPLOYEE COMPENSATION AND BENEFITS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Gross employee compensation and benefits				
- wages and salaries	106,482	98,286	104,013	95,811
- social security costs	5,536	5,689	5,386	5,529
- termination benefits	5,555	5,744	5,555	5,744
- post-employment benefits	2,091	2,130	2,032	2,076
- other staff costs	17,493	11,511	17,467	11,489
Total gross employee compensation and benefits	**137,157**	**123,360**	**134,453**	**120,649**
Compensation and benefits capitalised as intangible assets				
- wages and salaries	(307)	-	(307)	-
- social security costs	(19)	-	(19)	-
Net compensation and benefits as recognised in profit or loss	**136,831**	**123,360**	**134,127**	**120,649**

	The Group		The Bank	
	2025	2024	2025	2024
	No. of persons	No. of persons	No. of persons	No. of persons
The average number of employees are analysed as follows:				
Managerial	1,099	982	1,075	959
Supervisory and clerical	1,193	1,187	1,164	1,154
Others	169	133	163	130
	2,461	**2,302**	**2,402**	**2,243**

7. GENERAL ADMINISTRATIVE EXPENSES BY NATURE

The Bank's general administrative expenses comprise a number of underlying cost categories that reflect the operating activities required to support core business functions.

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
IT maintenance and other IT related costs	49,000	38,951	48,018	37,939
Professional fees and regulatory costs	14,804	14,281	14,675	14,107
Occupancy and other administration fees	25,220	19,784	24,784	19,294
	89,024	**73,016**	**87,477**	**71,340**

Other administrative fees comprise a range of day-to-day operational costs incurred in supporting the Bank's activities.

8. NET IMPAIRMENT CHARGE/(REVERSAL)

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Change in expected credit losses on:				
(a) Financial instruments measured at amortised cost:				
- debt securities	(292)	(205)	(292)	(205)
- loans and advances to banks	3	17	3	17
- loans and advances to customers	4,861	19,991	4,861	19,991
(b) Financial instruments measured at fair value through other comprehensive income:				
- treasury bills	(2)	(3)	(2)	(3)
- debt securities	-	(4)	-	(4)
(c) loan commitments and financial guarantees	1,334	1,425	1,334	1,425
	5,904	21,221	5,904	21,221
Other credit impairment charges:				
- amounts written-off	(8,978)	(1,319)	(8,978)	(1,319)
- recoveries of amounts previously written-off	3,032	3,929	3,032	3,929
	(5,946)	2,610	(5,946)	2,610
Net impairment (charge)/reversal	**(42)**	**23,831**	**(42)**	**23,831**

The change in expected credit losses on loans and advances to customers is net of the reclassification of the discount unwind element to interest income amounting to €2.9 million (2024: €3.7 million).

Net impairment (charge)/reversal for the year includes post-model adjustment reversal of €8.2 million (2024: post-model adjustment reversal of €3.4 million) (Note 39.2.3(j)).

9. PROFIT BEFORE TAX

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Profit before tax is stated after charging:				
Total remuneration payable to the external auditors of the parent company, inclusive of VAT for				
- the audit of financial statements	690	884	646	837
- other assurance services	89	126	85	112
- tax advisory services	10	15	10	10
- other non-assurance services	556	223	549	223
	1,345	**1,248**	**1,290**	**1,182**
Directors' emoluments:				
- fees	814	525	682	488
- directors' salaries as full-time bank employees	919	669	919	669
	1,733	**1,194**	**1,601**	**1,157**
Compensation to other key management personnel is analysed as follows:				
- salaries and other short-term employee benefits	2,660	2,297	2,660	2,297
- post-employment benefits	20	19	20	19
- termination benefits	-	420	-	420
- other fees	5	95	-	-
	2,685	**2,831**	**2,680**	**2,736**
Total remuneration of directors and other key management personnel	**4,418**	**4,025**	**4,281**	**3,893**

Directors' fees for the Group include fees of €0.1 million relating to individuals who do not hold directorship positions within the Bank.

10. INCOME TAX EXPENSE

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Through profit and loss				
Current tax on profits for the year	88,566	97,593	90,023	98,369
Deferred tax expense for the year	119	5,173	82	5,113
	88,685	**102,766**	**90,105**	**103,482**

The charge for income tax is based on the taxable profit for the period at a rate of 35%. The income tax expense and the product of accounting profit multiplied by the statutory domestic income tax rate are reconciled as follows:

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Profit before tax	**260,393**	**302,365**	**254,041**	**296,004**
Tax at the applicable rate of 35%	91,138	105,828	88,914	103,601
Tax effect of amounts which are not deductable (taxable) in calculating taxable income:				
Dividends received from Final Taxed Account and at other rates	(14)	(84)	(48)	(378)
Share of results of equity-accounted investees	(3,643)	(3,313)	-	-
Withholding tax on property sales	675	(317)	675	(317)
Depreciation on premises	895	866	895	866
Other differences	(366)	(214)	(331)	(290)
Income tax expense	**88,685**	**102,766**	**90,105**	**103,482**

11. EARNINGS PER SHARE

	The Group	
	2025	2024 restated
	cents per share	cents per share
Earnings per share	**26.7c**	**31.1c**

The earnings per share are calculated by dividing the profit attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. The profit attributable to shareholders amounted to €171,708,000 (2024: €199,599,000) whilst the weighted average number of ordinary shares in issue during the year was 642,107,354 shares (2024: 642,234,197 shares).

The weighted average number of ordinary shares reflects the total number of shares outstanding during the year, adjusted for the timing of changes to the Group's capital structure arising from both the bonus issue and the share buyback programme. The bonus issue affected during the year is treated as if it had occurred at the beginning of the earliest period presented, with the comparative figures restated accordingly to ensure consistent measurement across periods. Furthermore, the impact of the share buyback programme is incorporated by reducing the number of outstanding shares from the respective dates on which the repurchased shares were bought back, weighted according to the portion of the year for which those shares were no longer in issue. Taken together, these adjustments result in a weighted average number of ordinary shares that reflect the combined effect of the bonus shares issued and the time weighted reduction in shares arising from the buyback activity.

As at 31 December 2025, the Group had no outstanding instruments capable of diluting basic earnings per share. Accordingly, basic and diluted earnings per share are identical.

12. DIVIDENDS

The amounts of dividends recognised as distributions to equity holders during the period, and the related amount per qualifying share, are as follows:

	The Bank			
	2025 cents per share	2024 cents per share	2025 €000	2024 €000
Gross of income tax				
- current year's interim dividend	8.56	9.24	54,975	53,948
- prior year's final dividend	13.14	7.00	76,718	40,869
	21.70	16.24	131,693	94,817
Net of income tax				
- current year›s interim dividend	5.56	6.01	35,733	35,066
- prior year's final dividend	8.54	4.55	49,867	26,565
	14.10	10.56	85,600	61,631

Comparative period

During the comparative year, the Directors authorised an interim cash gross ordinary dividend of €0.0924 per share amounting to €53.9 million (net ordinary dividend of €0.0601 per share amounting to €35.1 million) to be paid to shareholders. Payment was effected on 27 November 2024. Dividend was paid out of profits taxed at 35%. Furthermore, on 26 March 2025, the Board of Directors resolved to recommend for approval of the Annual General Meeting the payment of a final gross dividend of €0.1314 per share relating to the financial year ended 2024, equivalent to a final net dividend of €0.0854 per share, which was approved by the shareholders at the Annual General Meeting. The cash dividend was paid on 12 June 2025. The total gross dividends relating to the financial year ended 2024 amounted to €130.7 million (net of tax amounting to €84.9 million).

Current period

Bonus issue

On 26 June 2025, €58,384,927 from the Group's reserves have been capitalised for the purpose of a bonus share issue of 58,384,927 fully paid ordinary shares of a nominal value of €1.00 per share, representing 1 bonus share for every 10 shares held, allotted to members that appeared on the register of members of the Bank as at the close of business of the same date. This bonus issue has resulted in an increase in the issued share capital from 583,849,270 to 642,234,197 shares of €1.00 each share fully paid up, resulting in a paid-up capital of €642,234,197. Consequently, the total number of voting rights has increased to 642,234,197 votes.

Interim cash ordinary dividend distribution

In the current period, the Directors authorised an interim gross cash ordinary dividend of €0.0856 gross per share amounting to €55.0 million (net dividend of €0.0556 per share amounting to €35.7 million) to be paid to shareholders. Payment was effected in the current period on 2 September 2025. Dividend were paid out of profits taxed at 35%.

Proposed final cash ordinary dividend distribution and proposed special dividend distribution

The Directors have approved a proposal to shareholders of a final cash gross ordinary dividend of €0.1014 per share amounting to €65.1 million (net dividend of €0.0659 per share amounting to €42.3 million) to be paid to shareholders. In addition to cash ordinary dividends, the Directors have also approved a proposal to shareholders of a cash special gross dividend amounting to €0.0162 per share equivalent to €10.4 million (net dividend of €0.0105 per share – amounting to €6.8million) to be paid to shareholders. Taken together, the final cash gross ordinary and special dividend result in €0.1176 gross per share amounting to €75.5 million (net dividend of €0.0764 per share - amounting to €49.1 million).

The payment of the proposed final ordinary dividend as well as the special dividend are subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. They are payable to all shareholders on the register of members as at the "record date". The record date for the purposes of Article 2.1 of the Bank's Articles of Association is 30 days immediately preceding the date set for the Annual General Meeting.

12. DIVIDENDS (continued)

The dividend per share for both the final ordinary dividend and the special dividend are calculated based on the number of ordinary shares in issue at year-end, adjusted for the number of shares bought back and held as treasury shares as at 31 December 2025. Any further reduction in the number of shares in circulation arising from the share buy back programme between 31 December 2025 and the record date will affect positively gross and net dividend per share.

13. BALANCES WITH CENTRAL BANK OF MALTA, TREASURY BILLS AND CASH

		The Group		The Bank	
	Note	2025	2024	2025	2024
		€000	€000	€000	€000
Balances with Central Bank of Malta		729,942	954,420	729,942	954,420
Malta Government Treasury Bills at fair value through other comprehensive income		115,478	64,777	115,478	64,777
Cash	36	75,804	66,674	75,804	66,674
		921,224	1,085,871	921,224	1,085,871

Balances with Central Bank of Malta include Reserve Deposit, in terms of Regulation (EC) No. 1745/2003 of the European Central Bank amounting to €135.0 million (2024: €123.7 million) in respect of both the Group and the Bank.

Credit loss allowances in respect of balances with the Central Bank of Malta and, Malta Government Treasury Bills are deemed to be insignificant.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE FINANCIAL INSTRUMENTS

Financial assets at fair value through profit or loss

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Financial assets mandatorily measured at FVTPL:				
Debt and other fixed income instruments (note 14.1)	1	22	1	22
Financial assets classified as held for trading				
Derivative financial assets (note 14.3)	2,987	4,071	2,987	4,071
	2,988	4,093	2,988	4,093
Financial assets designated at FVTPL:				
Debt and other fixed income instruments (note 14.1)	1,391	1,398	5	17
Equity and other non-fixed income instruments (note 14.2)	51,203	50,052	51,198	49,891
Loans and advances to customers (note 17)	36,643	50,677	36,643	50,677
	89,237	102,127	87,846	100,585
	92,225	106,220	90,834	104,678

Financial assets at fair value through profit or loss comprise investments measured at fair value through profit or loss, loans and advances to customers measured at fair value through profit or loss, as well as derivative financial assets, as presented in the Statement of Financial Position.

Financial liabilities at fair value through profit or loss

	The Group		The Bank	
	2025	2024	2025	2024
Financial liabilities classified as held for trading:				
Derivative financial liabilities (note 14.3)	4,532	4,200	4,532	4,200

Notes to the Financial Statements

for the year ended 31 December 2025

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE FINANCIAL INSTRUMENTS (continued)

14.1 DEBT AND OTHER FIXED INCOME INSTRUMENTS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Issued by public bodies				
- local general government	258	-	-	-
- foreign general government	1,128	1,393	-	12
	1,386	1,393	-	12
Issued by other issuers				
- foreign banks	6	27	6	27
	6	27	6	27
	1,392	1,420	6	39
Listing status				
- listed on Malta Stock Exchange	258	-	-	-
- listed on foreign stock exchanges	1,134	1,420	6	39
	1,392	1,420	6	39
Summary of movements during the year:				
At the beginning of the year	1,420	42	39	42
Acquisitions	375	1,350	-	-
Movement in accrued interest receivable	2	(1)	-	(1)
Redemptions and disposals	(422)	-	(31)	-
Movement in fair value	19	29	-	(2)
Exchange adjustment	(2)	-	(2)	-
At the end of the year	1,392	1,420	6	39

14.2 EQUITY AND OTHER NON-FIXED INCOME INSTRUMENTS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Issued by other issuers				
- local banks	78	167	78	167
- foreign banks and other issuers	51,068	49,621	51,068	49,621
- local issuers	57	264	52	103
	51,203	50,052	51,198	49,891
Listing status				
- listed on Malta Stock Exchange	135	431	130	270
- unlisted foreign banks and other issuers	51,068	49,621	51,068	49,621
	51,203	50,052	51,198	49,891
Summary of movements during the year:				
At the beginning of the year	50,052	40,584	49,891	40,293
Disposals	(254)	(130)	(96)	-
Movement in fair value	5,235	7,986	5,233	7,986
Exchange adjustment	(3,830)	1,612	(3,830)	1,612
At the end of the year	51,203	50,052	51,198	49,891

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND DERIVATIVE FINANCIAL INSTRUMENTS (continued)

14.3 DERIVATIVE FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR TRADING

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
-Fair value of assets	2,987	4,071	2,987	4,071
-Fair value of liabilities	4,532	4,200	4,532	4,200

Derivative contracts classified as held for trading with a gross carrying amount of €1.84 million are offset by an amount of €1.78 million attributable to Amounts owed to banks. This offsetting is enforceable by master netting agreements. The resulting net amount of €0.06 million, which is presented in the Statement of Financial Position, is disclosed in the table below

-Fair value of derivative financial instruments	1,842	1,824	1,842	1,824
-Amounts owed to banks that are offset (see Note 39.8)	(1,784)	(1,730)	(1,784)	(1,730)
Net amount	58	94	58	94

The derivatives comprise over-the-counter forward foreign exchange contracts and interest rate swaps, that have not been designated as hedging instruments in hedging relationships, measured at fair value through profit or loss, with notional amounts analysed by remaining contractual term as follows:

Foreign exchange contracts				
- less than 3 months	226,472	226,695	226,472	226,695
- between 3 months and 1 year	67,961	8,924	67,961	8,924
- between 1 and 5 years	-	65,951	-	65,951
	294,433	301,570	294,433	301,570
Interest rate swaps				
- between 3 months and 1 year	1,250	2,362	1,250	2,362
- between 1 and 5 years	15,150	21,565	15,150	21,565
- more than 5 Years	20,190	23,447	20,190	23,447
	36,590	47,374	36,590	47,374

15. INVESTMENTS AT AMORTISED COST AND FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Debt and other fixed income instruments				
- measured at FVOCI (note 15.1)	70,786	80,541	70,786	80,541
- measured at amortised cost (note 15.2)	6,781,209	6,251,257	6,781,209	6,251,257
Equity and other non-fixed income instruments (note 15.3)				
- measured at FVOCI	3,044	4,898	3,044	4,898
	6,855,039	**6,336,696**	**6,855,039**	**6,336,696**

Debt and other fixed income instruments and Equity and other non-fixed income instruments as presented in this note comprise investments at amortised costs and investments at fair value through other comprehensive income, as presented in the Statement of Financial Position.

Debt securities measured at amortised cost and fair value through other comprehensive income, with nominal values of €326.4 million (2024: €497.2 million) and €12.5 million (2024: €12.5 million), respectively, have been allocated for potential utilization as collateral in relation to the provision of Central Bank of Malta credit lines. As at December 2025, these securities were measured at €336.7 million (2024: €511.4 million) and €13.2 million (2024: €13.4 million) as at 31 December 2025.

Debt securities measured at amortised cost with a nominal value of €40.0 million (2024: €40.0 million) have been pledged in favour of Depositor Compensation Scheme. These securities were valued at €40.1 million as at 31 December 2025 (2024: €40.2 million).

Debt securities measured at amortised cost with a nominal value of €65.0 million have been sold under sale and prepurchase agreements and accordingly are pledged and are covered by the TBMA/ISMA Global Repurchase Master Agreement. These investments were carried at €64.9 million as at 31 December 2025. At the end of 2024, there were no such pledged securities covered by the TBMA/ISMA Global Repurchase Master Agreement (refer to Note 39.5).

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15. INVESTMENTS AT AMORTISED COST AND FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

15.1 DEBT AND OTHER FIXED INCOME INSTRUMENTS MEASURED AT FVOCI

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Issued by public bodies				
- local general government	13,247	13,467	13,247	13,467
- local public sector	56,813	64,445	56,813	64,445
	70,060	**77,912**	**70,060**	**77,912**
Issued by other issuers				
- foreign banks	141	1,077	141	1,077
- other foreign issuers	585	1,552	585	1,552
	726	**2,629**	**726**	**2,629**
Listing status				
- listed on Malta Stock Exchange	70,060	77,912	70,060	77,912
- listed on foreign stock exchanges	726	2,629	726	2,629
	70,786	**80,541**	**70,786**	**80,541**
Summary of movements during the year:				
At the beginning of the year	80,541	75,951	80,541	75,951
Acquisitions	-	37,113	-	37,113
Movement in accrued interest receivable	(80)	62	(80)	62
Redemptions and disposals	(1,972)	(34,568)	(1,972)	(34,568)
Movement in fair value	(336)	(2,617)	(336)	(2,617)
Exchange adjustment	(7,367)	4,600	(7,367)	4,600
At the end of the year	**70,786**	**80,541**	**70,786**	**80,541**

As at 31 December 2025, debt and other fixed income instruments measured at FVOCI are considered to be subject to insignificant credit risk.

15. INVESTMENTS AT AMORTISED COST AND FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

15.2 DEBT AND OTHER FIXED INCOME INSTRUMENTS MEASURED AT AMORTISED COST

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Issued by public bodies				
- local general government	2,179,313	2,041,581	2,179,313	2,041,581
- foreign general government	3,837,777	3,290,970	3,837,777	3,290,970
	6,017,090	**5,332,551**	**6,017,090**	**5,332,551**
Issued by other issuers				
- foreign banks	688,633	834,953	688,633	834,953
- other foreign issuers	75,486	83,753	75,486	83,753
	764,119	**918,706**	**764,119**	**918,706**
	6,781,209	**6,251,257**	**6,781,209**	**6,251,257**
Listing status				
- listed on Malta Stock Exchange	2,179,313	2,041,998	2,179,313	2,041,998
- listed on foreign stock exchanges	4,486,683	4,086,051	4,486,683	4,086,051
- foreign unlisted	115,213	123,208	115,213	123,208
	6,781,209	**6,251,257**	**6,781,209**	**6,251,257**

At 31 December 2025, the fair value of debt and other fixed income instruments measured at amortised cost amounted to €6,706.8 million (2024: €6,176.4 million).

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Summary of movements during the year:				
At the beginning of the year	6,251,257	5,266,958	6,251,257	5,266,958
Movement in accrued interest receivable	13,766	16,965	13,766	16,965
Acquisitions	1,250,007	2,046,565	1,250,007	2,046,565
Redemptions and disposals	(743,733)	(1,092,254)	(743,733)	(1,092,254)
Amortisation of discounts and premiums	11,310	11,356	11,310	11,356
Movement in expected credit allowances	(291)	(206)	(291)	(206)
Exchange adjustment	(1,107)	1,873	(1,107)	1,873
At the end of the year	**6,781,209**	**6,251,257**	**6,781,209**	**6,251,257**

15. INVESTMENTS AT AMORTISED COST AND FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

15.3 EQUITY AND OTHER NON-FIXED INCOME INSTRUMENTS MEASURED AT FVOCI

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Issued by				
- local other issuers	2,305	3,425	2,305	3,425
- foreign other issuers	-	506	-	506
- local banks	34	33	34	33
- local public bodies	705	934	705	934
	3,044	**4,898**	**3,044**	**4,898**
Listing status				
- listed on Malta Stock Exchange	3,044	4,392	3,044	4,392
- listed on foreign stock exchanges	-	506	-	506
	3,044	**4,898**	**3,044**	**4,898**
Summary of movements during the year:				
At the beginning of the year	4,898	10,553	4,898	10,553
Acquisitions	-	834	-	834
Disposals	(1,318)	(1,161)	(1,318)	(1,161)
Movement in fair value	(536)	(5,328)	(536)	(5,328)
At the end of the year	**3,044**	**4,898**	**3,044**	**4,898**

Other disclosures in respect of equity investments measured at fair value through comprehensive income, as required by IFRSs as adopted by the EU, were not deemed necessary taking cognisance of the immateriality of the carrying amount of the Group's such equity investments in the context of the amounts presented within the Group's statement of financial position.

16. LOANS AND ADVANCES TO BANKS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Repayable on call and at short notice	191,029	179,267	191,029	179,267
Term placements with other banks	63,551	144,952	63,551	144,952
Cheques in course of collection	4,174	4,328	4,174	4,328
	258,754	**328,547**	**258,754**	**328,547**

Balances with a carrying amount of €4.2 million (2024: €3.6 million) as at 31 December 2025 are pledged as collateral in relation to derivative financial instruments.

Credit loss allowances in respect of loans and advances to banks are deemed to be insignificant.

17. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Repayable on call and at short notice	671,787	547,135	671,787	547,135
Term loans and advances	7,398,989	6,386,456	7,398,989	6,386,456
	8,070,776	6,933,591	8,070,776	6,933,591
Less expected credit loss allowances	(85,303)	(87,289)	(85,303)	(87,289)
Net loans and advances at amortised cost	7,985,473	6,846,302	7,985,473	6,846,302
Loans and advances designated at fair value through profit or loss (note 14)	36,643	50,677	36,643	50,677
Total loans and advances	**8,022,116**	**6,896,979**	**8,022,116**	**6,896,979**
Expected credit loss allowances	**85,303**	**87,289**	**85,303**	**87,289**

18. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
At the beginning of the year	117,160	110,098	72,870	72,870
Share of results, net of tax	10,409	9,466	-	-
Dividends received	(2,992)	(2,404)	-	-
At the end of the year	**124,577**	**117,160**	**72,870**	**72,870**
Amounts include:				
Local listed	33,284	29,994	22,304	22,304
Local unlisted	91,293	87,166	50,566	50,566
	124,577	**117,160**	**72,870**	**72,870**

On the historical cost basis, shares in equity-accounted investees of the Group, would have been stated at a cost of €72.9 million (2024: €72.9 million).

The fair value of the equity-accounted investee with listed ordinary shares amounted to €39.7 million (2024: €40.0 million) at 31 December 2025 based on its quoted market price. The cost of this investment is €22.3 million (2024: €22.3 million).

The fair value of the listed investee is regarded as Level 1 under the fair value hierarchy of IFRS 13.

18. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES (continued)

18.1 DETAILS OF ASSOCIATES

Details of the associates held by the Group and the Bank are as follows:

	Equity interest		Class of shares held	Incorporated in	Nature of Business
	2025	2024			
Name of company	**%**	**%**			
Mapfre Middlesea p.l.c. (listed on Malta Stock Exchange	31.08	31.08	Ordinary	Malta	Insurance
Mapfre Msv Life p.l.c.*	50.00	50.00	Ordinary	Malta	Life Assurance

	Group's share of results	
	2025	2024
Name of company	€000	€000
Mapfre Middlesea p.l.c.	4,830	3,990
Mapfre Msv Life p.l.c.	5,579	5,476
	10,409	**9,466**

*Effectively, a further 15.54% (2024:15.54%) is held indirectly via the other equity-accounted investee, in view of the fact that the other investee is the other 50% shareholder in Mapfre Msv Life p.l.c. Although the Bank has an effective participating interest of 65.54% (2024: 65.54%) in Mapfre Msv Life p.l.c, it does not exercise control over this entity as it only has the right for equal representation on the Board of Directors of the entity together with the other shareholder. The Bank is deemed to exercise significant influence on Mapfre Msv Life p.l.c. as opposed to joint control as a result of a shareholders' agreement which gives the other shareholder in Mapfre Msv Life p.l.c. control. The shareholding percentages reflected above are equivalent to the proportion of voting rights held.

The activities of the associates within the insurance and life assurance sectors, with their principal place of business being Malta, are important to the Bank in the context of its strategy and business model. The financial statements of the equity-accounted investees are prepared to 31 December. The registered addresses of the associates are as follows:

Mapfre Middlesea p.l.c.	Middlesea House, Floriana FRN 1442, Malta
Mapfre Msv Life p.l.c.	The Mall, Mall Street, Floriana FRN 1470, Malta

18. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES (continued)

18.1 DETAILS OF ASSOCIATES (continued)

Summarised financial information in respect of the equity-accounted investees extracted from the published financial statements of the associates for the year ended 31 December:

	2025	2024
	€000	€000
Total assets	2,490,752	2,453,909
Total liabilities	2,292,511	2,270,391
Revenues	155,678	146,697
Profit for the year	20,514	17,994
Total Comprehensive Income	21,020	18,152

	The Group	
	2025	2024
	€000	€000
Share of net assets of equity-accounted investees	124,577	117,160
Share of results of equity-accounted investees	10,409	9,466

As at 31 December 2025, the Bank had in issue guarantees in favour of the associates. The aggregate amount of these guarantees is not material in the context of the Bank's financial position.

Distributions by the Bank's associates are subject to regulatory approval and compliance with applicable regulatory solvency requirements. As at 31 December 2025 and 2024, there were no significant restrictions on the ability of the Bank's associates, Mapfre Msv Life p.l.c. and Mapfre Middlesea p.l.c. to transfer funds to the Bank in the form of cash dividends, or to repay loans or advances.

19. INVESTMENTS IN SUBSIDIARY COMPANIES

Name of company	Equity interest / voting rights 2025 %	Equity interest / voting rights 2024 %	Class of shares held	Incorporated in	Nature of Business
BOV Asset Management Limited	100	100	Ordinary	Malta	Fund Management
BOV Fund Services Limited	100	100	Ordinary	Malta	Fund Administration

	The Bank	
Name of company	**2025 €000**	**2024 €000**
BOV Asset Management Limited	5,481	5,481
BOV Fund Services Limited	749	749
Cost/Carrying amount	**6,230**	**6,230**

The registered address of the above unlisted undertakings, which have their principal place of business being Malta, is as follows:

BOV Asset Management Limited 58, Triq San Zakkarija, Il-Belt Valletta VLT1130
BOV Fund Services Limited 58, Triq San Zakkarija, Il-Belt Valletta VLT1130

All subsidiaries prepared their financial statements as at 31 December.

20. INTANGIBLE ASSETS

	The Group		The Bank	
	2025 €000	**2024 €000**	**2025 €000**	**2024 €000**
Software				
Cost				
1 January	122,176	119,538	121,876	119,238
Additions	8,643	3,823	8,643	3,823
Assets retired from active use	(7,729)	(1,185)	(7,729)	(1,185)
31 December	**123,090**	**122,176**	**122,790**	**121,876**
Accumulated amortisation				
1 January	76,859	64,896	76,570	64,707
Charge for the year	12,770	13,148	12,759	13,048
Assets retired from active use	(7,519)	(1,185)	(7,519)	(1,185)
31 December	**82,110**	**76,859**	**81,810**	**76,570**
Carrying amount at 1 January	**45,317**	**54,642**	**45,306**	**54,531**
Carrying amount at 31 December	**40,980**	**45,317**	**40,980**	**45,306**
Future capital expenditure:				
- contracted but not provided for in the financial statements	88	124	88	124
- authorised by the directors but not contracted	25,048	21,700	25,048	21,700

21. PROPERTY AND EQUIPMENT

Reconciliation of Carrying Amount

	Land and buildings	IT infrastructure and equipment	Other	Total
The Group	€000	€000	€000	€000
Cost or valuation				
Balance at 1 January 2024	144,650	32,661	29,189	**206,500**
Additions	6,661	8,473	5,210	**20,344**
Assets retired from active use	(20)	(37)	(437)	**(494)**
Disposals	(404)	-	(47)	**(451)**
Revaluation	6,861	-	-	**6,861**
Balance at 31 December 2024	**157,748**	**41,097**	**33,915**	**232,760**
Balance at 1 January 2025	157,748	41,097	33,915	**232,760**
Additions	20,995	4,112	5,721	**30,828**
Reclassification to Assets held for realisation	(1,348)	-	-	**(1,348)**
Assets retired from active use	(78)	(2,683)	(726)	**(3,487)**
Disposals	(7,644)	-	-	**(7,644)**
Revaluation	4,680	-	-	**4,680**
Balance at 31 December 2025	**174,353**	**42,526**	**38,910**	**255,789**
Accumulated depreciation				
Balance at 1 January 2024	25,334	26,147	20,847	**72,328**
Depreciation for the year	2,282	3,206	1,676	**7,164**
Assets retired from active use	(9)	(8)	(105)	**(122)**
Disposals	(104)	-	(25)	**(129)**
Balance at 31 December 2024	**27,503**	**29,345**	**22,393**	**79,241**
Balance at 1 January 2025	27,503	29,345	22,393	**79,241**
Depreciation for the year	2,558	3,446	2,182	**8,186**
Reclassfication to Assets held for realisation	(48)	-	-	**(48)**
Assets retired from active use	(68)	(2,677)	(709)	**(3,454)**
Disposals	(341)	-	-	**(341)**
Balance at 31 December 2025	**29,604**	**30,114**	**23,866**	**83,584**
Carrying amount at:				
Balance at 1 January 2024	**119,316**	**6,514**	**8,342**	**134,172**
Balance at 31 December 2024	**130,245**	**11,752**	**11,522**	**153,519**
Balance at 31 December 2025	**144,749**	**12,412**	**15,044**	**172,205**

As at 31 December 2025, Property and Equipment includes right-of-use assets with a carrying amount of €7.0 million (2024: €6.0 million) (Note 22).

Notes to the Financial Statements

for the year ended 31 December 2025

21. PROPERTY AND EQUIPMENT (continued)

Reconciliation of carrying amount (continued)

	Land and buildings	IT infrastructure and equipment	Other	Total
The Bank	€000	€000	€000	€000
Cost or valuation				
Balance at 1 January 2024	144,584	31,620	27,765	**203,969**
Additions	6,637	8,473	5,210	**20,320**
Assets retired from active use	(21)	(37)	(437)	**(495)**
Disposals	(403)	-	(38)	**(441)**
Revaluation	6,861	-	-	**6,861**
Balance at 31 December 2024	**157,658**	**40,056**	**32,500**	**230,214**
Balance at 1 January 2025	157,658	40,056	32,500	**230,214**
Additions	20,995	4,112	5,720	**30,827**
Reclassification to Assets held for realisation	(1,348)	-	-	**(1,348)**
Assets retired from active use	(78)	(2,683)	(726)	**(3,487)**
Disposals	(7,645)	-	-	**(7,645)**
Revaluation	4,679	-	-	**4,679**
Balance at 31 December 2025	**174,261**	**41,485**	**37,494**	**253,240**
Accumulated depreciation				
Balance at 1 January 2024	25,268	25,138	19,438	**69,844**
Depreciation for the year	2,282	3,178	1,673	**7,133**
Assets retired from active use	(9)	(8)	(105)	**(122)**
Disposals	(104)	-	(24)	**(128)**
Balance at 31 December 2024	**27,437**	**28,308**	**20,982**	**76,727**
Balance at 1 January 2025	27,437	28,308	20,982	**76,727**
Depreciation for the year	2,557	3,442	2,178	**8,177**
Reclassification to Assets held for realisation	(48)	-	-	**(48)**
Assets retired from active use	(68)	(2,677)	(709)	**(3,454)**
Disposals	(341)	-	-	**(341)**
Balance at 31 December 2025	**29,537**	**29,073**	**22,451**	**81,061**
Carrying amount at:				
Balance at 1 January 2024	**119,316**	**6,482**	**8,327**	**134,125**
Balance at 31 December 2024	**130,221**	**11,748**	**11,518**	**153,487**
Balance at 31 December 2025	**144,724**	**12,412**	**15,043**	**172,179**

As at 31 December 2025, Property and Equipment include right-of-use assets with a carrying amount of €7.0 million (2024: €5.9 million)(see Note 22).

21. PROPERTY AND EQUIPMENT (continued)

21.1 RECONCILIATION OF CARRYING AMOUNT

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Carrying amount of land and buildings occupied for own use	144,749	130,245	144,724	130,221
Future capital expenditure:				
- contracted but not provided for in the financial statements	811	17,496	811	17,496
- authorised by the directors but not contracted	26,159	38,721	26,159	38,721

Land and buildings are revalued by professionally qualified architects on the basis of open market value in accordance with the Group's accounting policy disclosed within Note 1. The carrying amounts of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation are:

2025: Group €66.6 million (2024: €55.0 million)
2025: Bank €66.6 million (2024: €55.0 million)

Valuation processes
Revaluations are carried out on a regular basis in accordance with the Group's accounting policy. The valuations of the properties are performed on the basis of valuation reports prepared by qualified valuers, which are supported by valuation models and assumptions utilised by the valuers, with assumptions being typically market related based on market observation and professional judgement and by information provided by the Group. The information provided to the valuers, together with the valuation models and the assumptions used by the valuers, are reviewed by management and the appropriateness of the valuation reports is also assessed by management. At the end of every reporting period, management assess whether any significant changes or developments have been experienced since the last valuation report. This analysis is generally supported by assessments performed by the qualified valuers referred to above.

21. PROPERTY AND EQUIPMENT (continued)

21.1 RECONCILIATION OF CARRYING AMOUNT (continued)

Valuation techniques
The external valuations of the Level 3 property are performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property. The highest and best use of the Group's properties is considered equivalent to their current use. Property values are primarily estimated using the 'investment approach', the outcome of which is validated utilising the 'comparative method'. Under the investment approach, the market value is determined by capitalising the annual income the property would generate if leased to third parties, using an appropriate yield rate. Under the comparative method, estate agency listings of similar properties are analysed to derive an average sales value per square metre, adjusted for relevant parameters.

All the recurring property fair value measurements at the end of each financial period presented are derived through the use of significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the end of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial years. A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy is reflected in the tables above. Significant unobservable inputs used in the valuation of these properties are the rental income for office space and the percentage capitalisation rate which indicates the multiplier relationship between net rental income and property value. Further details about these significant inputs are summarised in the table below:

	Significant unobservable input	Narrative sensitivity
Buildings in Commercial Area	Rental per square metre, ranging from €125/sqm to €880/sqm (2024: €125/sqm to €880/sqm with a weighted average of €212/sqm (2024: €204/sqm)	The higher the rental per square metre the higher the fair value
	Capitalisation rate, ranging from 5.31% to 8.30% (2024: 5.31% to 8.30%)	The higher the capitalisation rate the lower the fair value
Buildings in Residential Area	Price per square metre, ranging from €125/sqm to €611/sqm (2024: €125/sqm to €880/sqm) with a weighted average of €170/sqm (2024: €162/sqm)	The higher the rental per square metre the higher the fair value
	Capitalisation rate, ranging from 5.50% to 8.00% (2024: 5.50% to 8.00%)	The higher the capitalisation rate the lower the fair value

22. LEASES

The Group's lease arrangements comprise long-term leasehold properties, other immovable property leaseholds, property space for ATMs and motor vehicles. Extension and termination options are included in some property and certain motor vehicles leases. These terms are used to maximise operational flexibility in respect of managing contracts. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets are presented within property and equipment (see Note 21).

The Group	Land and Buildings €000	Other €000	Total €000
Cost			
Balance at 1 January 2024	12,536	1,854	14,390
Additions	650	158	808
Terminations	(173)	(8)	(181)
Balance at 31 December 2024	**13,013**	**2,004**	**15,017**
Balance at 1 January 2025	13,013	2,004	15,017
Additions	2,259	150	2,409
Terminations	(13)	-	(13)
Balance at 31 December 2025	**15,259**	**2,154**	**17,413**
Accumulated Depreciation			
Balance at 1 January 2024	6,514	1,284	7,798
Depreciation charge for the year	1,064	196	1,260
Balance at 31 December 2024	**7,578**	**1,480**	**9,058**
Balance at 1 January 2025	7,578	1,480	9,058
Depreciation charge for the year	1,143	162	1,305
Balance at 31 December 2025	**8,721**	**1,642**	**10,363**
Carrying amount at:			
Balance at 1 January 2024	**6,022**	**570**	**6,592**
Balance at 31 December 2024	**5,435**	**524**	**5,959**
Balance at 31 December 2025	**6,538**	**512**	**7,050**

22. LEASES (continued)

i. Right-of-use assets (continued)

The Bank	Land and Buildings €000	Other €000	Total €000
Cost			
Balance at 1 January 2024	12,222	1,804	14,026
Additions	651	136	787
Terminations	(173)	(8)	(181)
Balance at 31 December 2024	**12,700**	**1,932**	**14,632**
Balance at 1 January 2025	12,700	1,932	14,632
Additions	2,258	153	2,411
Terminations	(13)	-	(13)
Balance at 31 December 2025	**14,945**	**2,085**	**17,030**
Accumulated Depreciation			
Balance at 1 January 2024	6,201	1,237	7,438
Depreciation charge for the year	1,064	192	1,256
Balance at 31 December 2024	**7,265**	**1,429**	**8,694**
Balance at 1 January 2025	7,265	1,429	8,694
Depreciation charge for the year	1,143	159	1,302
Balance at 31 December 2025	**8,408**	**1,588**	**9,996**
Carrying amount at:			
Balance at 1 January 2024	**6,021**	**567**	**6,588**
Balance at 31 December 2024	**5,435**	**503**	**5,938**
Balance at 31 December 2025	**6,537**	**497**	**7,034**

22. LEASES (continued)

See Note 28 for maturity analysis of lease liabilities as at 31 December 2025 and 31 December 2024.

ii. Amounts recognised in profit or loss

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Depreciation charge 2024	1,064	196	1,260
Interest on lease liabilities 2024	166	9	175
Expenses relating to short-term leases 2024	240	-	240
	1,470	**205**	**1,675**
Depreciation charge 2025	1,143	162	1,305
Interest on lease liabilities 2025	183	12	195
Expenses relating to short-term leases 2025	527	-	527
	1,853	**174**	**2,027**

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Depreciation charge 2024	1,064	192	1,256
Interest on lease liabilities 2024	166	9	175
Expenses relating to short-term leases 2024	240	-	240
	1,470	**201**	**1,671**
Depreciation charge 2025	1,143	159	1,302
Interest on lease liabilities 2025	183	11	194
Expenses relating to short-term leases 2025	527	-	527
	1,853	**170**	**2,023**

22. LEASES (continued)

iii. Amounts recognised in statement of cash flows

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Total cash outflow for leases 2024	1,205	208	1,413
Total cash outflow for leases 2025	**1,196**	**174**	**1,370**

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Total cash outflow for leases 2024	1,207	203	1,410
Total cash outflow for leases 2025	**1,196**	**170**	**1,366**

iv. Extension options

Some property leases contain extension options exercisable by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options, and if it is reasonably certain to exercise the extension option, the Group includes this period in the lease term and the potential future lease payments in the lease liability. The majority of extension periods have been included in this respect.

23. DEFERRED TAX

The Group's deferred tax assets and liabilities on the statement of financial position have not been off-set to the extent that there is no legally enforceable right of set-off with the tax authorities. The principal tax rate used is 35% (2024: 35%), with the exception of deferred taxation on the fair valuation of property which is computed on the basis applicable to property disposals i.e. tax effect of 8% - 10% (2024: 8% - 10%) of the transfer value.

The Bank is expected to have sufficient taxable profits in the future to absorb the deferred tax asset recognised. 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 Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Deferred taxation is analysed as follows:				
Net deferred tax asset arising on:				
Fair value movement of financial instruments	510	281	510	281
Expected credit allowances	35,463	36,753	35,463	36,753
Termination benefits	2,577	2,896	2,577	2,896
Excess of capital allowances over depreciation	(12,923)	(14,275)	(12,923)	(14,275)
Post-employment benefits	2,409	2,597	2,409	2,597
Provisions	918	780	927	752
	28,954	**29,032**	**28,963**	**29,004**
Deferred tax liability arising on:				
Surplus on revaluation of property	**8,291**	**8,119**	**8,291**	**8,119**

23. DEFERRED TAX (continued)

	The Group				
	At 31 December 2024	Recognised in profit or loss	Recognised in OCI	Recognised in other equity	At 31 December 2025
	€000	€000	€000	€000	€000
Movement in temporary differences relating to:					
Fair value movement of financial instruments	281	-	229	-	510
Expected credit loss allowances	36,753	(1,290)	-	-	35,463
Termination benefits	2,896	(319)	-	-	2,577
Excess of capital allowances over depreciation	(14,275)	1,352	-	-	(12,923)
Post-employment benefits	2,597	-	(188)	-	2,409
Surplus on revaluation of property	(8,119)	-	(468)	296	(8,291)
Provisions	780	138	-	-	918
	20,913	**(119)**	**(427)**	**296**	**20,663**

	At 31 December 2023	Recognised in profit or loss	Recognised in OCI	Recognised in other equity	At 31 December 2024
	€000	€000	€000	€000	€000
Movement in temporary differences relating to:					
Fair value movement of financial instruments	(1,733)	-	2,014	-	281
Expected credit loss allowances	42,876	(6,123)	-	-	36,753
Termination benefits	3,411	(515)	-	-	2,896
Excess of capital allowances over depreciation	(15,870)	1,595	-	-	(14,275)
Post-employment benefits	2,415	-	182	-	2,597
Surplus on revaluation of property	(7,435)	2	(686)	-	(8,119)
Provisions	912	(132)	-	-	780
	24,576	**(5,173)**	**1,510**	**-**	**20,913**

23. DEFERRED TAX (continued)

	The Bank				
	At 31 December 2024	Recognised in profit or loss	Recognised in OCI	Recognised in other equity	At 31 December 2025
	€000	€000	€000	€000	€000
Movement in temporary differences relating to:					
Fair value movement of financial instruments	281	-	229	-	510
Expected credit loss allowances	36,753	(1,290)	-	-	35,463
Termination benefits	2,896	(319)	-	-	2,577
Excess of capital allowances over depreciation	(14,275)	1,352	-	-	(12,923)
Post-employment benefits	2,597	-	(188)	-	2,409
Surplus on revaluation of property	(8,119)	-	(468)	296	(8,291)
Provisions	752	175	-	-	927
	20,885	**(82)**	**(427)**	**296**	**20,672**

	At 31 December 2023	Recognised in profit or loss	Recognised in OCI	Recognised in other equity	At 31 December 2024
	€000	€000	€000	€000	€000
Movement in temporary differences relating to:					
Fair value movement of financial instruments	(1,733)	-	2,014	-	281
Expected credit loss allowances	42,876	(6,123)	-	-	36,753
Termination benefits	3,411	(515)	-	-	2,896
Excess of capital allowances over depreciation	(15,870)	1,595	-	-	(14,275)
Post-employment benefits	2,415	-	182	-	2,597
Surplus on revaluation of property	(7,435)	2	(686)	-	(8,119)
Provisions	824	(72)	-	-	752
	24,488	**(5,113)**	**1,510**	**-**	**20,885**

24. OTHER ASSETS

		The Group		The Bank	
		2025	2024	2025	2024
	Note	€000	€000	€000	€000
Prepayments		26,183	20,511	23,416	18,296
Assets held for realisation	24.1	12,588	11,870	12,588	11,870
Card processing receivables		8,897	9,464	8,897	9,464
Other assets		3,224	8,590	3,204	8,571
		50,892	**50,435**	**48,105**	**48,201**

24.1 Assets held for realisation mainly comprise immovable properties that were held as collateral for outstanding loans, which properties were taken into the possession of the Bank following defaults by the counterparty. The Bank's policy is to dispose of such assets within a reasonable timeframe from the date of classification, unless events or circumstances which are beyond the Bank's control extend the period to complete the sale. The item also includes property owned by the Bank that is classified as property held for sale, where management is committed to a plan of disposal, the assets are available for immediate sale in their present condition, and the sale is considered highly probable.

25. AMOUNTS OWED TO BANKS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Repayable on demand	99,894	9,150	99,894	9,150
	99,894	**9,150**	**99,894**	**9,150**

Balances with a carrying amount of €1.8 million (2024: €1.7 million) as at 31 December 2025 were held as collateral in relation to derivative financial instruments.

26. AMOUNTS OWED TO CUSTOMERS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Term deposits	78,584	106,546	78,584	106,546
Repayable on demand	13,661,981	12,697,369	13,666,526	12,701,411
	13,740,565	**12,803,915**	**13,745,110**	**12,807,957**

27. OTHER LIABILITIES

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Post-employment and termination benefits (see note 35)	14,370	**15,788**	14,370	**15,788**
Cash collateral for commitments	77,834	**65,772**	77,834	**65,772**
Deposits from companies in formation	15,741	**8,855**	15,741	**8,855**
Bills and drafts payable	52,996	**40,318**	52,996	**40,318**
Payment orders	9,266	**23,405**	9,266	**23,405**
Accruals and deferred income	39,075	**30,035**	38,593	**29,522**
Lease liabilities (see note 28)	7,501	**6,280**	7,486	**6,262**
Indirect taxation and withheld taxes	7,229	**6,101**	7,229	**6,101**
Other	9,083	**28,819**	9,078	**28,819**
	233,095	**225,373**	**232,593**	**224,842**

28. LEASE LIABILITIES

	The Group		
	Land and Buildings €000	Other €000	Total €000
Balance at 1 January 2024	6,315	580	6,895
Additions	650	158	808
Interest charge for the year	166	9	175
Lease payments	(1,198)	(208)	(1,406)
Terminations	(183)	(9)	(192)
Balance at 31 December 2024	**5,750**	**530**	**6,280**
Balance at 1 January 2025	5,750	530	6,280
Additions	2,258	154	2,412
Interest charge for the year	183	12	195
Lease payments	(1,196)	(174)	(1,370)
Terminations	(16)	-	(16)
Balance at 31 December 2025	**6,979**	**522**	**7,501**

	The Bank		
	Land and Buildings €000	Other €000	Total €000
Balance at 1 January 2024	6,315	577	6,892
Additions	650	138	788
Interest charge for the year	166	9	175
Lease payments	(1,198)	(203)	(1,401)
Terminations	(183)	(9)	(192)
Balance at 31 December 2024	**5,750**	**512**	**6,262**
Balance at 1 January 2025	5,750	512	6,262
Additions	2,259	153	2,412
Interest charge for the year	183	11	194
Lease payments	(1,196)	(170)	(1,366)
Terminations	(16)	-	(16)
Balance at 31 December 2025	**6,980**	**506**	**7,486**

28. LEASE LIABILITIES (continued)

At 31 December 2025, the future minimum lease payments under non-cancellable leases, where the Group is a lessee, were payable as follows:

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	1,193	164	1,357
Between one and five years	3,509	339	3,848
More than five years	4,587	54	4,641
Total undiscounted lease liabilities at 31 December 2025	**9,289**	**557**	**9,846**
Lease liabilities included in statement of financial position at 31 December 2025:			
Current	976	152	1,128
Non-current	6,006	367	6,373
	6,982	**519**	**7,501**

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	1,193	161	1,354
Between one and five years	3,509	327	3,836
More than five years	4,587	54	4,641
Total undiscounted lease liabilities at 31 December 2025	**9,289**	**542**	**9,831**
Lease liabilities included in statement of financial position at 31 December 2025:			
Current	976	149	1,125
Non-current	6,005	356	6,361
	6,981	**505**	**7,486**

28. LEASE LIABILITIES (continued)

At 31 December 2024, the future minimum lease payments under non-cancellable leases, where the Group is a lessee, were payable as follows:

	The Group		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	953	165	1,118
Between one and five years	3,088	363	3,451
More than five years	3,404	26	3,430
Total undiscounted lease liabilities at 31 December 2024	**7,445**	**554**	**7,999**
Lease liabilities included in statement of financial position at 31 December 2024:			
Current	802	157	959
Non-current	4,949	372	5,321
	5,751	**529**	**6,280**

	The Bank		
	Land and Buildings	Other	Total
	€000	€000	€000
Maturity analysis - Contractual undiscounted cash flows			
Less than one year	953	162	1,115
Between one and five years	3,088	348	3,436
More than five years	3,404	26	3,430
Total undiscounted lease liabilities at 31 December 2024	**7,445**	**536**	**7,981**
Lease liabilities included in statement of financial position at 31 December 2024:			
Current	802	153	955
Non-current	4,948	359	5,307
	5,750	**512**	**6,262**

29. DERIVATIVE CONTRACTS DESIGNATED AS HEDGING INSTRUMENTS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Derivative financial instruments designated as hedging instruments in fair value hedges				
- Fair value of derivative of financial instruments	1,420	615	1,420	615
- Loans and advances to banks that are offset (see Note 39.8)	(1,384)	(615)	(1,384)	(615)
Net amount presented in the statement of financial position	**36**	**-**	**36**	**-**

Derivative contracts designated as hedging instruments with a gross carrying amount of €1.42 million are offset by an amount of €1.38 million attributable to Loans and advances to banks. This offsetting is enforceable by master netting agreements. The resulting net amount of €0.04 million, which is presented in the Statement of Financial Position, is disclosed in the table above.

The derivative contracts referred to above comprise over-the-counter interest rate swaps, measured at fair value with notional amounts analysed by the remaining contractual term as follows:

- between 1 and 5 years	55,296	62,458	55,296	62,458
	55,296	**62,458**	**55,296**	**62,458**

These interest rate swaps have been designated as hedging instruments in fair value hedging relationships with the hedged items comprising the movements in the fair value attributable to interest rate risk of specific Bank debt investments measured at fair value through other comprehensive income (refer to Note 6 Net (loss) / gain on investment securities and hedging instruments).

30. UNSUBORDINATED DEBT SECURITIES IN ISSUE AND SUBORDINATED LIABILITIES

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Unsubordinated debt securities in issue				
Senior non-preferred notes	351,659	350,846	351,659	350,846
	351,659	**350,846**	**351,659**	**350,846**
Subordinated liabilities				
3.50% Euro subordinated unsecured bonds	113,140	113,130	113,140	113,130
3.75% Euro subordinated unsecured bonds	50,088	50,107	50,088	50,107
5.00% Euro subordinated unsecured bonds	376,915	99,899	376,915	99,899
	540,143	**263,136**	**540,143**	**263,136**

30.1 SENIOR NON-PREFERRED NOTES

On 6 December 2022, the Bank had issued €350 million Callable Senior Non-Preferred Notes (traded on the Irish Stock Exchange) with a final maturity date of 6 December 2027 and a fixed coupon of 10% per annum. The fair value of the Notes as of 31 December 2025 is €384.5 million (2024: €384.5 million). The Senior Non-Preferred Notes constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank and rank in priority to all subordinated claims but are junior in right of payment to all preferred claims and all ordinary unsecured claims. The Notes were rated by Fitch as BBB.

30. UNSUBORDINATED DEBT SECURITIES IN ISSUE AND SUBORDINATED LIABILITIES (continued)

30.2 SUBORDINATED LIABILITIES

The Group's subordinated liabilities comprise unsecured subordinated debt instruments issued in the capital markets, which are subordinated to the claims of all holders of senior indebtedness. These instruments are all listed on the Malta Stock Exchange. The bonds were issued at par value, with interest payable annually in arrears.

During the comparative period, the Bank had issued €100 million 5% Unsecured Subordinated Bonds, maturing between 2030 and 2035, under the €250 million Unsecured Euro Medium Term Bond Programme approved by the Malta Financial Services Authority in the second half of 2024. On 2 June 2025, the Bank issued €150 million under the same Programme.

On 17 October 2025, the Malta Financial Services Authority approved another Unsecured Euro Medium Term Bond Programme of up to €325 million and a first tranche of Tier 2 bonds under the Programme was utilised in the form of an issue of €100 million (with an over-allotment option of up to €125 million) 5% unsecured subordinated bonds (2030-2035). The over-allotment option was exercised up to the maximum amount resulting in the issue of bonds for a total amount of €125 million.

The proceeds from the bond issuances are intended to strengthen the Bank's Tier 2 capital and support its strategic growth initiatives. In accordance with the requirements of IFRS 9 Financial Instruments, the bonds have been classified as long-term financial liabilities measured at amortised cost. Transaction costs directly attributable to the issuance have been deducted from the carrying amount of the liability and will be amortised over the term of the bonds using the effective interest method.

At the reporting date, the Bank and the Group had the following subordinated instruments in issue:

				The Group and the Bank		The Group and the Bank	
				2025	2024	2025	2024
Security	ISIN	Redeemable at par on/by	Nominal amount issued €000	Fair value €000	Fair value €000	Carrying amount €000	Fair value €000
3.5% Bank of Valletta plc € Notes 2030 S1 T1	MT0000021312	8 August 2030	66,921	64,177	63,541	76,050	76,050
3.5% Bank of Valletta plc € Notes 2030 S2 T1	MT0000021320	8 August 2030	44,670	41,320	43,330	37,099	37,099
3.75% Bank of Valletta plc Unsecured Sub € 2026-2031	MT0000021353	15 June 2031	50,000	48,550	49,000	50,088	50,088
5% Bank of Valletta Unsecured Subordinated € 2029-2034	MT0000021361	28 November 2034	100,000	100,000	103,500	99,524	99,899
5.00% Bank of Valletta plc € Unsec Sub 2030–2035 S2 T1	MT0000021379	7 July 2035	150,000	150,075	-	152,984	-
5.00% Bank of Valletta plc € Unsec Sub 2030 – 2035 S1 T1	MT0000021387	5 December 2035	125,000	125,000	-	124,398	-
Subordinated Liabilities as per Statement of Financial Position						540,143	263,136

31. SHARE CAPITAL AND SHARE PREMIUM

	The Bank	
	2025	2024
	€000	€000
Share Capital		
Authorised:		
1,000,000,000 Ordinary shares of €1.00 each	**1,000,000**	**1,000,000**
(2024: 1,000,000,000 Ordinary shares of €1.00 each)		
Issued and paid up:		
642,234,197 Ordinary shares of €1.00 each fully paid	**642,234**	**583,849**
(2024: 583,849,270 Ordinary shares of €1.00 each)		

31.1 SHARE PREMIUM RESERVE

The share premium reserve represents the excess of proceeds received over the nominal value of ordinary shares issued by the Bank.

The balance of the reserve primarily arises from historical equity transactions. In particular, an amount of €44.4 million relates to the rights issue completed in 2017, pursuant to which 105 million new ordinary shares were issued, resulting in an increase in the share premium account of €0.43 per share, net of share issue expenses.

Furthermore, during 2018, the Bank's ordinary share capital increased by 5,772,064 shares because of a scrip dividend programme, under which shareholders elected to receive shares in lieu of cash dividends. This resulted in a further increase in the share premium account of €0.667 per share amounting to an additional €3.8 million.

In accordance with the provisions of the Companies Act (Cap. 386 of the Laws of Malta), the share premium reserve is treated as a non-distributable reserve and may only be utilised for purposes permitted by law and subject to applicable regulatory requirements

31.2 SHARE BUYBACK PROGRAMME

With the objective of enhancing the liquidity and orderly trading of the Bank's shares, a share buyback programme was launched during 2025. At the Bank's 51st Annual General Meeting, held on 29 May 2025, shareholders approved a resolution authorising the Board of Directors to repurchase up to 3,060,000 (three million and sixty thousand) of the Company's shares, each with a nominal value of €1.00. Purchases may be made at prices ranging from a minimum of €1.55 per share to a maximum of €2.55 per share. This authorisation is valid for a period of 12 months, commencing on 17 July 2025, and will remain in effect until the next Annual General Meeting.

The Share Buyback (non-cancellable) Programme officially commenced on 18th August 2025. The Bank carries out the Programme in line with the relevant safe harbour provisions outlined in Article 5 of the Market Abuse Regulation (MAR) and the Commission Delegated Regulation (CDR), insofar as practicable. To support market liquidity, no volume parameters have been imposed. In line with the programme's stated objectives, the re-purchased shares will not be cancelled, as the initiative is solely intended to improve market liquidity rather than to reduce the Bank's capital base.

The Bank is committed to operating the programme with full transparency. Accordingly, all transactions executed under the buyback, both on aggregated and individual bases, are disclosed through weekly Company Announcements and are also accessible in the Investor Relations section in the BOV website.

In aggregate, from the commencement of the scheme until 26 December 2025, the Bank has purchased a total of 564,032 shares at a weighted average purchase price of €1.8989 per share, for a total amount of €1,071,000. Shares repurchased under the programme are held as treasury shares, with the consideration paid recognised directly in equity (Note 32).

31. SHARE CAPITAL AND SHARE PREMIUM (continued)

31.3 BONUS ISSUE

On 26 June 2025, the Bank effected a bonus issue of 58,384,927 fully paid ordinary shares of a nominal value of €1.00 each, representing one (1) bonus share for every ten (10) shares held by shareholders on the register as at that date. The bonus issue was funded through the capitalisation of €58.4 million from retained earnings, as approved by shareholders at the Bank's 51st Annual General Meeting held in on 29 May 2025. In accordance with the requirements of IAS 33 Earnings per Share, the earnings per share (EPS) for all periods presented in this annual report have been restated retrospectively to reflect the bonus issue as if it had occurred at the beginning of the earliest period presented.

The bonus issue did not result in any change to the total equity of the Bank but has increased the number of issued shares from 583,849,270 to 642,234,197.

32. REVALUATION RESERVES AND OTHER COMPONENTS OF EQUITY

32.1 RETAINED EARNINGS

Retained earnings represent the profits retained over the years and primarily comprise the profit attributable to equity holders, adjusted for actuarial gains and losses arising on remeasurement of defined benefit obligations attributable to post-employment benefits which are recognised directly within retained earnings.

32.2 TREASURY SHARES

Treasury shares are presented within 'Revaluation reserves and other components of equity' in the Statement of financial position. All treasury shares are non-cancellable shares held by the Bank itself in connection with its share buyback programme (Note 31.2). As at 31 December 2025, the number of treasury shares held accounted for 0.09% of the Bank's share capital.

	Number of shares	Nominal value	Purchase consideration	% of share capital
	No	€	€	%
Balance at 1 January 2025	-	-	-	-
Acquisition of treasury shares	564,032	564,032	1,071,000	0.09%
Balance at 31 December 2025	**564,032**	**564,032**	**1,071,000**	**0.09%**

32.3 SHARE BUYBACK RESERVE

The share buy back reserve is presented within 'Revaluation reserves and other components of equity' in the Statement of financial position. During the year ended 31 December 2025, €7.8 million was appropriated from retained earnings to the share buyback reserve to fund the Bank's share buyback programme. The reserve is maintained to reflect the portion of equity and the related estimated consideration earmarked for the acquisition of the Bank's own shares. Amounts transferred to the share buy back reserve are accordingly not available for distribution to shareholders. Any unutilised balance remaining within the share buy back reserve following the completion or expiry of the programme may be reclassified to retained earnings.

32. RESERVES AND OTHER COMPONENTS OF EQUITY (continued)

32.4 REVALUATION RESERVES

Revaluation reserves represent fair value movements on the land and buildings class within property and equipment and financial assets measured at FVOCI, net of tax, which are recognised in Other Comprehensive Income. The revaluation reserves are not available for distribution.

	The Group	The Bank
	€000	€000
On land and buildings:		
Balance at 31 December 2023	55,560	55,560
Surplus on revaluation	6,861	6,861
tax thereon	(686)	(686)
Realisation of gains on sale	(24)	(24)
tax thereon	2	2
Balance at 31 December 2024	**61,713**	**61,713**
Surplus on revaluation of property	4,680	4,680
tax thereon	(468)	(468)
Release on sale of property	(2,957)	(2,957)
tax thereon	296	296
Balance at 31 December 2025	**63,264**	**63,264**
On investments measured at fair value through other comprehensive income:		
Balance at 31 December 2023	4,068	3,956
Fair value adjustments	(5,754)	(5,754)
tax thereon	2,014	2,014
Realisation of losses on sale	428	428
tax thereon	(150)	(150)
Balance at 31 December 2024	**606**	**494**
Fair value adjustments	(651)	(651)
tax thereon	228	228
Realisation of gains on sale	(354)	(354)
tax thereon	124	124
Balance at 31 December 2025	**(47)**	**(159)**
Total revaluation reserves	**63,217**	**63,105**

32.5 DEPOSITOR COMPENSATION SCHEME IRREVOCABLE PAYMENT COMMITMENT RESERVES

Included within Other reserves is an amount of €29.1 million (2024: €27.7million) relating to the Bank's irrevocable payment commitment (IPC) in respect of the Depositor Compensation Scheme (DCS). In accordance with the DCS funding mechanism, a portion of the Bank's annual contribution is maintained as an irrevocable payment commitment rather than settled in cash. While the IPC does not give rise to an immediate cash outflow, management considers that the legally binding and irrevocable nature of the commitment gives rise to a restriction over an equivalent portion of equity. Accordingly, an amount equivalent to the IPC outstanding at the reporting date has been appropriated within Other reserves to reflect the potential obligation that may arise. The reserve does not represent a distributable reserve and may only be released when the irrevocable payment commitment is either settled, cancelled, or otherwise extinguished. Further details are disclosed in Note 41.2.

33. PROVISIONS AND CONTINGENT LIABILITIES

33.1 PROVISIONS

	The Group		
Provisions	Expected credit losses - Financial guarantees and loan commitments €000	Litigation provision €000	Total €000
Carrying amount at 1 January 2024	17,813	2,353	20,166
Recognised in profit or loss:			
Net decrease in expected credit loss allowances	(1,425)	-	(1,425)
Reversal of unused amounts	-	(353)	(353)
Carrying amount at 31 December 2024	**16,388**	**2,000**	**18,388**
Recognised in profit or loss:			
Net decrease in expected credit loss allowances	(1,334)	-	(1,334)
Additional provisions	-	500	500
Carrying amount at 31 December 2025	**15,054**	**2,500**	**17,554**

	The Bank		
Provisions	Expected credit losses - Financial guarantees and loan commitments €000	Litigation provision €000	Total €000
Carrying amount at 1 January 2024	17,813	2,353	20,166
Recognised in profit or loss:			
Net decrease in expected credit loss allowances	(1,425)	-	(1,425)
Reversal of unused amounts	-	(353)	(353)
Carrying amount at 31 December 2024	**16,388**	**2,000**	**18,388**
Recognised in profit or loss:			
Net decrease in expected credit loss allowances	(1,334)	-	(1,334)
Additional provisions	-	500	500
Carrying amount at 31 December 2025	**15,054**	**2,500**	**17,554**

The amounts reflected in the tables above in respect of financial guarantee contracts issued and loan commitments represent the expected credit loss allowances as of 31 December 2025 attributable to those items in accordance with the expected credit loss model under the requirements of IFRS 9 Financial Instruments. Litigation provision reflects management's best estimate of the probable outflows required to settle obligations from litigation and other claims.

33. PROVISIONS AND CONTINGENT LIABILITIES (continued)

33.2 CONTINGENT LIABILITIES

In its ordinary course of business, the Group and the Bank is subject to complaints or legal proceedings by third parties, as well as regulatory reviews, enquiries and examinations concerning legal, operational and compliance risks in relation to but not limited to compliance with legislation and regulations. Such legal and regulatory matters are reassessed on an ongoing basis whilst the Group and the Bank collaborates continuously with the relevant authorities as appropriate. The assistance of external professional consultants is sought where appropriate, to determine the likelihood that the Group and the Bank will incur a liability as it would be deemed probable that an outflow of resources is required to settle such obligation. The estimated amount of aggregated potential liabilities in respect of such legal and regulatory matters is not considered material for the purposes of disclosure within these financial statements.

The Group's contingent liabilities reflected in the tables below are backed by corresponding obligations from third parties. In this respect, as part of its business the Group provides guarantees and similar instruments on behalf of clients, which could require the Group to affect future payments thus potentially exposing it to credit risk.

The Group and the Bank also have a potential liability arising from irrevocable payment commitments attributable to contributions to the Depositor Compensation Scheme, which potential liability is not reflected within the table below. Further information is disclosed in Note 41.2.

Contingent Liabilities

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Acceptances and endorsements	11	278	11	278
Financial guarantees	631,613	395,536	631,613	395,536
Other contingent liabilities	15,266	18,367	15,266	18,367
	646,890	**414,181**	**646,890**	**414,181**

34. COMMITMENTS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Documentary credits	36,133	45,873	36,133	45,873
Undrawn formal standby facilities, credit facilities and other commitments to lend	3,173,537	2,936,765	3,173,537	2,936,765
Capital expenditure contracted but not provided for in the financial statements	899	17,620	899	17,620
	3,210,569	**3,000,258**	**3,210,569**	**3,000,258**

35. EMPLOYEE BENEFITS

35.1 POST-EMPLOYMENT BENEFITS

35.1.1 DEFINED BENEFIT PLAN – PENSION TOP-UP

The Group and the Bank contributes to a post-employment benefit plan ("the plan") which is applicable to eligible individuals. The benefits provided to the individuals in terms of the plan are computed on a specified formula which takes into consideration, amongst other things, the employees' salary on retirement and the pension entitlement in terms of Maltese law.

The liability is computed in accordance with the accounting policy for post-employment benefit plans, using the projected unit credit method at the end of the reporting period, and represents the Group's and the Bank's obligation:

i. discounted to the net present value at the rate which has been determined by reference to market yields at the end of the reporting period on high-quality corporate bonds; and

ii. after considering the life expectancy of such employees based on the latest publicly available mortality tables.

The year-end obligation in relation to the plan is exclusively attributable to retired employees.

The plan exposes the Group and the Bank to the following risks:

i. interest rate risk, since a decrease in market yields will increase the plan liability; and

ii. longevity risk, since an increase in the life expectancy of the plan participants will increase the plan liability.

The significant actuarial assumptions applied by the Group and the Bank in respect of the plan are as follows:

	The Group and the Bank	
	2025	2024
Weighted average discount rates - Euro corporate yields	2.92%	2.85%
Life expectancy (years):		
Males	82	82
Females	86	86

Sensitivity analysis as of the end of the reporting period, showing how the liability would have been affected by hypothetical changes in the relevant actuarial assumptions that were reasonably possible at that date, while holding other assumptions constant, is presented below:

- If the discount rate is 100 basis points higher/(lower) with other assumptions held constant, the defined benefit obligation decreases by €0.4 million (increases by €0.4 million).

- If the life expectancy increases (decreases) by two years for both men and women with other assumptions held constant, the defined benefit obligation increases by €2.0 million (decreases by €2.1 million).

The average duration of the obligation in respect of the plan at 31 December 2025 is 7 years (2024: 7 years).

In view of the fact that the obligation as at 31 December 2025 is not considered material in the context of the amounts reported in the statements of financial position and due to the nature of the actuarial assumptions referred to above, the involvement of an actuary in estimating this obligation was not deemed necessary. In this respect, the inclusion of other disclosures required in terms of IFRSs as adopted by the EU was not deemed necessary.

35. EMPLOYEE BENEFITS (continued)

35.1 POST-EMPLOYMENT BENEFITS (continued)

35.1.2 DEFINED CONTRIBUTION PLAN – VOLUNTARY OCCUPATIONAL PENSIONS SCHEME

In this respect, the Group and the Bank effect contributions by assisting eligible employees that opt for the scheme in saving for their retirement. Contributions effected during the current financial year, which have been expensed, amounted to €2.0 million (2024: €1.8 million).

35.2 TERMINATION BENEFITS

The Group and Bank have affected payments during the year to employees who would have opted for voluntary termination of employment under an effective Voluntary Retirement Scheme by applying under, and accepting the related terms of, the Scheme. The expense recognised during the year ended 31 December 2025 amounted to €5.6 million (2024: €5.7 million). At year end the Group and the Bank have recognised a liability in respect of approved but unsettled applications under the Scheme. In this respect, the inclusion of other disclosures required in terms of IFRSs as adopted by the EU was not deemed necessary taking cognisance of the immateriality of the expense incurred during the year and of the liability as at the year end.

35.3 SUMMARY OF MOVEMENTS IN POST-EMPLOYMENT AND TERMINATION BENEFITS

	The Group and the Bank	
	2025	2024
	€000	€000
Present value at 1 January	15,788	16,741
Payments effected	(6,430)	(7,536)
Recognised in profit or loss:		
- Interest expense	(6)	319
- Increase in liability attributable to termination benefits	5,555	5,744
Actuarial (losses)/gains recognised from remeasurement of obligation:		
- Experience adjustments	(677)	(824)
- Changes in financial assumptions	140	293
- Changes in demographic assumptions	-	1,051
Present value at 31 December	**14,370**	**15,788**

36. NOTES TO THE STATEMENTS OF CASH FLOWS

		The Group		The Bank	
	Note	2025	2024	2025	2024
		€000	€000	€000	€000
Cash	13	75,804	66,674	75,804	66,674
Balances with Central Bank of Malta (excluding Reserve Deposit)		594,979	830,705	594,979	830,705
Treasury bills (with original maturity of less than 3 months)		70,721	64,777	70,721	64,777
Loans and advances to banks with contractual maturity of less than 3 months		254,580	324,219	254,580	324,219
Amounts owed to banks		(99,894)	(9,150)	(99,894)	(9,150)
Cash and cash equivalents included in the statements of cash flows		**896,190**	**1,277,225**	**896,190**	**1,277,225**
Balances with contractual maturity of more than 3 months		48,931	4,328	48,931	4,328
		945,121	**1,281,553**	**945,121**	**1,281,553**
Line items as reported in the statements of financial position:					
Balances with Central Bank of Malta, Treasury bills and cash (excluding Reserve Deposit)		786,261	962,156	786,261	962,156
Loans and advances to banks		258,754	328,547	258,754	328,547
Amounts owed to banks		(99,894)	(9,150)	(99,894)	(9,150)
		945,121	**1,281,553**	**945,121**	**1,281,553**

37. RELATED PARTY TRANSACTIONS

During the current and prior year, the Group and the Bank entered into transactions, in the normal course of their business, with equity-accounted investees, subsidiaries, the Government of Malta ("The Government") (which has a 25% holding in the Bank), Government-related entities, key management personnel, and other related parties. Government-related entities are those over which the Government is deemed to exercise control, and entities inextricably linked to the Government even though not controlled by the Government.

Key management personnel include the Chairperson, Directors and the members of the Management Board. Related parties also comprise close family members of key management personnel, including their respective spouses, spousal equivalents and dependants. Other related parties are those entities over which key management personnel exercise control or significant influence.

Transactions with related parties are carried out on an arm's length basis.

37. RELATED PARTY TRANSACTIONS (continued)

The amount of related party transactions effected during the current and preceding financial years and outstanding balances at the reporting date are disclosed below:

The Group

	2025			2024		
	Related party transactions €000	Total activity/ balance €000	% of total	Related party transactions €000	Total activity/ balance €000	% of total
Interest and similar income:						
- on loans and advances						
The Government and Government-related entities	31,333			76,399		
Key management personnel	35			35		
Other related parties	473			22		
	31,841	**282,228**	**11%**	**76,456**	**306,747**	**25%**
Interest and similar income:						
- on debt and other fixed income instruments						
The Government	**53,688**	**163,998**	**33%**	**38,880**	**130,427**	**30%**
Interest expense						
The Government and Government-related entities	272			1,055		
Key management personnel	1			1		
	273	**58,833**	**0%**	**1,056**	**51,257**	**2%**
Fee and commission income						
Equity-accounted investees	4,057			3,806		
The Government and Government-related entities	4,209			5,750		
Key management personnel	8			8		
Other related parties	105			8		
	8,379	**108,036**	**8%**	**9,572**	**98,500**	**10%**

37. RELATED PARTY TRANSACTIONS (continued)

	2025			2024		
	Related party transactions €000	Total activity/ balance €000	% of total	Related party transactions €000	Total activity/ balance €000	% of total
Short term employee compensation and benefits including post-employment benefits						
Key management personnel	**4,418**	**136,831**	**3%**	**4,025**	**123,360**	**3%**
General administrative expenses						
Equity-accounted investees	332			372		
Key management personnel	195			107		
	527	**89,024**	**1%**	**479**	**73,016**	**1%**
Movement in impairment allowances						
The Government and Government-related entities	(334)			233		
Key management personnel	(2)			6		
Other related parties	(5)			26		
	(341)	**(42)**		**265**	**23,831**	
Balances with Central Bank of Malta treasury bills and cash						
The Government	**845,420**	**921,224**	**92%**	**1,019,198**	**1,085,871**	**94%**
Investments						
The Government	**2,192,568**	**6,855,039**	**32%**	**2,054,976**	**6,336,696**	**32%**
Loans and advances to customers (net)						
The Government and Government-related entities	417,786			406,242		
Key management personnel	5,223			3,982		
Other related parties	10,105			461		
	433,114	**7,985,473**	**5%**	**410,685**	**6,846,302**	**6%**
Impairment allowances						
The Government and Government-related entities	(547)			(213)		
Key management personnel	(3)			(1)		
Other related parties	(5)			-		
	(555)	**(85,303)**		**(214)**	**(87,289)**	

Notes to the Financial Statements

for the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (continued)

	2025			2024		
	Related party transactions €000	Total activity/ balance €000	% of total	Related party transactions €000	Total activity/ balance €000	% of total
Amounts owed to customers						
Equity-accounted investees	36,568			58,802		
The Government and Government-related entities	1,082,823			1,188,694		
Key management personnel	10,698			9,925		
Other related parties	474			595		
	1,130,563	**13,740,565**	**8%**	**1,258,016**	**12,803,915**	**10%**
Commitments						
Equity-accounted investees	382			317		
The Government and Government-related entities	348,674			179,787		
Other related parties	7,136			47		
	356,192	**3,210,569**	**11%**	**180,151**	**3,000,258**	**6%**
Contingent Liabilities						
Equity-accounted investees	152			152		
The Government and Government-related entities	68,963			68,883		
Key management personnel	29			18		
Other related parties	36			20		
	69,180	**646,890**	**11%**	**69,073**	**414,181**	**17%**
The Bank						
Interest and similar income:						
- on loans and advances						
The Government and Government-related entities	31,333			76,399		
Key management personnel	14			12		
Other related parties	473			18		
	31,820	**282,228**	**11%**	**76,429**	**306,747**	**25%**
Interest and similar income:						
- on debt and other fixed income instruments						
The Government	**53,688**	**163,996**	**33%**	**38,880**	**130,396**	**30%**
Interest expense						
The Government and Government-related entities	272			1,055		
Key management personnel	1			2		
	273	**58,833**	**0%**	**1,057**	**51,257**	**2%**

Notes to the Financial Statements
for the year ended 31 December 2025

37. RELATED PARTY TRANSACTIONS (continued)

	2025			2024		
	Related party transactions €000	Total activity/ balance €000	% of total	Related party transactions €000	Total activity/ balance €000	% of total
Fee and commission income						
Equity-accounted investees	4,057			3,806		
Subsidiaries	3,095			2,677		
The Government and Government-related entities	4,209			5,750		
Key management personnel	15			8		
Other related parties	101			5		
	11,477	**98,898**	**12%**	**12,246**	**89,419**	**14%**
Dividend income						
Equity-accounted investees	4,554			3,242		
Subsidiaries	4,300			4,500		
	8,854	**9,417**	**94%**	**7,742**	**8,309**	**93%**
Short term employee compensation and benefits including post-employment benefits						
Key management personnel	**4,281**	**134,127**	**3%**	**3,893**	**120,649**	**3%**
General administrative expenses						
Equity-accounted investees	332			372		
Key management personnel	174			119		
	506	**87,477**	**1%**	**491**	**71,340**	**1%**
Movement in impairment allowances						
The Government and Government-related entities	(334)			233		
Key management personnel	(1)			5		
Other related parties	(5)			22		
	(340)	**(42)**		**260**	**23,831**	
Balances with Central Bank of Malta treasury bills and cash						
The Government	**845,420**	**921,224**	**92%**	**1,019,198**	**1,085,871**	**94%**
Investments						
The Government	**2,192,568**	**6,855,039**	**32%**	**2,054,976**	**6,336,696**	**32%**
Loans and advances to customers (net)						
The Government and Government-related entities	417,786			406,242		
Key management personnel	3,625			2,368		
Other related parties	10,105			461		
	431,516	**7,985,473**	**5%**	**409,071**	**6,846,302**	**6%**

37. RELATED PARTY TRANSACTIONS (continued)

	2025			2024		
	Related party transactions €000	Total activity/ balance €000	% of total	Related party transactions €000	Total activity/ balance €000	% of total
Impairment allowances						
The Government and Government-related entities	(547)			(213)		
Key management personnel	(2)			(1)		
Other related parties	(5)			-		
	(554)	**(85,303)**		**(214)**	**(87,289)**	
Amounts owed to customers						
Equity-accounted investees	36,568			58,802		
Subsidiaries	4,380			4,044		
The Government and Government-related entities	1,082,823			1,188,694		
Key management personnel	9,752			9,172		
Other related parties	257			156		
	1,133,780	**13,745,110**	**8%**	**1,260,868**	**12,807,957**	**10%**
Commitments						
Equity-accounted investees	382			317		
The Government and Government-related entities	348,674			179,787		
Other related parties	7,136			47		
	356,192	**3,210,569**	**11%**	**180,151**	**3,000,258**	**6%**
Contingent Liabilities						
Equity-accounted investees	152			152		
The Government and Government-related entities	68,963			68,883		
Key management personnel	17			18		
Other related parties	36			20		
	69,168	**646,890**	**11%**	**69,073**	**414,181**	**17%**

	The Group		The Bank	
	Dec-25 €000	Dec-24 €000	Dec-25 €000	Dec-24 €000
All outstanding balances are secured except for the following:				
Loans and advances to customers:				
- Key management personnel	**516**	**182**	**477**	**140**
Details of guarantees received are disclosed below:				
Loans and advances to customers:				
- Amounts guaranteed by The Government	**363,924**	**345,097**	**363,924**	**345,097**

The above facilities do not involve more than the normal risk of repayment or present other unfavourable features and were made in the ordinary course of business on substantially the same terms as for comparable transactions with persons of a similar standing, or where applicable, other employees.

37. RELATED PARTY TRANSACTIONS (continued)

Loans to and commitments to lend to directors and other key management personnel (including close family members):

	The Group		The Bank	
	Loans and advances	Commitments	Loans and advances	Commitments
	€000	€000	€000	€000
Directors				
At 31 December 2023	1,455	658	433	56
Additions	1,144	1,480	9	264
	2,599	2,138	442	320
Less reductions/repayments	(387)	(269)	(21)	(18)
At 31 December 2024	2,212	1,869	421	302
Additions	251	218	73	13
	2,463	2,087	494	315
Less reductions/repayments	(402)	(984)	(34)	(45)
At 31 December 2025	**2,061**	**1,103**	**460**	**270**
Other key management personnel				
At 31 December 2023	1,697	223	1,697	223
Additions	858	728	858	728
	2,555	951	2,555	951
Less reductions/repayments	(202)	(134)	(202)	(134)
At 31 December 2024	2,353	817	2,353	817
Additions	954	14	954	14
	3,307	831	3,307	831
Less reductions/repayments	(143)	(284)	(143)	(284)
At 31 December 2025	**3,164**	**547**	**3,164**	**547**

38. SEGMENTAL INFORMATION BY CLASSES OF BUSINESS

The Group's reportable segments as at 31 December 2025 and 31 December 2024 are as follows:

Reportable segments	Operations
Retail Banking	Loan products, cards, payment and other transactions for personal client segments of the Bank. It also includes all deposit products for non-corporate and non-institutional client segments, internet/mobile banking activities, ATM activities and all Bank retail branches operations.
Wealth Management	Discretionary advisory and wealth management services, insurance and stock broking services, asset and fund management, prestige and private banking.
Business Banking	Financing and deposit products for all business client segments attributable to business and corporate centres.
Treasury	Proprietary investments, derivatives, and other investment related revenues.
Others	This includes the management of the Bank's property, plant and equipment, investments in associates, other assets, long-term liabilities and other liabilities.

38. SEGMENTAL INFORMATION BY CLASSES OF BUSINESS (continued)

38.1 INFORMATION BY SEGMENT

Interest income is the main revenue generating activity for all segments. The customer-oriented segments also have income derived from fees and commissions and earnings arising on foreign exchange transactions.

	Retail Banking		Wealth Management		Business Banking		Treasury		Others		Total Reportable Segments	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest income	120,503	134,715	2	31	158,534	168,211	167,185	134,216	2	1	**446,226**	**437,174**
Interest expense	(14,290)	(16,098)	(206)	(40)	(30,759)	(17,282)	(9,867)	(11,348)	(3,711)	(6,489)	**(58,833)**	**(51,257)**
Fee and commission income	49,555	44,588	23,544	22,418	32,358	27,572	-	1,211	2,579	2,711	**108,036**	**98,500**
Fee and commission expense	(18,596)	(15,911)	(28)	3	-	-	(25)	-	(1,315)	(1,213)	**(19,964)**	**(17,121)**
Dividend income	-	-	-	-	-	-	563	567	-	-	**563**	**567**
Trading profits	3,310	-	153	4	1,035	-	7,221	4,445	1,898	9,343	**13,617**	**13,792**
Net (loss)/gain on investment securities and hedging instruments	-	3,119	-	174	-	1,516	(91)	(708)	-	-	**(91)**	**4,101**
Other income	6,423	-	(38)	-	-	-	422	-	476	-	**7,283**	**-**
Employee compensation and benefits	(66,783)	(63,971)	(21,432)	(19,632)	(41,348)	(31,559)	(6,989)	(4,032)	(279)	**(4,166)**	**(136,831)**	**(123,360)**
General administrative expenses	(46,370)	(43,514)	(11,053)	(10,553)	(23,363)	(12,744)	(7,527)	(4,024)	(711)	**(2,181)**	**(89,024)**	**(73,016)**
Depreciation/ Amortisation	(11,764)	(12,361)	(2,443)	(2,739)	(5,006)	(3,997)	(1,631)	(684)	(112)	**(531)**	**(20,956)**	**(20,312)**
Impairment (charge)/reversal	5,019	8,059	-	-	(4,768)	15,984	(293)	(212)	-	-	**(42)**	**23,831**
Operating profit/ (loss) before share of results of equity-accounted investees	27,007	38,626	(11,501)	(10,334)	86,683	147,701	148,968	119,431	(1,173)	(2,525)	**249,984**	**292,899**
Group share results after tax of equity-accounted investees	-	-	-	-	-	-	-	-	10,409	9,466	**10,409**	**9,466**
Total Assets	4,435,470	3,742,693	4,470	4,647	3,610,156	3,202,373	8,033,905	7,780,527	446,322	368,859	**16,530,323**	**15,099,099**
Total Liabilities	9,371,044	8,493,556	12,986	14,408	4,564,569	4,549,056	104,684	100,932	980,066	533,348	**15,033,349**	**13,691,300**

The revenue which is reported above represents revenue generated from external customers. There was no inter-segment revenue during the year and comparative year.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment's operating profit represents the profit earned by each segment.

There are no material activities which are carried out outside Malta.

39. FINANCIAL RISK MANAGEMENT

39.1 USE OF FINANCIAL INSTRUMENTS

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to increase its interest margins through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve both on-balance sheet loans and advances, as well as guarantees and other commitments such as performance guarantees and other bonds and letters of credit.

The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and interest rate exposures are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Given that the difference between the Group and the Bank balances in respect of financial instruments, and the corresponding effect on the statement of profit or loss and other comprehensive income and reserves in respect thereof, are not material, references in this note to the Group are to be construed as references to the Bank, unless otherwise stated.

The principal areas of financial risk are detailed below:

39.2 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Financial assets which could potentially expose the Group to credit risk, mainly include balances with Central Bank of Malta ('CBM'), treasury bills and cash, derivative financial assets, debt and other fixed income instruments, and loans and advances to banks and customers.

39.2.1 CREDIT RISK MANAGEMENT

Responsibilities of the credit risk management department
The credit risk management department is tasked with maintaining the Bank's credit risk exposure at a level that is acceptable in relation to capital. This includes safeguarding the quality of assets and ensuring that returns are appropriate for the risks taken. The department aims to create a loan portfolio that delivers high returns on both capital and assets.

Credit risk is overseen and controlled across the Bank through established credit processes, a structured credit policy, and delegated authorities based on responsibility, skill and experience. The department is responsible for credit grading and monitoring systems, which facilitate the timely identification and management of any decline in loan quality. Furthermore, an independent credit review system underpins the credit management process.

Credit risk analysis is conducted at both the individual borrower (single name) and the overall lending portfolio level. The department also manages credit risk in relation to other financial assets by setting limits in the Treasury Management Policy and monitoring exposures in accordance with external agency ratings.

Regular reviews of credit ratings and limits are undertaken, with Board approval required at intervals. Only authorised counterparties are permitted for security transactions, and investments are limited to securities that meet the quality standards specified in the Treasury Management Policy.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.1 CREDIT RISK MANAGEMENT (continued)

Impacts of economic realities of 2025 on credit risk management
The Maltese economy has maintained its resilience, showing no significant departures from established trends or expectations, with a favourable outlook as long as no unexpected shocks occur. Economic activity has normalised, evidenced by real GDP growth stabilising at approximately 4%, inflation edging closer to the European Central Bank's 2% target, unemployment staying at a historic low near 3%, and both the fiscal deficit and public debt remaining comfortably below 3% and 50% of GDP, respectively. Forecasts from various institutions reinforce confidence in Malta's positive trajectory.

Key sectors, such as wholesale and retail trade, accommodation, and property, are performing in line with long-standing patterns, while household consumption continues to be buoyed by wealth accumulation. The Central Bank of Malta has found no signs of property market overvaluation, and increased hotel capacity has coincided with record tourist arrivals. Noteworthy developments in 2025 include the European Central Bank's decision to pause interest rate cuts, expectations of stable rates for the next two years, US tariffs not adversely affecting Malta's exports amidst geopolitical tensions, and continued energy subsidies in the 2026 Budget shielding households and businesses from price volatility.

Inflation has remained within the 2–3% range, avoiding any wage-price spiral, and the tourism sector has seen record inbound arrivals and spending. Over the past six months, economic statistics have matched earlier projections, with no major negative surprises or significant new developments. While domestic conditions remain steady and supportive, ongoing vigilance and proactive management are necessary given the uncertain external environment.

In addition, the Bank is actively assessing climate-related risks and has incorporated both transitional and physical risk parameters into its Loss Given Default (LGD) modelling. This approach ensures that potential impacts arising from climate change, such as regulatory shifts, changes in market dynamics, and the physical effects of extreme weather events, are systematically factored into the credit risk evaluation process, thereby supporting the Bank's resilience and forward-looking risk management.

Credit risk management procedures
The Bank manages credit risk through the implementation of high-level credit policies that ensure a balanced and measured approach to risk identification and mitigation. Lending guidelines are applied to define the responsibilities of lending officers and to set a disciplined framework for credit decisions. Independent reviews of credit exposures are conducted to maintain objectivity and thoroughness in the credit assessment process. Additionally, sector caps for various industries and specific product types are established to articulate the Board's risk appetite and to control concentration risk. Policies for large exposures and provisioning are set and maintained in compliance with regulatory reporting requirements. The Bank undertakes ongoing monitoring of credit ratings and exposures, with limits being reviewed and approved regularly by the Board of Directors. It is also committed to communicating and providing guidance on all credit-related risk issues, including regulatory changes, to ensure consistency and best practice across the organisation.

Settlement Risk
The Group's activity may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. Settlement risk in respect of security transactions is mitigated through settlement limits assigned to counterparties based on external credit ratings or by effecting payment on a delivery versus payment (DVP) basis.

Sovereign Risk
Sovereign risk refers to the risk that a government may default on its obligations and includes refinancing risk related to the inability to raise capital to repay maturing bonds. The Group monitors sovereign risks through sovereign credit ratings issued by credit rating agencies which include Fitch, Moody's, and Standard & Poor's. The Treasury Management Policy seeks to mitigate sovereign risk, whether directly or indirectly through exposures to corporate and financial institutions domiciled therein, through investment limits assigned on the basis of the long-term credit rating of such sovereigns. This is further supplemented by in depth economic reviews undertaken periodically and assessments of the fiscal, economic and socio-political aspects upon which such limits are accordingly aligned.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.1 CREDIT RISK MANAGEMENT (continued)

a. Maximum exposure to credit risk

The table below sets out the Group's maximum exposure to credit risk arising from on-balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements. For financial assets recognised in the statement of financial position, the maximum exposure to credit risk corresponds to the carrying amount of the asset, which is presented net of impairment losses. In the case of financial guarantees and similar arrangements, the maximum exposure to credit risk represents the full amount that the Group would be required to pay if such guarantees were called in full. For loan commitments and other credit related commitments that are irrevocable over the term of the facilities, the maximum exposure reflects the full amount of the committed but undrawn facilities.

	Maximum exposure to credit risk	
	2025	2024
	€000	€000
Balances with CBM and treasury bills	845,420	1,019,197
Debt securities measured at fair value through other comprehensive income	70,786	80,541
Debt securities measured at amortised cost	6,781,209	6,251,257
Loans and advances to banks	258,754	328,547
Loans and advances to customers	7,985,473	6,846,302
Other assets	8,897	9,464
Off-balance sheet:		
- financial guarantees and similar contracts	631,624	395,814
- loan commitments and other credit related commitments	3,209,670	2,982,638
	19,791,833	**17,913,760**

The following table contains the Group's maximum exposure to credit risk arising from financial assets not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk	
	2025	2024
	€000	€000
Financial assets mandatorily measured at FVTPL:		
- Debt securities	1	22
- Derivative financial instruments	2,987	4,071
	2,988	**4,093**
Financial assets designated at fair value:		
- Debt securities	1,391	1,398
- Loans and advances to customers	36,643	50,677
	38,034	52,075
	41,022	**56,168**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.1 CREDIT RISK MANAGEMENT (continued)

b. Financial instruments subject to IFRS 9 impairment requirements

The Bank's exposure to credit risk mainly arises from its lending activities. In this respect, all lending activities are classified under either business or retail lending.

The business portfolio comprises lending to business customers, including small and medium-sized enterprises and business entities. Lending within this portfolio supports both working capital requirements and investment activities, with a strong focus on real estate lending and income-producing assets, as well as construction and development projects.

The retail portfolio includes a broad range of secured and unsecured lending products offered to individual customers. Secured lending primarily consists of advances for residential property purchases, where loans are secured by the assets acquired, as well as lending secured over existing assets, including first charges over residential property. Unsecured retail lending products include overdrafts, credit cards and car loans.

All tables and figures within the rest of Note 39 on the following pages exclude those items that are not subject to the impairment requirements emanating from IFRS 9.

The following disclosure presents the gross carrying/nominal amount of financial instruments measured at amortised cost to which the impairment requirements in IFRS 9 are applied and the associated expected credit loss ('ECL') allowances, as well as the fair value of debt instruments measured at FVOCI and the associated ECL allowances.

	2025		2024	
	Gross carrying/ nominal amount €000	ECL Allowances €000	Gross carrying/ nominal amount €000	ECL Allowances €000
Balances with CBM	729,942	-	954,420	-
Debt securities measured at amortised cost	6,782,605	(1,396)	6,252,361	(1,104)
Loans and advances to banks	258,755	(1)	328,551	(4)
Loans and advances to customers				
- Retail	4,434,059	(15,147)	3,749,262	(21,619)
- Business	3,636,717	(70,156)	3,184,329	(65,670)
Other assets	8,897	-	9,464	-
Total gross carrying amount on-balance sheet	15,850,975	(86,700)	14,478,387	(88,397)
Contingent liabilities and commitments	3,841,294	(15,054)	3,378,452	(16,388)
Total nominal amount off-balance sheet	3,841,294	(15,054)	3,378,452	(16,388)
Total	**19,692,269**	**(101,754)**	**17,856,839**	**(104,785)**

	2025		2024	
	Fair value €000	ECL Allowances €000	Fair value €000	ECL Allowances €000
Treasury bills	115,478	(5)	64,777	(3)
Debt securities measured at fair value through other comprehensive income	70,786	(25)	80,541	(25)
Total	**186,264**	**(30)**	**145,318**	**(28)**

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.2 CONCENTRATION RISK

Where possible the Bank aims to reduce and control risk concentrations. Broadly stated, concentration results when the Bank has a high level of exposure to a single or related group of borrowers, credit exposures secured by a single security, or credit exposures with common characteristics within an industry, such that adverse developments in this exposure would be damaging to the Bank.

Given the size and nature of the domestic financial sector and the local economy, the Bank is exposed to concentration risk in its credit business. The Bank has systems in place to identify material concentrations in the loan portfolio, and to ensure adherence to prudential limits set by the Board of Directors and/or the regulator to single borrowers or groups of related borrowers and other significant risk concentrations. The CEO and the Board of Directors are regularly informed on the concentration of the Bank's portfolio.

The following table contains the Group's on-balance sheet loans and advances to customers as per Note 17, analysed by industry sector.

	2025							
	Gross Carrying Amount				ECL Allowances			
	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Households and Individuals	4,226,314	133,213	34,332	**4,393,859**	(1,884)	(1,120)	(12,026)	**(15,030)**
Accommodation and food service activities	570,006	69,550	23,756	**663,312**	(1,329)	(2,940)	(8,308)	**(12,577)**
Real estate activities	596,694	75,724	2,150	**674,568**	(1,796)	(435)	(525)	**(2,756)**
Financial and insurance activities	532,856	11,310	4,857	**549,023**	(1,297)	(138)	(2,134)	**(3,569)**
Wholesale and retail trade	407,458	72,741	27,773	**507,972**	(1,645)	(1,853)	(16,202)	**(19,700)**
Construction	202,332	47,090	20,077	**269,499**	(1,264)	(1,755)	(15,527)	**(18,546)**
Transportation and storage	274,666	27,520	236	**302,422**	(1,120)	(622)	(234)	**(1,976)**
Human health and Social work activities	87,216	19,170	147	**106,533**	(157)	(52)	(32)	**(241)**
Electricity, Gas, Steam and Air Conditioning Supply	64,667	50,029	1,174	**115,870**	(362)	(355)	(653)	**(1,370)**
Manufacturing	77,813	20,404	6,702	**104,919**	(436)	(484)	(1,021)	**(1,941)**
Information and communication	119,884	4,372	1,657	**125,913**	(1,342)	(41)	(1,070)	**(2,453)**
Arts, Entertainment and Recreation	60,510	6,920	8,093	**75,523**	(876)	(25)	(541)	**(1,442)**
Agriculture, Forestry and Fishing	35,635	20,284	17	**55,936**	(12)	(597)	(4)	**(613)**
Professional, Scientific and Technical activities	48,306	1,414	1,769	**51,489**	(86)	(45)	(263)	**(394)**
Administrative and Support service activities	39,148	1,465	372	**40,985**	(264)	(13)	(234)	**(511)**
Education	27,962	3,714	874	**32,550**	(48)	(6)	(53)	**(107)**
Water supply, Sewerage waste management and remediation activities	2,745	9,475	83	**12,303**	(5)	(326)	(83)	**(414)**
Other services activities	9,173	951	2,308	**12,432**	(10)	(7)	(1,623)	**(1,640)**
Public administration and Defence, Compulsory social security	6,957	127	4	**7,088**	(4)	(2)	(4)	**(10)**
Mining and quarrying	3,890	1,333	-	**5,223**	(2)	(11)	-	**(13)**
	7,394,232	**576,806**	**136,381**	**8,107,419**	**(13,939)**	**(10,827)**	**(60,537)**	**(85,303)**

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.2 CONCENTRATION RISK (continued)

	2024							
	Gross Carrying Amount				ECL Allowances			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Households and Individuals	3,632,026	45,797	35,580	**3,713,403**	(2,567)	(1,298)	(17,589)	**(21,454)**
Accommodation and food service activities	474,696	50,058	27,502	**552,256**	(1,035)	(468)	(8,441)	**(9,944)**
Real estate activities	493,444	23,344	8,656	**525,444**	(949)	(95)	(1,301)	**(2,345)**
Financial and insurance activities	462,622	9,590	5,230	**477,442**	(2,174)	(155)	(386)	**(2,715)**
Wholesale and retail trade	348,713	68,064	28,966	**445,743**	(1,558)	(1,885)	(13,409)	**(16,852)**
Construction	185,206	56,986	11,622	**253,814**	(1,832)	(2,363)	(8,594)	**(12,789)**
Transportation and storage	212,874	28,160	9,405	**250,439**	(895)	(258)	(2,454)	**(3,607)**
Human health and Social work activities	85,296	30,387	30,789	**146,472**	(183)	(52)	(3,119)	**(3,354)**
Electricity, Gas, Steam and Air Conditioning Supply	107,853	2,903	1,581	**112,337**	(545)	(306)	(993)	**(1,844)**
Manufacturing	76,709	22,977	9,562	**109,248**	(253)	(728)	(1,529)	**(2,510)**
Information and communication	98,368	5,464	185	**104,017**	(1,511)	(105)	(128)	**(1,744)**
Arts, Entertainment and Recreation	60,596	3,767	8,713	**73,076**	(925)	(1,043)	(820)	**(2,788)**
Agriculture, Forestry and Fishing	56,870	1,095	140	**58,105**	(66)	(44)	(67)	**(177)**
Professional, Scientific and Technical activities	47,915	1,685	2,855	**52,455**	(134)	(96)	(888)	**(1,118)**
Administrative and Support service activities	29,308	5,323	2,386	**37,017**	(71)	(1,084)	(215)	**(1,370)**
Education	27,505	4,784	856	**33,145**	(23)	(10)	(51)	**(84)**
Water supply, Sewerage waste management and remediation activities	4,362	9,731	85	**14,178**	(5)	(364)	(85)	**(454)**
Other services activities	8,711	1,127	2,830	**12,668**	(9)	(40)	(2,056)	**(2,105)**
Public administration and Defence, Compulsory social security	8,081	174	-	**8,255**	(3)	(9)	-	**(12)**
Mining and quarrying	2,404	2,350	-	**4,754**	-	(23)	-	**(23)**
	6,423,559	373,766	186,943	**6,984,268**	(14,738)	(10,426)	(62,125)	**(87,289)**

The level of concentration in respect of other significant financial assets is disclosed in the other notes to the financial statements.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY

Credit exposures arising from lending activities and debt securities are categorised into the following credit quality groups, according to an evaluation of their contractual performance and related credit risk. The categories are described below:

Performing
These exposures reflect a strong and consistent ability of the borrower to fulfil their financial obligations. They are marked by a minimal risk of default and expected credit losses, with no signs of declining credit quality.

Watch
These exposures have experienced an increase in credit risk, evident through initial signs of financial weakness. Borrowers are showing a reduced ability to meet their financial obligations, and there is greater sensitivity to unfavourable economic or business conditions, indicating a moderate risk of default.

Sub-standard
Exposures where credit risk has risen significantly and there is considerable doubt about the borrower's capacity to honour contractual obligations. These require varying levels of special attention, as deterioration in credit quality is apparent and the risk of default is elevated.

Non-performing
Exposures classified as credit-impaired, including those where the borrower is 90 days or more overdue, or where there is observable evidence of substantial financial difficulty which negatively affects expected future cash flows. These exposures are regarded as defaulted.

The Bank evaluates credit quality by employing tailored approaches for its different portfolios.

For loans and other credit exposures to customers, the Bank utilises an internal credit grading system anchored in the Internal Credit Rating System ('ICRS') model. The model leverages specialised scorecards for each exposure type, taking into account factors such as manual grading upon specific reviews, days past due, and forbearance measures, to provide a nuanced assessment. The methodology ensures that both quantitative and qualitative risk characteristics are reflected within the internal credit grading. This is further explained within Note 39.2.3 (c).

For other exposures, the Bank relies on external credit ratings issued by independent agencies, including Fitch, Moody's, and Standard & Poor's. These ratings provide an objective benchmark, enabling the Bank to make informed decisions about the creditworthiness of its investment portfolio. Where exposures are not externally rated, the Bank performs an internal credit assessment to determine the appropriate credit-quality classification and corresponding IFRS 9 stage.

Quality classification	Stage	Balances with Central Bank of Malta and Treasury Bills Debt financial instruments Loans and advances to banks	Loans and advances to customers
Performing	1	BBB- and above	ICRS 1 to 6
Watch	2	BB- to BB+	ICRS 7
Substandard	2	B- to B+	ICRS 8 to 9
Non-performing	3	CCC to CCC+	ICRS 10 to 15

As at 31 December 2025 and 31 December 2024, all unrated exposures were assessed as being with borrowers of good standing and were accordingly classified within the relevant performing credit quality categories.

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

a. Distribution of Financial Assets by credit quality

	As at 31 December 2025					
	Performing €000	Watch €000	Substandard €000	Non-performing €000	Total €000	ECL Allowances €000
Gross Carrying Amount						
Balances with CBM	729,942	-	-	-	**729,942**	**-**
Debt securities measured at amortised cost	6,782,605	-	-	-	**6,782,605**	**(1,396)**
Loans and advances to banks	258,459	-	296	-	**258,755**	**(1)**
Loans and advances to customers						
- Retail	4,173,737	188,349	37,524	34,449	**4,434,059**	**(15,147)**
- Business	2,970,870	501,491	62,424	101,932	**3,636,717**	**(70,156)**
	14,915,613	**689,840**	**100,244**	**136,381**	**15,842,078**	**(86,700)**
Fair Value						
Treasury bills	115,478	-	-	-	**115,478**	**(5)**
Debt securities measured at fair value through other comprehensive income	70,786	-	-	-	**70,786**	**(25)**
	186,264	**-**	**-**	**-**	**186,264**	**(30)**

	As at 31 December 2024					
	Performing €000	Watch €000	Substandard €000	Non-performing €000	Total €000	ECL Allowances €000
Gross Carrying Amount						
Balances with CBM	954,420	-	-	-	**954,420**	**-**
Debt securities measured at amortised cost	6,247,366	4,995	-	-	**6,252,361**	**(1,104)**
Loans and advances to banks	328,330	-	221	-	**328,551**	**(4)**
Loans and advances to customers						
- Retail	3,659,454	49,221	4,712	35,875	**3,749,262**	**(21,619)**
- Business	2,532,230	437,071	63,961	151,067	**3,184,329**	**(65,670)**
	13,721,800	**491,287**	**68,894**	**186,942**	**14,468,923**	**(88,397)**
Fair Value						
Treasury bills	64,777	-	-	-	**64,777**	**(3)**
Debt securities measured at fair value through other comprehensive income	80,541	-	-	-	**80,541**	**(25)**
	145,318	**-**	**-**	**-**	**145,318**	**(28)**

The Bank also holds a significant amount of off-balance sheet exposures, comprising commitments, guarantees, and unutilised credit facilities. These exposures are predominantly classified as performing, reflecting the Bank's prudent risk management and sound credit quality across its contingent liabilities.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Credit risk (continued)

39.2.3 CREDIT QUALITY (continued)

b. Debt securities by sector, classification and residency

The tables below analyse debt securities by sector, classification and residency.

Sector

	The Group		
2025	Amortised cost €000	FVOCI €000	FVTPL €000
Banks	688,633	141	6
Government	6,017,090	13,598	1,386
Public	-	56,813	-
Others	75,486	234	-
	6,781,209	**70,786**	**1,392**

	The Group		
2024	Amortised cost €000	FVOCI €000	FVTPL €000
Banks	834,953	1,077	27
Government	5,332,551	14,460	1,393
Public	-	64,445	-
Others	83,753	559	-
	6,251,257	**80,541**	**1,420**

Residency

	The Group		
2025	Amortised cost €000	FVOCI €000	FVTPL €000
Malta	2,179,313	70,069	259
Monetary Union member states	3,301,549	-	1,041
Rest of the world	1,300,347	717	92
	6,781,209	**70,786**	**1,392**

	The Group		
2024	Amortised cost €000	FVOCI €000	FVTPL €000
Malta	2,042,024	77,912	-
Monetary Union member states	3,035,617	940	1,393
Rest of the world	1,173,616	1,689	27
	6,251,257	**80,541**	**1,420**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

c. 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 on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. Refer to the significant increase in credit risk section of this note for a description of how the Group determines when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Refer to the definition of default and credit impaired section of this note for a description of how the Group defines credit-impaired and default.

- Financial instruments in Stage 1 have their ECL allowances measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected loss allowances on a lifetime basis. Refer to the measuring ECL section of this note for a description of inputs, assumptions and estimation techniques used in measuring the ECL. A pervasive concept in measuring ECL allowances in accordance with IFRS 9 is that it should consider forward-looking information. Note 39.2.3 (i) includes an explanation of how the Group has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Significant increase in credit risk

With the exception of instruments measured at FVTPL, exposures with low credit risk at the reporting date and any originated credit-impaired financial assets, the Group assesses whether financial instruments have experienced a significant increase in credit risk since initial recognition.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment, and including forward-looking information. A backstop trigger (30 days in arrears) shifts credit exposures within loan portfolios from stage 1 to stage 2 as significant increase in credit risk is deemed to have occurred.

The credit quality of the Group's portfolios of financial instruments is assessed by reference to the Group's credit rating system as described in Note 39.2.3.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

The Group allocates each credit exposure within loan portfolios to an internal credit risk grade based on a variety of quantitative and qualitative data that is determined to be predictive of the risk of default. An exposure's final internal credit grade is dependent on four inputs:

i. a system credit grade which is based on days past due data;

ii. a manual credit grade being assigned by Bank officers who review and monitor exposures having access to customers and their financial information;

iii. a regulatory credit grade which takes cognisance of the two grades referred to above as well as other regulatory requirements such as in the case of forbearance measures; and

iv. an Internal Credit Rating System ('ICRS') grade which is based on a scorecard approach that takes into consideration a number of both quantitative and qualitative indicators that vary depending on the nature of the exposure and the type of borrower, in conjunction with the three grades previously mentioned assigned to the specific financial instrument.

The final credit risk grade assigned to each credit exposure is the ICRS grade, based on a rating scale which is composed of 15 grades.

Credit exposures are subject to ongoing qualitative monitoring, which may also result in an exposure being moved to a different ICRS grade. The monitoring typically involves use of the following data.

Business exposures	Retail exposures	All 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 covenants, quality of management, senior management changes • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities • Existing and forecast changes in business	• Internally collected data on customer behaviour - e.g. utilisation of credit card facilities • Affordability metrics	• 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 • Financial and economic conditions

Stage Allocation

At the origination of a loan, all exposures (except for POCI), irrelevant of the respective ICRS grade, are allocated to stage 1 as the Bank accepts the credit risk profile at an agreed interest rate. Accordingly, 12 months of expected credit losses are held against newly originated loans as long as the credit risk at origination does not increase significantly. A transfer to stage 2 is only triggered when SICR, compared to the credit risk at origination, occurs. Assessment of SICR comprises a comparative assessment between the PD at a point in time and that at origination to determine whether credit risk has increased over time. For instance, the Group might originate a loan to a customer having a specific ICRS grade. At the subsequent period end, the ICRS has deteriorated and another loan is granted to the customer, with the new loan also having the updated ICRS. In relation to the first loan, if the increase in ICRS is considered significant increase in credit risk, also taking cognisance of the shift in associated PDs, the asset will be transferred to stage 2. For the second loan, the ICRS at initial recognition is the updated one and this loan will remain in stage 1 until the ICRS increases significantly, giving rise to significant increase in credit risk, in

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

subsequent periods. An ICRS grade of 7 is generally indicative of SICR. The Bank also makes use of a second backstop trigger for SICR. The latter pushes exposures to underperforming (stage 2) whenever the PD is found to have doubled when compared to that at origination.

Credit exposures within the Group's treasury portfolio, including balances with the Central Bank of Malta, Treasury Bills, debt securities, and loans and advances to banks are allocated to stage 1 upon initial recognition, irrespective of whether the exposure is investment grade or sub-investment grade. The Group applies the low credit risk simplification to all investments that are of an investment grade, which constitute the vast majority of this portfolio. The Group accordingly only assesses SICR for exposures that are rated as sub-investment grade. For sub-investment grade securities, the Group considers an instrument to have experienced a significant increase in credit risk if the security has been the subject of a credit rating downgrade since initial recognition.

Definition of default and credit-impaired
At each reporting date, the Group assesses whether all financial assets carried at amortised cost and debt investments carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group considers financial assets in the advances portfolio to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due by 90 days or more on any credit obligation to the Group.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit lower than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant, overdue status and non-payment on another obligation of the same borrower to the Group;
- quantitative; and
- based on data developed internally and on data obtained from external sources.

An ICRS grade of 10 is generally indicative of credit-impaired status. A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default aligns with that applied by the Group for regulatory purposes.

In the case of the treasury portfolio, the Group considers investments in debt instruments to be in default when a payment, including a coupon payment, is missed.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

Movement between stages
Financial assets (other than POCI) are transferred between stages based on changes in credit risk since initial recognition. Within the Group's advances portfolio, financial instruments, excluding forborne assets (refer to Note 39.2.3 (g)), are transferred out of stage 2 into stage 1 when their credit risk is no longer considered to have increased significantly since initial recognition. This is evidenced when the financial instrument is assigned an ICRS grade of 6 or better and the instrument has completed three consecutive months with an ICRS grade of 6 or better. Financial instruments, excluding forborne assets (refer to Note 39.2.3 (g)) are considered to be no longer in default and are transferred out of stage 3 (i.e. have cured) into stage 2 when they no longer meet any of the default criteria for a consecutive period of three months. This is evidenced when the financial instrument is assigned an ICRS grade of 9 or better and retains such ICRS grade for a consecutive period of three months. This period of three months 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. As a general principle, except in specific circumstances, financial instruments cannot transition directly from stage 3 to stage 1 in a single step.

Within the Group's treasury portfolio, debt investments are transferred out of stage 2 following upgrade to an investment-grade rating if the instrument was assigned an investment-grade rating at the acquisition date and had been downgraded to a sub-investment-grade. In the case of an investment acquired at sub-investment-grade, a return to stage 1 is only permissible following a return to the acquisition-date rating (or better). The Group's experience is that defaulted debt investments within the treasury portfolio do not cure given that a security's default mechanism is triggered when a security's issuer misses a coupon payment. Any new instrument which the Group receives as part of an eventual debt restructuring exercise is considered to be a new instrument altogether.

Measuring ECL
ECL allowances are measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving overdraft, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be incurred if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan.

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

The parameters referred to above are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described in Note 39.2.3 (i).

In relation to loan portfolios, the Group estimates PDs based on its own historical default data adjusted to incorporate forward-looking information, as explained further in Note 39.2.3 (i). All loan exposures are allocated into two primary portfolios, business and retail, in accordance with their respective characteristics, and are further segmented based on product type.

Notes to the Financial Statements

for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

Each exposure is assigned an ICRS grade as explained previously (refer to Note 39.2.3 (c). The cumulative PD curves are derived for each segment by ICRS grade through the development of transition matrices based on historical movements of the respective exposures using Markov chains, which are based on the Group's monthly data in respect of its business and retail portfolios reflecting transitions between different ICRS grades for an extensive historical period comprising a significant number of years. Initially, the Group develops baseline transition matrices which capture unconditional migration probabilities, where the underlying assumption is that the transition probabilities between the rating grades are sufficiently described by a first-order Markov process. As an integral part of this process, the Group incorporates a Credit Cycle Factor (i.e. macro-economic adjustment) utilised to derive point-in-time PDs adjusted for forward-looking information. The monthly PD curves are computed by combining the Credit Cycle Factor with the Markov model coefficients and use Markov chains principle to obtain conditional point-in-time lifetime PDs for each segment and rating grade. This structure ensures that lifetime PDs are sensitive to macro-economic conditions while at the same time maintaining sufficiently granular perspective.

For the treasury portfolio, the Group adopts a similar approach in PD assessment, based on Standard and Poor's historical issuer ratings data covering an extensive number of years, and applying Markov chains principle for the lifetime PD estimation. However, for the forward-looking information and estimation of the Credit Cycle component, the Group decided to adopt the Cox model, as well as vector autoregression, for the development of the baseline, optimistic, and pessimistic scenarios.

With respect to the Group's lending activities, the EAD forecasts the credit risk exposure the Group might have if a borrower defaults, taking into account the current balance and any portion of the undrawn commitment that is expected to be drawn by the time of default. The Group applies different methodologies to estimate the EAD for loans with fixed payment schedules and for revolving instruments. The Group derives the EAD for loans with fixed payment schedules as the net present value of future expected cash flows, discounted at the effective interest rate or an approximation thereof. For revolving credit products such as credit cards, encroachments, and overdrafts, and for lending commitments and financial guarantees, the EAD is computed based on the application of the Credit Conversion Factor ('CCF'), which is used to estimate the proportion of the undrawn commitment that is likely to be utilised before default. The CCF is a percentage utilised to convert an undrawn balance into an expected drawn amount. For revolving exposures, the CCF is estimated using the Bank's internal historical data and depends on product type and time to default.

In the case of the treasury portfolio, the Group derives the EAD as net present value of future expected cash flows, discounted using the effective interest rate of the instrument. For floating coupon instruments the Group forecasts the future spot interest rates through a model based on principal component analysis ('PCA') and vector autoregression ('VAR').

The Group calculates the LGD for the secured and unsecured portions of the EAD separately, in relation to its loan portfolios. The LGD for the secured portion is estimated based on collateral valuation adjustments. The LGD for the unsecured portion (including unsecured products) is set at 100%. Subsequent to origination, collateral values are monitored and reviewed by the Bank's qualified valuers on a regular and periodic basis. For the purposes of ECL estimation, haircuts are applied to such values also taking into account the Bank's historical data on property contractual prices and on recoveries from claims against defaulted counterparties. In relation to the secured portion of loan exposures covered by immovable property collateral, the value attributable to the collateral is adjusted to capture the impact of macro-economic conditions through the application of an adjustment factor reflecting forecasted movements in the House Price Index ('HPI'). The Bank's LGD model indexes the collateral value at reporting date to the expected disposal date on the basis of expected movements in HPI, as explained in further detail in Note 39.2.3 (i). Indexed property values are adjusted to reflect estimated costs to sell and maintenance costs incurred by the Bank on foreclosed properties during the time to sell period. The net realisable values are discounted to present value using the individual exposure's interest rate.

The Bank's LGD models generally consider the structure of the instrument, collateral, seniority of the claim, counterparty industry and recovery costs in relation to any collateral that is linked to the financial asset.

In the case of the Group's treasury portfolio, the Group lacks historical experience of defaults and accordingly makes use of the loss and recovery information on a substantial number of defaulted instruments of non–financial institutions obtained from Standard & Poor's. The Group estimates weighted average LGD per instrument and industry type, with weights corresponding to the principal amount at default. Due to data restrictions Sovereigns and Financial Institutions are not included in the industry groups. Instead, the Group assigns a 45% LGD across these two industries based on regulatory practices.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period.

The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For products with a fixed contractual maturity, the term over which the Group measures ECL is the contractual maturity. However, for retail overdrafts and credit card facilities that include both a loan and an undrawn component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn component does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure. Although, the Group can cancel them with immediate effect, this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These actions include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms. For overdrafts, encroachments and credit card facilities, ECL allowances are measured over a period of 12 months. Likewise, for guarantees, ECL provisions are measured over a period of 12 months.

d. Gross carrying amount and exposure to credit risk

The following table sets out information about the credit quality of financial assets measured at amortised cost, and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The explanation of the terms mentioned in the following tables, including 12-month ECL, lifetime ECL and credit-impaired, are included in note 39.2.3 (c).

Balances held with the Central Bank of Malta are measured at amortised cost, reflecting prudent management of liquid assets. These are classified as stage 1 exposures since the balances exhibit a strong and stable credit profile and there are no indications of deterioration in credit quality. Consequently, the risk of default is considered minimal. As at the reporting date, these balances amount to €224 million (2024: €129 million).

Treasury bills, which are measured at fair value through other comprehensive income (FVOCI), represent investments in highly rated government securities. These assets are also classified as stage 1 performing exposures. Their classification is supported by a good credit standing of the issuer and an absence of adverse credit-related events. The treasury bills continue to demonstrate high credit quality and the probability of future credit losses remains extremely low. In line with the credit quality groups described above, these exposures reflect a stable and secure position within the portfolio. As at 31 December 2025 these balances amounted to €115 million (2024: €65 million).

For loans and advances to banks and investments in debt securities, the Group makes use of external ratings based on major rating agencies.

Notes to the Financial Statements

for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Loans and advances to banks at amortised cost				
As at 31 December 2025				
AAA	245	-	-	**245**
AA- to AA+	100,186	-	-	**100,186**
A- to A+	136,291	-	-	**136,291**
BBB- to BBB+	19,284	-	-	**19,284**
Lower than BBB-	-	296	-	**296**
Unrated	2,453	-	-	**2,453**
	258,459	**296**	**-**	**258,755**
ECL allowances	(1)	-	-	**(1)**
Carrying amount	**258,458**	**296**	**-**	**258,754**

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Loans and advances to banks at amortised cost				
As at 31 December 2024				
AAA	331	-	-	**331**
AA- to AA+	75,158	-	-	**75,158**
A- to A+	208,746	-	-	**208,746**
BBB- to BBB+	41,582	-	-	**41,582**
Lower than BBB-	-	221	-	**221**
Unrated	2,513	-	-	**2,513**
	328,330	221	-	**328,551**
ECL allowances	(4)	-	-	**(4)**
Carrying amount	**328,326**	**221**	**-**	**328,547**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Investments in debt securities at amortised cost				
As at 31 December 2025				
AAA	1,254,323	-	-	**1,254,323**
AA- to AA+	954,362	-	-	**954,362**
A- to A+	4,214,068	-	-	**4,214,068**
BBB- to BBB+	359,852	-	-	**359,852**
Lower than BBB-	-	-	-	**-**
	6,782,605	**-**	**-**	**6,782,605**
ECL allowances	(1,396)	-	-	**(1,396)**
Carrying amount	**6,781,209**	**-**	**-**	**6,781,209**

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Investments in debt securities at amortised cost				
As at 31 December 2024				
AAA	1,048,325	-	-	**1,048,325**
AA- to AA+	1,402,170	-	-	**1,402,170**
A- to A+	3,226,561	-	-	**3,226,561**
BBB- to BBB+	570,310	-	-	**570,310**
Lower than BBB-	-	4,995	-	**4,995**
	6,247,366	**4,995**	**-**	**6,252,361**
ECL allowances	(1,104)	-	-	**(1,104)**
Carrying amount	**6,246,262**	**4,995**	**-**	**6,251,257**

Notes to the Financial Statements

for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Investments in debt securities at fair value through other comprehensive income				
As at 31 December 2025				
AAA	132	-	-	**132**
AA- to AA+	351	-	-	**351**
A- to A+	70,294	-	-	**70,294**
BBB- to BBB+	-	-	-	**-**
Lower than BBB-	-	-	-	**-**
Unrated	9	-	-	**9**
Fair value	**70,786**	**-**	**-**	**70,786**
ECL allowances	(25)	-	-	(25)

	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Investments in debt securities at fair value through other comprehensive income				
As at 31 December 2024				
AAA	681	-	-	**681**
AA- to AA+	995	-	-	**995**
A- to A+	78,158	-	-	**78,158**
BBB- to BBB+	707	-	-	**707**
Lower than BBB-	-	-	-	**-**
Unrated	-	-	-	**-**
Fair value	**80,541**	**-**	**-**	**80,541**
ECL allowances	**(25)**	**-**	**-**	**(25)**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	12-month average PD	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Loans and advances to customers at amortised cost: Retail					
As at 31 December 2025					
Grades 1-2	0.37%	1,691,643	961	-	**1,692,604**
Grades 3-4	1.03%	1,642,111	1,410	-	**1,643,521**
Grades 5-6	4.18%	833,862	3,750	-	**837,612**
Grade 7	12.16%	93,044	95,305	-	**118,349**
Grades 8-9	16.14%	4,808	32,716	-	**37,524**
Grades 10-15	100.00%	-	-	34,449	**34,449**
		4,265,468	**134,142**	**34,449**	**4,434,059**
ECL allowances		(1,923)	(1,145)	(12,079)	**(15,147)**
Carrying amount		**4,263,545**	**132,997**	**22,370**	**4,418,912**

	12-month average PD	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Loans and advances to customers at amortised cost: Business					
As at 31 December 2025					
Grades 1-2	0.53%	249,213	-	-	**249,213**
Grades 3-4	0.58%	1,729,572	-	-	**1,729,572**
Grades 5-6	1.66%	907,920	84,164	-	**992,084**
Grade 7	5.05%	209,921	291,571	-	**501,492**
Grades 8-9	26.10%	-	62,424	-	**62,424**
Grades 10-15	100.00%	-	-	101,932	**101,932**
		3,096,626	**438,159**	**101,932**	**3,636,717**
ECL allowances		(12,016)	(9,682)	(48,458)	**(70,156)**
Carrying amount		**3,084,610**	**428,477**	**53,474**	**3,566,561**

Notes to the Financial Statements

for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	12-month average PD	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Loans and advances to customers at amortised cost: Retail					
As at 31 December 2024					
Grades 1-2	0.48%	2,655,403	217	-	**2,655,620**
Grades 3-4	0.74%	808,512	1,030	-	**809,542**
Grades 5-6	1.52%	191,603	2,688	-	**194,291**
Grade 7	9.24%	10,840	38,381	-	**49,221**
Grades 8-9	35.59%	18	4,694	-	**4,712**
Grades 10-15	100.00%	-	-	35,876	**35,876**
		3,666,376	**47,010**	**35,876**	**3,749,262**
ECL allowances		(2,614)	(1,348)	(17,657)	**(21,619)**
Carrying amount		**3,663,762**	**45,662**	**18,219**	**3,727,643**

	12-month average PD	Stage 1 €000	Stage 2 €000	Stage 3 €000	Total €000
Loans and advances to customers at amortised cost: Business					
As at 31 December 2024					
Grades 1-2	0.56%	240,634	-	-	**240,634**
Grades 3-4	0.62%	1,456,602	263	-	**1,456,865**
Grades 5-6	2.03%	812,935	21,797	-	**834,732**
Grade 7	5.55%	197,476	239,594	-	**437,070**
Grades 8-9	29.42%	753	63,208	-	**63,961**
Grades 10-15	100.00%	-	-	151,067	**151,067**
		2,708,400	**324,862**	**151,067**	**3,184,329**
ECL allowances		(12,124)	(9,078)	(44,468)	**(65,670)**
Carrying amount		**2,696,276**	**315,784**	**106,599**	**3,118,659**

Exposures which experienced a deterioration in stage subject to the doubling of the PD result in an ECL stage which is worse than the stage related to their internal grading.

Exposures graded 7, 8 and 9 that are allocated to Stage 1 comprise of newly originated business exposures. (Refer to 39.2.3 (c)).

The Bank maintains a considerable portfolio of off-balance sheet items, comprised of commitments, guarantees, and unused credit facilities. The majority of these exposures are designated as stage 1, highlighting the Bank's effective risk controls and robust credit standards with respect to its contingent liabilities.

The Bank holds a limited portfolio of derivative financial instruments, which are measured at fair value through profit or loss (FVTPL). These instruments are primarily entered into for risk-management purposes and are considered immaterial in the context of the overall statement of financial position. Given the creditworthiness of the counterparties, the derivatives exposure is regarded as low-risk and these positions are predominantly treated as performing exposures.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

e. Ageing analysis of past due financial assets

Analysis of past due balances comprise all loan exposures (including forborne exposures).

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

2025

	Gross Carrying Amount				ECL Allowances			
	Stage 2	Of which past due up to 29 days	Of which past due 30 - 59 days	Of which past due 60 - 89 days	Stage 2	Of which past due up to 29 days	Of which past due 30 - 59 days	Of which past due 60 - 89 days
	€000	€000	€000	€000	€000	€000	€000	€000
L&As to customers:								
- Retail	134,142	10,787	5,618	958	(1,145)	(105)	(335)	(45)
- Business	438,159	2,329	603	651	(9,682)	(175)	(12)	(6)
	572,301	**13,116**	**6,221**	**1,609**	**(10,827)**	**(280)**	**(347)**	**(51)**

2024

	Gross Carrying Amount				ECL Allowances			
	Stage 2	Of which past due up to 29 days	Of which past due 30 - 59 days	Of which past due 60 - 89 days	Stage 2	Of which past due up to 29 days	Of which past due 30 - 59 days	Of which past due 60 - 89 days
	€000	€000	€000	€000	€000	€000	€000	€000
L&As to customers:								
- Retail	47,010	984	3,377	271	(1,348)	(63)	(199)	(56)
- Business	324,862	5,895	2,009	248	(9,078)	(231)	(52)	(70)
	371,872	**6,879**	**5,386**	**519**	**(10,426)**	**(294)**	**(251)**	**(126)**

In stage 1, there are facilities with a balance of €6.2 million and an ECL allowance of €0.09 million, having days past due ranging from 1 to 29 days.

Within stage 3, balances of €47.4 million are reported with days past due exceeding 90 days, and an associated ECL allowance of €27.1 million. Additionally, there is a balance of €88.9 million with days past due less than 90 days, for which the ECL allowance stands at €33.5 million.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

f. Reconciliation of ECL

Significant changes in the gross carrying amount of loans and advances to customers that contributed to changes in the ECL allowances were as follows:

- Gross loans and advances increased by 16% during the year (2024: increase of 11%). The high volume of new loans originated during the period, aligned with the Group's organic growth objective, increased the gross carrying amount of the loan book by 23% (2024: 20%), with a corresponding €7.6 million increase in ECL allowances (2024: increase of €11.1 million).

- The write-off of loans with a total gross carrying amount of €8.9 million (2024: €1.3 million) resulted in the reduction of the Stage 3 expected credit losses by €8.7 million (2024: €1.1 million).

The following tables further explain changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the ECL allowances for the same portfolio as above. Gross carrying amount comprises of loans and advances to customers at amortised cost and loans and advances to customers designated as fair value through profit or loss.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Total Gross Carrying Amount at 1 January 2025	**6,423,559**	**373,766**	**186,943**	**6,984,268**
Retail				
Gross Carrying Amount as at 1 January 2025	**3,666,376**	**47,010**	**35,876**	**3,749,262**
Transfer from:				
Stage 1	(109,023)	104,103	4,920	-
Stage 2	14,969	(18,130)	3,161	-
Stage 3	568	1,597	(2,165)	-
New financial assets originated or further lending	1,029,052	13,713	1,843	**1,044,608**
Financial assets that have been derecognised or repaid	(336,474)	(14,151)	(5,358)	**(355,983)**
Write-offs	-	-	(3,828)	**(3,828)**
Gross Carrying Amount as at 31 December 2025	**4,265,468**	**134,142**	**34,449**	**4,434,059**
Business				
Gross Carrying Amount as at 1 January 2025	**2,757,183**	**326,756**	**151,067**	**3,235,006**
Transfer from:				
Stage 1	(197,850)	181,981	15,869	-
Stage 2	38,856	(45,836)	6,980	-
Stage 3	1,284	12,994	(14,278)	-
New financial assets originated or further lending	1,046,444	71,497	4,313	**1,122,254**
Financial assets that have been derecognised or repaid	(517,153)	(104,728)	(56,869)	**(678,750)**
Write-offs	-	-	(5,150)	**(5,150)**
Gross Carrying Amount as at 31 December 2025	**3,128,764**	**442,664**	**101,932**	**3,673,360**
Total Gross Carrying Amount as at 31 December 2025	**7,394,232**	**576,806**	**136,381**	**8,107,419**
Less ECL allowances	(13,939)	(10,827)	(60,537)	**(85,303)**
Net Loans and Advances to customers	**7,380,293**	**565,979**	**75,844**	**8,022,116**
Less Loans and Advances at FVTPL				**(36,643)**
Loans and Advances to customers at amortised cost				**7,985,473**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Total Gross Carrying Amount at 1 January 2024	**5,633,851**	**457,190**	**192,399**	**6,283,440**
Retail				
Gross Carrying Amount as at 1 January 2024	**3,155,600**	**55,050**	**38,057**	**3,248,707**
Transfer from:				
Stage 1	(21,824)	16,314	5,510	-
Stage 2	19,382	(21,649)	2,267	-
Stage 3	3,144	1,884	(5,028)	-
New financial assets originated or further lending	805,268	4,416	2,388	**812,072**
Financial assets that have been derecognised or repaid	(295,194)	(9,005)	(6,796)	**(310,995)**
Write-offs	-	-	(522)	**(522)**
Gross Carrying Amount as at 31 December 2024	**3,666,376**	**47,010**	**35,876**	**3,749,262**
Business				
Gross Carrying Amount as at 1 January 2024	**2,478,251**	**402,140**	**154,342**	**3,034,733**
Transfer from:				
Stage 1	(91,550)	85,287	6,263	-
Stage 2	75,910	(95,685)	19,775	-
Stage 3	1,872	9,404	(11,276)	-
New financial assets originated or further lending	789,548	53,824	22,186	**865,558**
Financial assets that have been derecognised or repaid	(496,848)	(128,214)	(39,427)	**(664,489)**
Write-offs	-	-	(796)	**(796)**
Gross Carrying Amount as at 31 December 2024	**2,757,183**	**326,756**	**151,067**	**3,235,006**
Total Gross Carrying Amount as at 31 December 2024	**6,423,559**	**373,766**	**186,943**	**6,984,268**
Less ECL allowances	(14,738)	(10,426)	(62,125)	**(87,289)**
Net Loans and Advances to customers	**6,408,821**	**363,340**	**124,818**	**6,896,979**
Less Loans and Advances at FVTPL				**(50,677)**
Loans and Advances to customers at amortised cost				**6,846,302**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

Newly originated financial assets during the period comprises of:

- In stage 2 - all facilities originate in stage 1 and deteriorate to stage 2 if they experience a significant increase in credit risk. An exception to this arises when new accounts are opened and suffer significant increase in credit risk during the year.

- In stage 3 - include €2.1 million (2024: €13.0 million) of originated credit-impaired assets which relate to new facilities granted to counterparties in default as part of existing commitments. The remainder consists of additional lending to existing Stage 3 exposures and exposures that were originated in Stage 1 but experienced significant credit deterioration during the year and transitioned to Stage 3.

The following tables explain the changes in the ECL allowances on loans and advances to customers between the beginning and the end of the annual period due to the following factors:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases of credit risk or becoming credit-impaired during the period, and backward migrations in this respect. The impact of changes in the staging allocation of balances existing at 1 January 2025 (and associated ECL changes) are presented within "transfers from";

- The 'Net remeasurement of ECL arising from stage transfers' presents the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional ECL allowances for new financial instruments and further drawdowns on existing financial instruments during the year, are presented within 'New financial assets originated or further lending'. Any repayments done on new loans opened during the year are also captured within this line item;

- Financial assets derecognised related to settlements during the period and corresponding reversals of ECL allowances and provisions are presented within 'Financial assets that have been derecognised or repaid';

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the period, arising from regular refreshing of inputs to models and impacts on the measurement of ECL due to changes effected to models and assumptions, updates to reflect changes in collateral and changes in credit gradings which do not impact IFRS 9 staging, are presented within 'Changes in risk parameters'; and

- Write-offs related to assets written off during the period (see note 39.2.3 (k)).

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Total ECL Allowances as at 1 January 2025	**14,738**	**10,426**	**62,125**	**87,289**
Retail				
ECL Allowances as at 1 January 2025	**2,614**	**1,348**	**17,657**	**21,619**
Transfer from:				
Stage 1	(105)	96	9	**-**
Stage 2	413	(438)	25	**-**
Stage 3	197	565	(762)	**-**
Net remeasurement of ECL arising from stage transfers	(563)	(163)	463	**(263)**
New financial assets originated or further lending	572	212	254	**1,038**
Financial assets that have been derecognised or repaid	(1,219)	(474)	(1,890)	**(3,583)**
Write-offs	-	-	(3,617)	**(3,617)**
Change in risk parameters	14	(1)	(60)	**(47)**
ECL Allowances as at 31 December 2025	**1,923**	**1,145**	**12,079**	**15,147**
Business				
ECL Allowances as at 1 January 2025	**12,124**	**9,078**	**44,468**	**65,670**
Transfer from:				
Stage 1	(803)	459	344	**-**
Stage 2	2,293	(2,497)	204	**-**
Stage 3	35	2,161	(2,196)	**-**
Net remeasurement of ECL arising from stage transfers	(2,075)	1,876	17,147	**16,948**
New financial assets originated or further lending	4,373	736	346	**5,455**
Financial assets that have been derecognised or repaid	(3,911)	(2,105)	(6,883)	**(12,899)**
Write-offs	-	-	(5,021)	**(5,021)**
Change in risk parameters	(20)	(26)	49	**3**
ECL Allowances as at 31 December 2025	**12,016**	**9,682**	**48,458**	**70,156**
Total ECL Allowances as at 31 December 2025	**13,939**	**10,827**	**60,537**	**85,303**

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Total ECL Allowances as at 1 January 2024	**12,186**	**17,872**	**73,488**	**103,546**
Retail				
ECL Allowances as at 1 January 2024	**2,126**	**1,746**	**17,782**	**21,654**
Transfer from:				
Stage 1	(103)	97	6	**-**
Stage 2	687	(741)	54	**-**
Stage 3	411	586	(997)	**-**
Net remeasurement of ECL arising from stage transfers	(795)	(12)	1,421	**614**
New financial assets originated or further lending	850	201	2,334	**3,385**
Financial assets that have been derecognised or repaid	(870)	(515)	(2,436)	**(3,821)**
Write-offs	-	-	(327)	**(327)**
Change in risk parameters	308	(14)	(180)	**114**
ECL Allowances as at 31 December 2024	**2,614**	**1,348**	**17,657**	**21,619**
Business				
ECL Allowances as at 1 January 2024	**10,060**	**16,126**	**55,706**	**81,892**
Transfer from:				
Stage 1	(508)	477	31	**-**
Stage 2	911	(1,083)	172	**-**
Stage 3	1,219	3,020	(4,239)	**-**
Net remeasurement of ECL arising from stage transfers	(1,116)	(546)	4,624	**2,962**
New financial assets originated or further lending	4,951	835	3,130	**8,916**
Financial assets that have been derecognised or repaid	(3,012)	(9,765)	(14,400)	**(27,177)**
Write-offs	-	-	(780)	**(780)**
Change in risk parameters	(381)	14	224	**(143)**
ECL Allowances as at 31 December 2024	**12,124**	**9,078**	**44,468**	**65,670**
Total ECL Allowances as at 31 December 2024	**14,738**	**10,426**	**62,125**	**87,289**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

The Bank's off-balance sheet exposures which expose the Bank to credit risk and are subject to the IFRS 9 impairment requirements consist of commitments, guarantees, and unused portions of other credit facilities, such as loans and overdrafts. These instruments are considered contingent liabilities, which could lead to future cash outflows if customers use their available credit or trigger guarantees. In FY2025, there was a significant increase in off-balance sheet exposures, including a €1.7 billion rise due to new facilities established that year. However, this growth was counterbalanced by various facility closures and the utilisation of certain facilities throughout the year, with some of the off-balance sheet exposures being moved on-balance sheet as customers drew down funds.

The table below presents the ECL provision recognised on the unsecured components of these off-balance sheet exposures.

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Total ECL Provisions as at 1 January 2025	**10,644**	**1,311**	**4,258**	**16,213**
Retail				
ECL Provisions as at 1 January 2025	**2,958**	**100**	**506**	**3,564**
Transfer from:				
Stage 1	(37)	33	4	**-**
Stage 2	88	(88)	-	**-**
Stage 3	19	2	(21)	**-**
Net remeasurement of ECL arising from stage transfers	(93)	(18)	147	**36**
New instruments originated or increase in unutilised limits	619	63	47	**729**
Instruments that have been derecognised or further withdrawals	(763)	(6)	(383)	**(1,152)**
Write-offs	-	-	(4)	**(4)**
Change in risk parameters	(100)	(2)	114	**12**
ECL Provisions as at 31 December 2025	**2,691**	**84**	**410**	**3,185**
Business				
ECL Provisions as at 1 January 2025	**7,686**	**1,211**	**3,752**	**12,649**
Transfer from:				
Stage 1	(56)	56	-	-
Stage 2	352	(358)	6	-
Stage 3	237	237	(474)	-
Net remeasurement of ECL arising from stage transfers	(522)	98	70	**(354)**
New instruments originated or increase in unutilised limits	3,691	200	1,368	**5,259**
Instruments that have been derecognised or further withdrawals	(3,288)	(94)	(847)	**(4,229)**
Write-offs	-	-	(52)	**(52)**
Change in risk parameters	(804)	(264)	(402)	**(1,470)**
ECL Provisions as at 31 December 2025	**7,296**	**1,086**	**3,421**	**11,803**
Total ECL Provisions as at 31 December 2025	**9,987**	**1,170**	**3,831**	**14,988**

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
Total ECL Provisions as at 1 January 2024	**6,802**	**3,632**	**7,311**	**17,745**
Retail				
ECL Provisions as at 1 January 2024	**768**	**1,459**	**1,683**	**3,910**
Transfer from:				
Stage 1	(8)	7	1	**-**
Stage 2	1,400	(1,406)	6	**-**
Stage 3	1,095	3	(1,098)	**-**
Net remeasurement of ECL arising from stage transfers	(1,942)	-	17	**(1,925)**
New instruments originated increase in unutilised limits	648	77	220	**945**
Instruments that have been derecognised or further withdrawals	(467)	(45)	(453)	**(965)**
Write-offs	-	-	(4)	**(4)**
Change in risk parameters	1,464	5	134	**1,603**
ECL Provisions as at 31 December 2024	**2,958**	**100**	**506**	**3,564**
Business				
ECL Provisions as at 1 January 2024	**6,034**	**2,173**	**5,628**	**13,835**
Transfer from:				
Stage 1	(196)	186	10	**-**
Stage 2	1,049	(1,074)	25	**-**
Stage 3	1,149	154	(1,303)	**-**
Net remeasurement of ECL arising from stage transfers	(454)	135	1,014	**695**
New instruments originated or increase in unutilised limits	5,811	77	650	**6,538**
Instruments that have been derecognised or further withdrawals	(3,294)	(372)	(1,784)	**(5,450)**
Write-offs	-	-	(31)	**(31)**
Change in risk parameters	(2,413)	(68)	(457)	**(2,938)**
ECL Provisions as at 31 December 2024	**7,686**	**1,211**	**3,752**	**12,649**
Total ECL Provisions as at 31 December 2024	**10,644**	**1,311**	**4,258**	**16,213**

Notes to the Financial Statements
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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

The following tables present an analysis of the net impairment charge/reversal recognised by the Bank during the year ended 31 December 2025 and the year ended 31 December 2024. These tables provide insight into the changes in credit risk provisions and the overall credit quality of the Bank's loan portfolio during the two reporting years.

Net impairment movement 2025	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
ECL on the Credit Portfolio	1,457	(261)	2,016	**3,212**
ECL on the Treasury Portfolio	(298)	-	115	**(183)**
Reclassification of the discount unwind element to interest income	-	-	2,875	**2,875**
Total ECL	**1,159**	**(261)**	**5,006**	**5,904**
Amounts written off	-	-	(8,978)	**(8,978)**
Recoveries of amounts previously written off	-	-	3,032	**3,032**
Net write-offs	-	-	(5,946)	**(5,946)**
Net impairment (charge)/reversal	**1,159**	**(261)**	**(940)**	**(42)**

Net impairment movement 2024	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000
ECL on the Credit Portfolio	(6,395)	9,768	14,414	**17,787**
ECL on the Treasury Portfolio	(263)	80	(117)	**(300)**
Reclassification of the discount unwind element to interest income	-	-	3,734	**3,734**
Total ECL	**(6,658)**	**9,848**	**18,031**	**21,221**
Amounts written off	-	-	(1,319)	**(1,319)**
Recoveries of amounts previously written off	-	-	3,929	**3,929**
Net recoveries	-	-	2,610	**2,610**
Net impairment (charge)/reversal	**(6,658)**	**9,848**	**20,641**	**23,831**

The movement in allowance accounts for loans and advances to customers is as follows:

	The Group	
	ECL Allowances	ECL Allowances
	2025	2024
	€000	€000
Change in allowances for uncollectibility:		
At 1 January	87,289	103,546
Additions	36,525	27,936
Reversals	(38,511)	(44,193)
At 31 December	**85,303**	**87,289**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

g. Forbearance

A 'forborne loan' is a loan where the contractual payment terms have been renegotiated or otherwise modified because the Group concluded that with the original terms and conditions of the contract satisfactory repayment may not be possible.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. An expectation of forbearance may constitute evidence that an exposure is credit-impaired. A forborne loan is considered to no longer be in default when it no longer meets any of the default criteria for a consecutive period of twelve months. This is evidenced by an ICRS grade of 9 or better for a consecutive period of twelve months. Forbearance is considered a qualitative indicator of a significant increase in credit risk. Movement out of Stage 2 is only permissible once an exposure is no longer considered to be forborne. A loan will cease to be considered forborne when the facility is considered to be performing as evidenced by an ICRS grade of 6 or better for a minimum consecutive period of twenty four months, regular payments and timely payments of principal or interest have been made during at least half of the probation period and none of the exposures to the debtor is more than 30 days past due at the end of the probation period.

Modification of financial assets' terms
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified, irrespective of the reason, may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 1.4.2.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly also reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on date of initial recognition and the original contractual terms.

For financial assets modified as part of the Group's policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

During the current financial year there were no significant modifications of financial assets that resulted in the derecognition of the respective assets, whether arising from forbearance measures or other actions.

The following table presents the extent of forborne assets out of the gross carrying amounts of the Bank's loans and advances to customers presented by portfolio and by stage.

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39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

	Total	Of which Forborne	Total	Of which Forborne
	2025	2025	2024	2024
	€000	€000	€000	€000
Gross				
Performing				
Stage 1:	**7,394,232**	**-**	**6,423,559**	**-**
Retail	4,265,468	-	3,666,376	-
Business	3,128,764	-	2,757,183	-
Underperforming				
Stage 2:	**576,806**	**203,022**	**373,766**	**164,808**
Retail	134,142	2,655	47,010	3,424
Business	442,664	200,367	326,756	161,384
Non-performing				
Stage 3:	**136,381**	**65,422**	**186,943**	**76,964**
Retail	34,449	9,494	35,876	8,541
Business	101,932	55,928	151,067	68,423
Total Gross / Forborne exposures	**8,107,419**	**268,444**	**6,984,268**	**241,772**
ECL Allowances				
Performing				
Stage 1:	**(13,939)**	**-**	**(14,738)**	**-**
Retail	(1,923)	-	(2,614)	-
Business	(12,016)	-	(12,124)	-
Underperforming				
Stage 2:	**(10,827)**	**(4,162)**	**(10,426)**	**(6,053)**
Retail	(1,145)	(2)	(1,348)	(19)
Business	(9,682)	(4,160)	(9,078)	(6,034)
Non-performing				
Stage 3:	**(60,537)**	**(24,357)**	**(62,125)**	**(29,383)**
Retail	(12,079)	(3,271)	(17,657)	(4,556)
Business	(48,458)	(21,086)	(44,468)	(24,827)
Total ECL allowances	**(85,303)**	**(28,519)**	**(87,289)**	**(35,436)**

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

As at 31 December 2025, total forborne loans and advances (L&As) to customers represented 3.31% of total gross L&As to customers, compared with 3.46% as at 31 December 2024. The table below provides a breakdown of this ratio by IFRS 9 stage:

	2025	2024
Stage 1	0.00%	0.00%
Stage 2	35.20%	44.09%
Stage 3	47.97%	41.17%

Gross Forborne Exposures are analysed as follows:

	Modification in Terms	Refinancing	Modification in Terms	Refinancing
	2025	2025	2024	2024
Underperforming	€000	€000	€000	€000
Retail	2,655	-	3,422	2
Business	197,233	3,134	159,409	1,975
	199,888	**3,134**	**162,831**	**1,977**
Non-performing				
Retail	9,384	110	8,522	19
Business	46,121	9,807	57,781	10,642
	55,505	**9,917**	**66,303**	**10,661**

'Modification in Terms' refers to changes made to the contractual conditions of an existing credit exposure when a borrower is experiencing, or is expected to experience, financial difficulties. Such changes represent a concession compared with the original terms and may include measures such as extending the loan maturity, adjusting the interest rate, or relaxing covenants. A modification is considered forbearance when these adjusted terms are necessary to enable the borrower to meet repayment obligations that could not be fulfilled under the original agreement.

'Refinancing' occurs when a borrower settles an existing credit exposure, such as a loan, overdraft, or credit card facility, using the proceeds of a new loan, which may be granted under different contractual terms, including a revised structure or interest rate.

The movement in forebearance activity during the period is as follows:

	Loans & Advances	
	2025	2024
	€000	€000
1 January	241,772	226,093
Additions	87,712	89,594
Retired from forborne	(61,040)	(73,915)
31 December	**268,444**	**241,772**

Interest income recognised during the year ended 31 December 2025 in respect of forborne assets amounted to €13.0 million (2024: €12.0 million).

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

h. Collateral

Collateral and other credit enhancements
Credit risk mitigation is one of the key elements of the Group's credit policy.

The Group employs a range of policies and practices to mitigate credit risk. These include the requirement to obtain collateral, depending on the nature of the proposal, as set out in the Bank's policies and procedures. The nature and level of collateral required depends on a number of factors, including, but not limited to the amount of the exposure, the type of facility provided, the term of the facility, the amount of the counterparty's contribution and an evaluation of the level of the credit risk or probability of default involved.

The most common credit risk mitigation technique is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances and other financial assets are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Margin agreement for derivatives, for which the Group has master netting agreements.

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

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised as highlighted above.

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

A portion of the Group's mortgage portfolio has sufficiently low 'loan to value' (LTV) ratios, which results in no ECL allowances being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is €491.8 million as at 31 December 2025 (2024: €428.5 million).

A portion of the Group's business portfolio has sufficiently low 'loan to value' (LTV) ratios, which results in no ECL allowances being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is €382.7 million as at 31 December 2025 (2024: €358.4 million).

Security values are monitored and reviewed on a regular basis and are also re-assessed at time of default if it is found that the value of the collateral item could have materially changed since the last valuation. Further information of how the Bank calculates the value of immovable property collateral is presented within Note 39.2.3 (c). For financial instruments utilised as collateral, haircuts are calculated according to the risk profile of each individual security and depend on a number of variables including price volatility and liquidity/marketability of the instrument.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

The table below shows the financial effects of the main types of collateral held in respect of the Group's customer loan exposures:

		Collateral							
	Gross on-balance sheet exposure	Prime bank guarantees	Cash	Govt. guarantees	Residential property	Commercial property	Personal guarantees	Others	Net maximum exposure
The Group	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
At 31 December 2025									
L&As to customers									
Retail:	4,434,059	-	27,122	1,289	3,880,557	133,914	-	35,738	355,439
Business:	3,636,717	1,527	79,046	327,931	222,403	1,777,554	7,357	276,535	944,364
	8,070,776	**1,527**	**106,168**	**329,220**	**4,102,960**	**1,911,468**	**7,357**	**312,273**	**1,299,803**

		Collateral							
	Gross on-balance sheet exposure	Prime bank guarantees	Cash	Govt. guarantees	Residential property	Commercial property	Personal guarantees	Others	Net maximum exposure
The Group	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
At 31 December 2024									
L&As to customers									
Retail:	3,749,262	-	30,660	722	3,273,227	113,415	-	36,904	294,334
Business:	3,184,329	461	88,886	313,724	199,001	1,484,038	8,698	400,436	689,085
	6,933,591	**461**	**119,546**	**314,446**	**3,472,228**	**1,597,453**	**8,698**	**437,340**	**983,419**

The off-balance sheet exposures are secured predominantly by the same types of collateral as those used for on-balance sheet exposures. This means that the Bank relies on consistent collateral types, such as properties, cash or government guarantees, to mitigate credit risk across its portfolio.

Notes to the Financial Statements
for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

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

The Group
As at 31 December 2025

	Gross carrying amount	ECL allowances	Net carrying amount	Fair value of collateral held post haircut as per ECL model
	€000	€000	€000	€000
Credit-impaired assets				
Retail loans:				
- Personal Loans	5,078	(2,578)	2,500	2,665
- Home Loans	28,646	(8,781)	19,865	24,776
- Personal Overdrafts	70	(67)	3	9
- Credit Cards	173	(172)	1	-
Loans to business entities:				
- Business Loans	73,064	(29,862)	43,202	40,332
- Business Overdrafts	28,399	(18,132)	10,267	10,781
Encroachments*	951	(945)	6	-
Total credit-impaired assets	**136,381**	**(60,537)**	**75,844**	**78,563**

The Group
As at 31 December 2024

	Gross carrying amount	ECL allowances	Net carrying amount	Fair value of collateral held post haircut as per ECL model
	€000	€000	€000	€000
Credit-impaired assets				
Retail loans:				
- Personal Loans	5,226	(3,397)	1,829	2,261
- Home Loans	29,788	(13,414)	16,374	24,893
- Personal Overdrafts	87	(77)	10	14
- Credit Cards	260	(258)	2	-
Loans to business entities:				
- Business Loans	123,925	(31,403)	92,522	93,939
- Business Overdrafts	21,758	(9,711)	12,047	14,152
Encroachments*	5,899	(3,865)	2,034	-
Total credit-impaired assets	**186,943**	**(62,125)**	**124,818**	**135,259**

* Encroachments include exposures which form part of both loans to individuals and business entities.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

On specific exposures, the fair value of the collateral exceeds the carrying amount of the loan. The values of the collateral presented within this note are capped to the gross carrying amount of the exposures.

Fair value of property collateral presented within the tables above refers to architect's valuations less applicable haircuts.

Property collateral valuations extend from full valuations by external independent appraisers to desktop valuations according to the Bank's collateral policy. The frequency of collateral valuations ranges between 1 and 3 years depending on the type of property, exposure status (i.e. whether performing or non-performing) as well as exposure amount in line with the Bank's collateral policy.

Notes to the Financial Statements
for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

Lending and Commitments covered by real estate
The table below stratifies credit exposures, covered by real estate, to customers by ranges of loan-to-value ('LTV'). LTV is calculated as the ratio of the gross amount of loan to the value of the collateral. The gross amounts exclude any ECL allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for these loans is based on the collateral value at origination updated based on changes in house price indices.

2025	Gross Carrying Amount				ECL Allowances			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Commercial Real Estate								
Less than 25%	166,949	31,437	4,982	**203,368**	(26)	(1,001)	(813)	**(1,840)**
25% to 50%	536,697	100,688	25,494	**662,879**	(640)	(105)	(5,922)	**(6,667)**
51% to 75%	757,383	106,114	8,251	**871,748**	(1,180)	(597)	(1,854)	**(3,631)**
76% to 90%	165,843	17,242	-	**183,085**	(344)	(197)	-	**(541)**
91% to 100%	-	-	-	**-**	-	-	-	**-**
	1,626,872	**255,481**	**38,727**	**1,921,080**	**(2,190)**	**(1,900)**	**(8,589)**	**(12,679)**
Residential Real Estate								
Less than 25%	486,285	47,861	12,775	**546,921**	(20)	(12)	(4,499)	**(4,531)**
25% to 50%	1,127,460	45,005	12,922	**1,185,387**	(46)	(54)	(5,770)	**(5,870)**
51% to 75%	1,327,327	33,750	8,613	**1,369,690**	(164)	(360)	(3,153)	**(3,677)**
76% to 90%	1,000,049	10,121	970	**1,011,140**	(140)	(9)	(44)	**(193)**
91% to 100%	28,252	1,255	-	**29,507**	(7)	(8)	-	**(15)**
	3,969,373	**137,992**	**35,280**	**4,142,645**	**(377)**	**(443)**	**(13,466)**	**(14,286)**

2024	Gross Carrying Amount				ECL Allowances			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Commercial Real Estate								
Less than 25%	212,955	29,366	10,919	**253,240**	(100)	(51)	(2,745)	**(2,896)**
25% to 50%	409,862	76,824	26,713	**513,399**	(110)	(229)	(4,315)	**(4,654)**
51% to 75%	615,342	73,194	13,192	**701,728**	(745)	(416)	(1,798)	**(2,959)**
76% to 90%	117,169	8,786	155	**126,110**	(143)	(146)	(189)	**(478)**
91% to 100%	10,920	-	-	**10,920**	(8)	-	-	**(8)**
	1,366,248	**188,170**	**50,979**	**1,605,397**	**(1,106)**	**(842)**	**(9,047)**	**(10,995)**
Residential Real Estate								
Less than 25%	449,170	16,963	12,318	**478,451**	(45)	(84)	(5,449)	**(5,578)**
25% to 50%	1,066,824	19,064	16,540	**1,102,428**	(42)	(30)	(9,193)	**(9,265)**
51% to 75%	1,070,205	13,494	9,485	**1,093,184**	(106)	(270)	(4,223)	**(4,599)**
76% to 90%	775,522	1,721	712	**777,955**	(286)	(17)	(382)	**(685)**
91% to 100%	28,994	-	-	**28,994**	(5)	-	-	**(5)**
	3,390,715	**51,242**	**39,055**	**3,481,012**	**(484)**	**(401)**	**(19,247)**	**(20,132)**

The business portfolio is predominantly secured by commercial real estate, while the retail portfolio is primarily secured by residential real estate.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

i. Forward-looking information

The assessment of SICR and the calculation of ECL allowances both incorporate forward-looking information. The Group performs historical analysis and identifies the key macro-economic variables (or macro-economic factors) impacting credit risk and expected credit losses for each portfolio. These variables and their associated impact on the PD and LGD vary by financial instrument.

For the purposes of the Bank's PD models in relation to loan portfolios, quarterly Central Bank of Malta ('CBM') forecasts are used for those macro-economic variables that are found to be relevant for the Bank's portfolios. On an annual basis, as part of the model recalibration exercise an assessment is carried out to ensure that the selected macro-economic variables are adequate and relevant. During the financial year ended 31 December 2025, the Group performed linear regression analysis on a wide range of macro-economic variables to assess their significance with respect to historical default rates and accordingly the range of macro-economic variables was regressed against the Bank's observed default rates with the target variable for the macro-economic regression being the historically observed defaults. The Group utilises linear regression model to construct the Credit Cycle Factor from the respective regression coefficients used as weights for the individual macro-economic variables applied within the final model. The regressions were performed for three distinct business segments: business loans, home loans and other retail loans (excluding home loans) for the year ended 31 December 2025. The selected variables are GDP year-over-year (YY) change, Unemployment Rate year-over-year (YY) difference and Income Growth year-over-year (YY) change. These variables depict the most appropriate combination in terms of the economic rationale and statistical significance. Additionally, the Group also included a dummy variable ('COVID dummy') to capture the exogenous shock during the COVID period.

The final form of the regression equations is presented in the tables overleaf. The estimation of macro-economic forecasts is required in order to modify the PDs through the application of forward-looking information as required by IFRS 9 Financial Instruments.

In relation to the Bank's LGD models applied to loan portfolios, the Group developed an internal Housing Price Index ('HPI') using historical data for the purposes of projecting the future evolution of immovable collateral values and indexing the Bank's collateral values at reporting date to the expected disposal date on the basis of forecasted movements in HPI. The utilised technique aligns with Eurostat's recommended approach in measuring housing prices. Once the HPI is estimated, the forecast is performed using autoregressive integrated moving average time series model with exogenous variables. The regression includes quarterly time series of year-on-year growth rates for prices per square metre in relation to immovable property, as outlined in the HPI, for an extensive historical period covering a significant number of years.

To construct the model, using the HPI as the target variable, the Group used three autoregressive terms of one, two and three lags, as well as GDP growth and Unemployment rates as the exogenous variables.

The estimation of macro-economic forecasts is required in order to modify the LGDs through the application of forward-looking information as required by IFRS 9 Financial Instruments.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers the forecasts it selected in respect of the macro-economic variables referred to above to represent its best estimate of the possible outcomes. The Bank's calibrated ECL model includes three scenarios in respect of the derivation of PDs for the loan portfolios (baseline/optimistic/pessimistic), whereby the baseline scenario is mapped to the economic forecasts published quarterly by the Central Bank of Malta for the Unemployment rate, and bi-annually in the Budgetary Plan and the Update of Stability Program issued by the Ministry for Finance and Employment for the GDP growth rate.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

The upside and downside scenarios within the PD model are then derived as follows:

- The Budgetary Plan and the Update of Stability Program publish upside and downside scenarios for real GDP growth (GDP fan chart) and the Group selects appropriate upper and lower boundaries in this respect based on expert judgement;

- Okun's law is used to derive the upside and downside scenarios for the Unemployment rate. Okun's law prescribes a presumably stable economic relationship between the Unemployment rate and the GDP growth rate; and

- Fisher transformation formula is utilised to estimate Income growth using the HICP scenario-specific inflation paths to project baseline, optimistic and pessimistic scenarios.

Based on expert judgement, the Group assigns probability weights of 50% to the baseline scenario, and 25% for each of the optimistic and pessimistic scenarios.

To estimate forward-looking information in respect of the PDs on the treasury portfolio, the Group selected four macroeconomic variables (GDP growth rate, Unemployment rate, Interest rates, Loans to private sector) to include as independent variables in the Cox model, with its regression results being used in the construction of the respective Credit Cycle Factor. The vector auto regression model is utilised to forecast future paths for each macro-economic factor using normally distributed random numbers, with the distribution used by the Group to determine the baseline, optimistic, and pessimistic scenarios. The three scenarios are based on the quantiles set to 75%, 50%, and 25% boundaries, which correspond to the probability of 25% for the optimistic, 50% for the baseline, and 25% for the pessimistic.

In respect of the Bank's LGD models for the loan portfolios, the forecasts for the GDP growth rate and the Unemployment rate and the related scenarios are developed in the same manner as that utilised within the PD model, however with different probability weights being assigned to the three scenarios (baseline, optimistic, and pessimistic). Furthermore, the Group has also introduced an additional extreme pessimistic scenario whereby the respective forecasts are derived from the EIOPA stress test exercise. The assignment of probability weights for each scenario was based on expert judgement as follows: 60% for baseline, 5% for optimistic, 30% for pessimistic, and 5% for extreme pessimistic.

As at 31 December 2025, the IFRS 9 ECL model was updated with the Central Bank of Malta (CBM) Quarter 3, 2025 baseline macro- economic projections for the period 2025 to 2027 for GDP growth, unemployment and income growth.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

The following table compares the three key forecasts as per CBM issue Quarter 4: 2024 to those issued by the CBM in Quarter 3: 2025.

	December 24 CBM Forecasts			December 25 CBM Forecasts		
	2024	2025	2026	2025	2026	2027
Macro-variable	%	%	%	%	%	%
GDP						
Downside	3.26%	1.72%	1.72%	1.27%	1.18%	1.18%
Baseline (CBM forecast)	4.90%	3.90%	3.60%	3.90%	3.50%	3.30%
Upside	8.56%	7.53%	7.53%	6.72%	7.01%	7.01%
Unemployment						
Downside	3.48%	3.57%	3.42%	3.25%	3.09%	3.06%
Baseline (CBM forecast)	3.20%	3.20%	3.10%	2.80%	2.70%	2.70%
Upside	2.58%	2.58%	2.43%	2.32%	2.10%	2.07%
Income Growth						
Downside				8.31%	5.66%	4.55%
Baseline (CBM forecast)				8.44%	5.78%	4.65%
Upside				8.58%	5.95%	4.83%

The credit cycle coefficients together with their relative weights in the credit cycle utilised within the PD models for the loan portfolios are summarised in the table below:

2025

Variable	Business	Weights	Retail (excl. Home Loans)	Weights	Home Loans	Weights
GDP Growth	-0.0270	54.80%				
Income Growth	-0.0430	40.00%	-0.0560	72.60%	-0.1000	76.00%
Unemployment Rate			0.4990	17.50%	0.6040	12.50%
COVID Dummy	0.5510	5.20%	0.7530	9.90%	1.4920	11.50%

2024

Variable	Business	Weights	Retail	Weights
GDP Growth	-0.0052	12.64%	-0.0060	37.80%
Unemployment Rate	0.2800	87.36%	0.0800	62.20%

The table presents the final credit cycle specifications for Retail (distinguishing between home loans and other loans), and Business portfolios, with a focus on the three macroeconomic variables: GDP year-over-year (YY) change, Income Growth year-over-year (YY) change and Unemployment Rate year-over-year (YY) difference.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

The retail portfolio's credit cycle is influenced by income growth and unemployment rates, with income growth having a negative impact and unemployment rates having a positive impact. Different weights have been assigned to distinguish between home loans and other loans within the retail portfolio. For home loans the weights assigned are 76.00% for income growth, 12.50% for unemployment rates, and 11.5% for the COVID dummy, as at 31 December 2025. In respect of other loans weights of 72.60% for income growth, 17.50% for unemployment rate, and 9.9% for the COVID dummy, were assigned.

The business portfolio's credit cycle is influenced by GDP and income growth both with a negative coefficient. GDP has a weight of 54.80%, whilst income growth has a weight of 40.00% and 5.2% is attributable to the COVID dummy as at 31 December 2025.

Overall, the table illustrates that both the retail and business portfolios are influenced by macroeconomic conditions. The signs of the coefficients align with theoretical expectations, where economic growth (reflected by GDP) and income growth tend to improve credit conditions, while rising unemployment rates tend to worsen them. The differences in the weights indicate that income growth affects the retail portfolio to a greater degree, whilst the business portfolio is influenced more by GDP relative to income growth. This is because the business portfolio is typically more sensitive to changes in GDP growth, which directly reflects the overall economic activity and market demand for goods and services. When GDP rises, businesses generally experience increased sales, higher profits, and improved cash flow, thereby enhancing their ability to meet financial obligations and reducing credit risk. In contrast, income growth primarily influences individual consumers and households, making it a stronger driver for the retail portfolio, where loans are more closely tied to personal earnings and spending power. For businesses, the aggregate economic environment captured by GDP is a more comprehensive indicator of their financial health and prospects than individual income growth, explaining why the model assigns greater weight to GDP for the business portfolio.

Other forward-looking considerations not 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. This is reviewed and monitored for appropriateness on an annual basis.

Sensitivity of ECL to future economic conditions
ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations.

A sensitivity analysis is performed on the ECL allowances for the credit portfolio, assuming the upside and downside forward-looking scenarios as the baseline and weighted at 100% instead of applying an unbiased set of probability weights.

	2025 €000
Gross performing exposures	7,934,395
ECL variance	
- Upside	1,107
- Downside	(1,068)

Applying a baseline scenario would approximate the probability weighted scenario.

The Group performed additional ECL runs to sensitise ECL allowances to changes in macro-economic variable inputs and their impact on projected PD curves. Shifts in macro-economic variables create a non-linear effect on the Bank's ECL model outcome and the sensitivity analysis highlighted below has been devised accordingly.

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 CREDIT RISK (continued)

39.2.3 CREDIT QUALITY (continued)

Set out below are the changes to ECL allowances as at 31 December 2025 that would result from changes in parameters based on the outcome of the sensitivity analysis tests:

Macro-variable	Shift in basis points	Increase in ECL €000
Unemployment rate	1.50%	(230)
Gross Domestic Product	-2.50%	(104)
Income Growth	-1.75%	(147)

j. Management adjustments to models for impairment

Management adjustments to impairment models are applied in order to factor in certain conditions that are not fully incorporated into the impairment models, or to additional facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development where applicable.

Post-model adjustments due to long-outstanding non-performing exposures

A total of €7.9 million (2024: €16.1 million) are reflected as post-model adjustments related to non-performing exposures, with a release of €8.2 million during the current year mainly attributable to account closures and write-offs.

Specific long-outstanding/legacy non-performing exposures are considered as very high-risk exposures with a high degree of uncertainty associated with the realisation of their collateral. For this group of exposures time to sell is longer than normally expected resulting in additional costs to maintain the assets in a good and saleable condition, and it is highly probable that the debt is realised through court proceedings, with further legal costs being incurred. Taking all these factors into consideration, the Bank is of the view that an additional specific adjustment to the LGD model is necessary to reflect the estimated impact of the factors outlined above and to increase the ECL coverage for this group of exposures.

k. Write-offs

Loans and debt securities are written off in full when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. However, financial assets that are written off could be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2025 and that is still subject to enforcement activity is €7.3 million (2024: €0.4 million).

39.3 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group monitors and manages this risk by maintaining sufficient cash and, where possible, financial assets for which there is a liquid market and that are readily saleable to meet liquidity needs. The Group is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan drawdowns, guarantees and from margin and other calls on cash-settled derivatives.

In order to ensure that maturing funds are always available to meet expected demand for cash, the Board sets parameters within which maturities of assets and liabilities may be mismatched. Unmatched positions potentially enhance profitability, but also increase the risk of losses. In addition, the Group manages its risk to a shortage of funds by monitoring forecast and actual cashflows, by monitoring the mechanisms available to raise funds to meet commitments associated with financial instruments and by holding financial assets which are expected to generate cash inflows that will be available to meet cash outflows on liabilities.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 LIQUIDITY RISK (continued)

The following table analyses Group financial liabilities into relevant maturity groupings, based on the remaining period at the reporting date to the contractual maturity date. The Bank's financial liabilities and relevant maturity groupings are not materially different from the Group's. The balances in this table will not agree directly to the balances in the statement of financial position as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments. Furthermore, loan commitments do not meet the criteria for recognition in the statement of financial position.

The amounts presented in respect of derivative liabilities held for risk management and derivatives designated as hedging instruments reflect gross or net settled amounts as appropriate.

The below table is presented at Group level as there are no material differences between the Group and the Bank in respect of amounts disclosed.

The Group

	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Gross Nominal outflow	Carrying amount
At 31 December 2025	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Derivative contracts held for risk management	2,220	2,312	-	-	4,532	4,532
Derivative contracts designated as hedging instruments	-	507	915	-	1,422	36
Amounts owed to banks	100,035	8	-	-	100,043	99,894
Amounts owed to customers	13,661,825	49,110	25,826	4,293	13,741,054	13,740,565
Unsubordinated debt securities in issue	-	35,000	385,000	-	420,000	351,659
Subordinated liabilities	1,953	22,574	209,699	515,607	749,833	540,143
Other financial liabilities	221,174	-	-	-	221,174	250,649
	13,987,207	**109,511**	**621,440**	**519,900**	**15,238,058**	**14,987,478**
Loan commitments	3,173,537					
Financial Guarantees	631,613					
At 31 December 2024						
Derivative contracts held for risk management	2,976	614	610	-	4,200	4,200
Derivative contracts designated as hedging instruments	-	94	608	-	702	-
Amounts owed to banks	9,151	8	-	-	9,159	9,150
Amounts owed to customers	12,696,567	68,718	34,868	4,480	12,804,633	12,803,915
Unsubordinated debt securities in issue	-	35,000	420,000	-	455,000	350,846
Subordinated liabilities	1,953	9,156	43,123	294,247	348,479	263,136
Other financial liabilities	211,130	-	-	-	211,130	243,761
	12,921,777	**113,590**	**499,209**	**298,727**	**13,833,303**	**13,675,008**
Loan commitments	2,936,765					
Financial Guarantees	395,536					

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 LIQUIDITY RISK (continued)

Assets available to meet these liabilities, and to cover outstanding commitments, include balances with Central Bank of Malta, treasury bills and cash, cheques in course of collection, loans to banks and to customers and marketable securities, together with undrawn credit lines. Although the tables below reflect a significant gap between financial liabilities and financial assets in the earlier time band presented, this imbalance is managed effectively in view of the nature of the Group's investments portfolio composed principally of highly liquid assets and of the stickiness profile of the deposit base. The Group also monitors the management of this gap through the utilisation of metrics and ratios referred to below.

The following table analyses the assets and liabilities that are recognised in the statement of financial position into relevant maturity groupings, based on the remaining period at the reporting date to their contractual maturity date.

The Group

At 31 December 2025	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	No maturity date €000	Total €000
Assets						
Balances with Central Bank of Malta, cash and other related assets	800,663	44,757	-	-	75,804	921,224
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	1,386	-	-	6	-	1,392
- Equity and other non-fixed income instruments	-	-	-	-	51,203	51,203
- Loans and advances	-	500	15,171	20,972	-	36,643
- Derivative financial instruments	614	2,315	13	45	-	2,987
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	132	234	63,102	7,318	-	70,786
- Amortised cost	117,425	631,073	2,881,071	3,151,640	-	6,781,209
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	3,044	3,044
Loans and advances to banks	254,580	4,174	-	-	-	258,754
Loans and advances to customers	699,134	148,117	683,212	6,455,010	-	7,985,473
Other assets	-	-	-	-	11,209	11,209
	1,873,934	**831,170**	**3,642,569**	**9,634,991**	**141,260**	**16,123,924**
Liabilities						
Derivative contracts held for risk management	2,220	2,312	-	-	-	4,532
Derivative contracts designated as hedging instruments	-	-	36	-	-	36
Amounts owed to banks	99,894	-	-	-	-	99,894
Amounts owed to customers	13,661,743	49,102	25,723	3,997	-	13,740,565
Other liabilities	221,174	-	-	-	-	221,174
Unsubordinated debt securities in issue	-	2,493	349,166	-	-	351,659
Subordinated liabilities	1,540	4,959	-	533,644	-	540,143
	13,986,571	**58,866**	**374,925**	**537,641**	**-**	**14,958,003**

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 LIQUIDITY RISK (continued)

The Group

At 31 December 2024	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	No maturity date €000	Total €000
Assets						
Balances with Central Bank of Malta, cash and other related assets	1,019,197	-	-	-	66,674	1,085,871
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	1,026	355	-	39	-	1,420
- Equity and other non-fixed income instruments	-	-	-	-	50,052	50,052
- Loans and advances	-	4,601	14,409	31,667	-	50,677
- Derivative financial instruments	3,368	1	648	54	-	4,071
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	73,051	7,490	-	80,541
- Amortised cost	104,005	602,177	3,033,320	2,511,755	-	6,251,257
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	4,898	4,898
Loans and advances to banks	324,219	4,328	-	-	-	328,547
Loans and advances to customers	579,858	94,913	632,963	5,538,568	-	6,846,302
Other assets	-	-	-	-	14,425	14,425
	2,031,673	**706,375**	**3,754,391**	**8,089,573**	**136,049**	**14,718,061**
Liabilities						
Derivative contracts held for risk management	2,976	614	610	-	-	4,200
Amounts owed to banks	9,150	-	-	-	-	9,150
Amounts owed to customers	12,696,314	68,671	34,750	4,180	-	12,803,915
Other liabilities	211,130	-	-	-	-	211,130
Unsubordinated debt securities in issue	-	2,493	348,353	-	-	350,846
Subordinated liabilities	1,540	900	-	260,696	-	263,136
	12,921,110	**72,678**	**383,713**	**264,876**	**-**	**13,642,377**

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39. FINANCIAL RISK MANAGEMENT (continued)

39.3 LIQUIDITY RISK (continued)

The Bank

At 31 December 2025	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	No maturity date €000	Total €000
Assets						
Balances with Central Bank of Malta, cash and other related assets	800,663	44,757	-	-	75,804	921,224
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	-	-	6	-	6
- Equity and other non-fixed income instruments	-	-	-	-	51,198	51,198
- Loans and advances	-	500	15,171	20,972	-	36,643
- Derivative financial instruments	614	2,315	13	45	-	2,987
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	132	234	63,102	7,318	-	70,786
- Amortised cost	117,425	631,073	2,881,071	3,151,640	-	6,781,209
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	3,044	3,044
Loans and advances to banks	254,580	4,174	-	-	-	258,754
Loans and advances to customers	699,134	148,117	683,212	6,455,010	-	7,985,473
Other assets	-	-	-	-	11,209	11,209
	1,872,548	**831,170**	**3,642,569**	**9,634,991**	**141,255**	**16,122,533**
Liabilities						
Derivative contracts held for risk management	2,220	2,312	-	-	-	4,532
Derivative contracts designated as hedging instruments	-	-	36	-	-	36
Amounts owed to banks	99,894	-	-	-	-	99,894
Amounts owed to customers	13,666,288	49,102	25,723	3,997	-	13,745,110
Other liabilities	221,011	-	-	-	-	221,011
Unsubordinated debt securities in issue	-	2,493	349,166	-	-	351,659
Subordinated liabilities	1,540	4,959	-	533,644	-	540,143
	13,990,953	**58,866**	**374,925**	**537,641**	**-**	**14,962,385**

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39. FINANCIAL RISK MANAGEMENT (continued)

39.3 LIQUIDITY RISK (continued)

The Bank

At 31 December 2024	Less than 3 months €000	Between 3 months and 1 year €000	Between 1 and 5 years €000	More than 5 years €000	No maturity date €000	Total €000
Assets						
Balances with Central Bank of Malta, cash and other related assets	1,019,197	-	-	-	66,674	1,085,871
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	-	-	39	-	39
- Equity and other non-fixed income instruments	-	-	-	-	49,891	49,891
- Loans and advances	-	4,601	14,409	31,667	-	50,677
- Derivative financial instruments	3,368	1	648	54	-	4,071
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	-	73,051	7,490	-	80,541
- Amortised cost	104,005	602,177	3,033,320	2,511,755	-	6,251,257
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	4,898	4,898
Loans and advances to banks	324,219	4,328	-	-	-	328,547
Loans and advances to customers	579,858	94,913	632,963	5,538,568	-	6,846,302
Other assets	-	-	-	-	14,425	14,425
	2,030,647	**706,020**	**3,754,391**	**8,089,573**	**135,888**	**14,716,519**
Liabilities						
Derivative contracts held for risk management	2,976	614	610	-	-	4,200
Amounts owed to banks	9,150	-	-	-	-	9,150
Amounts owed to customers	12,700,356	68,671	34,750	4,180	-	12,807,957
Other liabilities	210,695	-	-	-	-	210,695
Unsubordinated debt securities in issue	-	2,493	348,353	-	-	350,846
Subordinated liabilities	1,540	900	-	260,696	-	263,136
	12,924,717	**72,678**	**383,713**	**264,876**	**-**	**13,645,984**

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39. FINANCIAL RISK MANAGEMENT (continued)

39.3 LIQUIDITY RISK (continued)

As outlined previously, liquidity risk is the risk that the Group is unable to meet its current or future payment obligations as they fall due, and/or to replace funding at a reasonable cost, when funds are withdrawn even when this occurs unexpectedly. Funding liquidity risk encompasses the inability to efficiently meet various cash flow and collateral needs without affecting the Group's daily operations and financial position. The Group's objective of effectively managing liquidity risk is to ensure that both foreseeable and unpredicted funding commitments can be met when due and at a reasonable cost. The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) are key regulatory metrics used by the Group for managing liquidity risk.

The LCR measures the Group's ability to withstand short-term liquidity stress by requiring it to hold sufficient unencumbered high-quality liquid assets to cover net liquidity outflows over a 30-calendar-day stressed scenario, thereby promoting resilience against acute liquidity shocks. The NSFR complements the LCR by assessing the Group's structural funding stability over a one-year horizon, ensuring that longer-term assets and off-balance-sheet exposures are funded with an appropriate level of stable funding sources and limiting excessive reliance on short-term funding.

The European Banking Authority had issued guidelines aimed at harmonising liquidity risk disclosures in accordance with the Capital Requirements Regulation (CRR). Since the implementation of the regulatory LCR requirement, the Group has consistently maintained LCR levels well above the minimum regulatory requirement of 100%. As at 31 December 2025, the Group reported an LCR of 384.41% (31 December 2024: 368.78%). Additional disclosures on LCR are included within the Pillar 3 Disclosures Report published on the Group's website.

The NSFR requirement emanates from the Basel III framework developed by the Basel Committee on Banking Supervision and is implemented within the EU through the CRR, with the requirement applying as a binding minimum requirement. As at the end of December 2025, the Group reported an NSFR of 196.45% (31 December 2024: 195.53%), remaining comfortably above the minimum regulatory requirement of 100%.

These ratios are monitored on an ongoing basis as part of the Group's liquidity risk management framework. Throughout the periods presented within these financial statements, the Group remained fully compliant with the applicable minimum regulatory liquidity requirements.

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 LIQUIDITY RISK (continued)

Asset Encumbrance

	Carrying amount of encumbered assets €000	Fair value of encumbered assets €000	Carrying amount of unencumbered assets €000	Fair value of unencumbered assets €000
The Group				
As at 31 December 2025				
Equity instruments	-	-	54,247	54,247
Debt securities	100,931	99,586	6,867,934	6,795,108
Loans and advances	-	-	9,010,816	
Other assets	-	-	496,395	
	100,931	**99,586**	**16,429,392**	
The Group				
As at 31 December 2024				
Equity instruments	-	-	54,950	54,950
Debt securities	40,153	38,452	6,357,842	6,284,671
Loans and advances	-	-	8,179,950	
Other assets	-	-	466,204	
	40,153	**38,452**	**15,058,946**	
The Bank				
As at 31 December 2025				
Equity instruments	-	-	54,242	54,242
Debt securities	100,931	99,586	6,866,549	6,793,557
Loans and advances	-	-	9,010,816	
Other assets	-	-	448,113	
	100,931	**99,586**	**16,379,720**	
The Bank				
As at 31 December 2024				
Equity instruments	-	-	54,789	54,789
Debt securities	40,153	38,452	6,356,460	6,283,291
Loans and advances	-	-	8,179,950	
Other assets	-	-	425,840	
	40,153	**38,452**	**15,017,039**	

The fair value of Loans and advances and Other assets is not deemed to differ materially from their carrying amount at the respective reporting dates.

The Group and the Bank undertake the following:

i. Pledging of debt securities in favour of the Depositor Compensation Scheme.

ii. Pledging of debt securities which are covered by the TBMA/ISMA Global Repurchase Master Agreement.

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. It arises in all areas of the Group's activities and is managed by a variety of different techniques as detailed below.

The objective of the Group is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Bank's status as a leading Bank in providing financial products and services.

The market risk appetite is articulated in the Treasury Management Policy. It is defined as the quantum and composition of market risk that the Bank tolerates and the manner in which the Bank manages this risk. Market risk is managed through limits set in the Treasury Management Policy. The Policy is reviewed by Treasury department in co-ordination with the Risk Management department and is approved by the Asset and Liability Management Committee (ALCO) and the Board of Directors.

39.4.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk arising from financial assets and liabilities with fixed interest rates and to cash flow interest rate risk arising from financial assets and liabilities with floating interest rates. The Group is not directly exposed to interest rate risk on investment in equity instruments. The Group uses interest rate swaps to hedge the interest rate risk of certain financial instruments.

The analysis of interest rate risk is performed through a comprehensive methodology which covers all interest sensitive assets and liabilities, as well as off-balance sheet items. This methodology effectively entails a wide analysis and enables the stressing of various movements in the yield curves. The tables below depict the movement of stressed yield curves and the changes in the Reported Equity and Net Interest Income to such movements. Further information related to the measurement of interest rate risk can be located within Pillar 3 Disclosures Report as included in the Bank's website.

	Bps	Direction
Parallel Shock Up	200	Up
Parallel Shock Down	200	Down
Short Rates Up	250	Up
Short Rates Down	250	Down
Steepener	250	Short Rates Down
	100	Long Rates Up
Flattener	250	Short Rates Up
	100	Long Rates Down

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 MARKET RISK (continued)

39.4.1 INTEREST RATE RISK (continued)

The below table applies to both the Group and the Bank.

	Parallel Shock Up € millions	Parallel Shock Down € millions	Short Rates Up € millions	Short Rates Down € millions	Steepener € millions	Flattener € millions
Sensitivity of reported equity to interest rate movements						
2025						
At 31 December	67	(61)	55	(58)	(26)	39
Average for the year	17	(2)	44	(47)	(39)	44
Most favourable for the year	67	53	55	(38)	(26)	51
Least favourable for the year	(28)	(61)	36	(58)	(52)	39
2024						
At 31 December	23	(10)	45	(48)	(37)	44
Average for the year	52	(44)	48	(51)	(26)	37
Most favourable for the year	69	(10)	52	(46)	(20)	44
Least favourable for the year	23	(67)	44	(55)	(37)	31

	Parallel Shock Up € millions	Parallel Shock Down € millions
Sensitivity of projected net interest income to interest rate movements		
2025		
At 31 December	37	(37)
Average for the year	32	(32)
Most favourable for the year	37	(23)
Least favourable for the year	23	(37)
2024		
At 31 December	36	(36)
Average for the year	40	(41)
Most favourable for the year	50	(36)
Least favourable for the year	36	(50)

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39. FINANCIAL RISK MANAGEMENT (continued)

39.4 MARKET RISK (continued)

39.4.1 INTEREST RATE RISK (continued)

Interest rate repricing gap
The table below summarises the Group's exposure to interest rate risk. Included in the table are Group assets and liabilities, including derivative financial instruments which are principally used to reduce exposure to interest rate risk, categorised by repricing date. The management of repricing gaps within specific time bands presented in the table below takes cognisance of the interest rate profile of the Bank's deposit base, with a significant portion of the deposit base currently not bearing any interest expense.

The below table is presented at Group level as there are no material differences between the Group and the Bank in respect of amounts disclosed.

The Group's assets and liabilities are set to reprice as follows:

	Up to 1 Month	3 months or less but over 1 month	1 year or less but over 3 months	Over 1 year	Others	Total
	€000	€000	€000	€000	€000	€000
Assets						
Balances with Central Bank of Malta, cash and other related assets	805,750	115,474	-	-	-	**921,224**
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	-	11	1	1,380	-	**1,392**
- Equity and other non-fixed income instruments	-	-	-	-	51,203	**51,203**
- Loans and advances	36,643	-	-	-	-	**36,643**
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	-	337	610	69,839	-	**70,786**
- Amortised cost	48,370	87,421	651,255	5,994,163	-	**6,781,209**
- Equity and other non-fixed income instruments						
- FVOCI	-	-	-	-	3,044	**3,044**
Loans and advances to banks	63,533	-	-	-	195,221	**258,754**
Loans and advances to customers	5,995,789	410,670	156,550	1,422,464	-	**7,985,473**
Other assets	-	-	-	-	11,209	**11,209**
Total 2025	**6,950,085**	**613,913**	**808,416**	**7,487,846**	**260,677**	**16,120,937**
Total 2024	6,668,136	619,996	785,213	6,387,717	252,929	**14,713,991**
Liabilities						
Amounts owed to banks	14,096	65,162	-	-	20,636	**99,894**
Amounts owed to customers	13,661,402	11,938	43,117	10,745	13,363	**13,740,565**
Other liabilities	-	-	-	-	221,174	**221,174**
Unsubordinated debt securities in issue	-	-	-	351,659	-	**351,659**
Subordinated liabilities	-	-	-	540,143	-	**540,143**
Total 2025	**13,675,498**	**77,100**	**43,117**	**902,547**	**255,173**	**14,953,435**
Total 2024	12,691,332	15,069	61,762	632,615	237,399	**13,638,177**

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 MARKET RISK (continued)

39.4.1 INTEREST RATE RISK (continued)

	Up to 1 Month	3 months or less but over 1 month	1 year or less but over 3 months	Over 1 year	Others	Total
	€000	€000	€000	€000	€000	€000
Interest rate swaps - 2025	(5,804)	(25,384)	(72,209)	103,396	-	
Interest rate swaps - 2024	(8,650)	(22,649)	(76,171)	107,470	-	
Gap - 2025	**(6,731,217)**	**511,429**	**693,090**	**6,688,695**	**-**	
Gap - 2024	(6,031,846)	582,278	647,280	5,862,572	-	
Cumulative Gap - 2025	**(6,731,217)**	**(6,219,788)**	**(5,526,698)**	**1,161,997**	**-**	
Cumulative Gap - 2024	(6,031,846)	(5,449,568)	(4,802,288)	1,060,284	-	

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39. FINANCIAL RISK MANAGEMENT (continued)

39.4 MARKET RISK (continued)

39.4.2 CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Board of Directors sets limits on the level of exposure by currency and in total, which levels are monitored daily.

The following table summarises the Group's exposure to foreign currency exchange rate risk at the reporting date. Included in the table are the Group's assets and liabilities at carrying amounts, analysed into relevant currency groupings.

The Bank	EUR	USD	GBP	AUD	Other Currencies	Total
31 December 2025	€000	€000	€000	€000	€000	€000
Assets						
Balances with Central Bank of Malta, cash and other related assets	918,407	1,169	470	290	888	921,224
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments income instruments	6	-	-	-	-	6
- Equity and other non-fixed income instruments	-	31,634	-	-	-	31,634
- Loans and advances	36,643	-	-	-	-	36,643
- Derivative financial assets	58	-	-	-	-	58
Investments						
- Debt and other fixed income financial instruments						
- FVOCI	13,256	56,813	717	-	-	70,786
- Amortised Cost	6,758,026	-	17,417	5,766	-	6,781,209
Loans and advances to banks	61,947	51,238	30,110	24,613	90,846	258,754
Loans and advances to customers	7,958,324	5,104	22,045	-	-	7,985,473
Other assets	24,190	297	1	-	339	24,827
	15,770,857	**146,255**	**70,760**	**30,669**	**92,073**	**16,110,614**
Liabilities						
Derivative financial liabilities	-	36	-	-	-	36
Amounts owed to banks	90,658	5,689	57	38	3,452	99,894
Amounts owed to customers	13,256,038	204,218	110,375	32,460	142,019	13,745,110
Other liabilities	217,436	8,436	485	187	267	226,811
Provisions	17,551	2	1	-	-	17,554
Unsubordinated debt securities in issue	351,659	-	-	-	-	351,659
Subordinated liabilities	540,143	-	-	-	-	540,143
	14,473,485	**218,381**	**110,918**	**32,685**	**145,738**	**14,981,207**
Net on balance sheet financial position		(72,126)	(40,158)	(2,016)	(53,665)	
Notional amount of derivative instruments		69,430	38,488	1,991	54,464	
Net open position		**(2,696)**	**(1,670)**	**(25)**	**799**	

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 MARKET RISK (continued)

39.4.2 CURRENCY RISK (continued)

The Bank 31 December 2024	EUR €000	USD €000	GBP €000	AUD €000	Other Currencies €000	Total €000
Assets						
Balances with Central Bank of Malta, cash and other related assets	1,083,117	896	991	88	779	1,085,871
Financial assets at fair value through profit or loss						
- Debt and other fixed income instruments	39	-	-	-	-	39
- Equity and other non-fixed income instruments	-	31,123	-	-	-	31,123
-Loans and advances	50,677	-	-	-	-	50,677
- Derivative financial assets	94	-	-	-	-	94
Investments						
- FVOCI	13,467	64,445	2,629	-	-	80,541
- Amortised cost	6,189,962	12,386	29,085	19,824	-	6,251,257
Loans and advances to banks	52,960	84,359	53,864	7,448	129,916	328,547
Loans and advances to customers	6,819,355	9,761	17,186	-	-	6,846,302
Other assets	30,670	-	-	1	2	30,673
	14,240,341	**202,970**	**103,755**	**27,361**	**130,697**	**14,705,124**
Liabilities						
Amounts owed to banks	6,604	946	344	17	1,239	9,150
Amounts owed to customers	12,334,027	203,427	117,868	27,143	125,492	12,807,957
Other liabilities	222,582	2,037	911	199	126	225,855
Provisions	18,386	2	-	-	-	18,388
Unsubordinated debt securities in issue	350,846	-	-	-	-	350,846
Subordinated liabilities	263,136	-	-	-	-	263,136
	13,195,581	**206,412**	**119,123**	**27,359**	**126,857**	**13,675,332**
Net on balance sheet financial position		(3,442)	(15,368)	2	3,840	
Notional amount of derivative instruments		3,805	14,994	-	(3,793)	
Net open position		**363**	**(374)**	**2**	**47**	

Currency risk, commonly referred to as exchange-rate risk, arises from the change in price of one currency in relation to another where a possibility of losing money due to unfavourable moves in exchange rates can arise. The following table shows how a 1% change in the exchange rate of the main three foreign currencies, to which the Group is exposed, would impact the institution. The sensitivity analysis performed shows that the impact on the balance sheet is minimal. No currency other than the domestic currency exceeded the level of 5% aggregate amount of liabilities denominated in the respective currency as a proportion of the total liabilities. Thus, the euro is principally utilised in the Group's business and 96.6% of total liabilities are euro-denominated. In principle, the Group does not finance its assets in a currency which is different from that in which the assets are denominated, and funding in a foreign currency is deployed in assets denominated in that same currency. Any residual net exposures in a specific foreign currency are generally eliminated through the use of derivative financial instruments as reflected in the tables above.

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 MARKET RISK (continued)

39.4.2 CURRENCY risk (continued)

	USD	GBP	AUD	Total
2025	€000	€000	€000	€000
+1% change in foreign exchange	27	17	-	44
-1% change in foreign exchange	(27)	(17)	-	(44)

	USD	GBP	AUD	Total
2024	€000	€000	€000	€000
+1% change in foreign exchange	(4)	4	-	-
-1% change in foreign exchange	4	(4)	-	-

39.4.3 OTHER PRICE RISK

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity price risks arising from the holding of equity instruments classified either as FVOCI or at fair value through profit or loss, which are not considered significant in the context of the amounts presented in the statement of financial position.

The carrying amounts of financial instruments at the reporting date which could potentially subject the Group to equity price risk are disclosed in the notes to the financial statements. Further disclosures as required by IFRSs as adopted by the EU were not deemed necessary in view of the extent of the Group's equity investments.

This risk is monitored and managed by the Risk management function of the Bank, as disclosed in more detail above.

39.5 TRANSFERRED FINANCIAL ASSETS THAT ARE NOT DERECOGNISED IN THEIR ENTIRETY

	The Group and the Bank	
	2025	2024
	€000	€000
Debt securities measured at amortised cost	64,875	-
Amounts owed to banks	64,895	-

These transactions, which are outstanding as at the end of the reporting period, are covered by the TBMA/ISMA Global Repurchase Master Agreement ("the Agreement") and involve the sale of financial assets with a simultaneous agreement to repurchase them at a pre-determined price at a future date. The securities sold comprise investment securities measured at amortised cost. The counterparty's liability is included within amounts owed to banks. The Group and the Bank continue to recognise the transferred assets since all the risks and rewards of the assets will be substantially retained in a manner that does not result in the transferred assets being derecognised for accounting purposes.

Each party to these transactions is subject to the events of default listed in the Agreement. In the event that any of the events of default is triggered, transactions are immediately terminated. Consequently, performance of the respective obligations of the parties with respect to the delivery of securities, the payment of the repurchase prices for securities and the repayment of any cash margin shall become due and payable.

Notes to the Financial Statements

for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3 inputs are unobservable inputs for the asset or liability. 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 instruments' 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.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and the Bank determine when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

39.6.1 CONTROL FRAMEWORK

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker and that they are appropriately assessed and reviewed by competent personnel. To this end, the determination of fair values is a process which is performed by Financial Markets and Investments and reviewed by Finance. Finance establishes the accounting policies and, in conjunction with Financial Markets and Investments, it establishes the procedures governing fair valuation and is responsible for ensuring that fair value estimates are prepared in accordance with the requirements of all relevant accounting standards. The valuation techniques and procedures applied are subject to a process of due diligence, which process was duly approved by the Board and the Audit Committee and documented accordingly.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to valuation techniques, independent price determination or validation is utilised, to the extent practicable. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Bank sources alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors which are mainly considered are the following:

- the extent to which prices may be expected to represent genuine traded or tradable prices;

- the degree of similarity between financial instruments;

- the degree of consistency between different sources;

- the process followed by the pricing provider to derive the data;

- the elapsed time between the date to which the market data relates and the end of the reporting period; and

- the manner in which the data was sourced.

In determining the fair values for financial instruments measured at fair value the credit risk adjustment for the counterparty, the Bank or both, as the case may be, is deemed to be immaterial and hence no adjustment to the fair value of financial instruments measured at fair value was effected.

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

39.6.2 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	Fair value measurement			
The Group	Level 1	Level 2	Level 3	Total
At 31 December 2025	€000	€000	€000	€000
Assets				
Financial assets at fair value through profit or loss				
- debt and other fixed income instruments	1,386	-	6	1,392
- equity and other non-fixed income instruments	135	47,113	3,955	51,203
- loans and advances	-	36,643	-	36,643
- derivative financial instruments*	-	2,987	-	2,987
Investments				
Debt and other fixed income instruments				
- FVOCI	726	70,060	-	70,786
Equity and other non-fixed income instruments				
- FVOCI	3,044	-	-	3,044
	5,291	**156,803**	**3,961**	**166,055**
Liabilities				
Derivative contracts held for risk management	-	4,532	-	4,532
Derivative contracts designated as hedging instruments**	-	36	-	36
	-	**4,568**	**-**	**4,568**

*Derivative financial instruments with a gross carrying amount of €4.8m are offset by €1.8 million, netted against Amounts owed to banks in the Statement of Financial Position. This offsetting is enforceable by master netting agreements. The resulting net amount of €3.0m is disclosed in table above.

**Derivative contracts designated as hedging instruments with a gross carrying amount of €1.4m are offset by €1.4 million, netted against Loans and advances to banks in the Statement of Financial Position. This offsetting is enforceable by master netting agreements. The resulting net amount of €0.04m is disclosed in table above.

Notes to the Financial Statements
for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

39.6.2 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

	Fair value measurement			
The Group	Level 1	Level 2	Level 3	Total
At 31 December 2024	€000	€000	€000	€000
Assets				
Financial assets at fair value through profit or loss				
- debt and other fixed income instruments	1,408	5	7	1,420
- equity and other non-fixed income instruments	274	44,409	5,369	50,052
- loans and advances	-	50,677	-	50,677
- derivative financial instruments*	-	4,071	-	4,071
Investments				
Debt and other fixed income instruments				
- FVOCI	2,702	77,839	-	80,541
Equity and other non-fixed income instruments				
- FVOCI	4,898	-	-	4,898
	9,282	**177,001**	**5,376**	**191,659**
Liabilities				
Derivative contracts held for risk management	-	4,200	-	4,200
	-	**4,200**	**-**	**4,200**

*Derivative financial instruments with a gross carrying amount of €5.8m are offset by €1.7 million, netted against Amounts owed to banks in the Statement of Financial Position. This offsetting is enforceable by master netting agreements. The resulting net amount of €4.1m is disclosed in table above.

**Derivative contracts designated as hedging instruments with a gross carrying amount of €0.6m are offset against Loans and advances to banks in the Statement of Financial Position. This offsetting is enforceable by master netting agreements. The net amount is therefore nil and is reflected in the table above.

During the current year, there were no changes in levels within the fair value hierarchy for financial instruments measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The fair values of equity instruments categorised as level 2 within the fair value hierarchy are mainly based on quoted prices in an active market, whereas the fair value of loans and advances and debt instruments are principally derived from discontinued cash flow models with observable market interest rates and credit spreads, where applicable, being the main input.

Notes to the Financial Statements
for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

39.6.3 EQUITY INSTRUMENTS DESIGNATED AS AT FVOCI

The fair value of equity instruments designated at FVOCI and the dividend income recognised is detailed below.

	Fair value	Dividend income recognised	Fair value	Dividend income recognised
	2025	2025	2024	2024
	€000	€000	€000	€000
Local other issuers	2,305	12	3,425	33
Foreign other issuers	-	-	506	-
Local banks	34	1	33	1
Local public bodies	705	38	934	62
	3,044	**51**	**4,898**	**96**

Other disclosures in respect of equity investments measured at fair value through comprehensive income, as required by IFRSs as adopted by the EU, were not deemed necessary taking cognisance of the immateriality of the carrying amount of the Group's such equity investments in the context of the amounts presented within the Group's statement of financial position.

39.6.4 FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

The following tables provide an analysis of the fair value of financial instruments that are not measured at fair value subsequent to initial recognition:

		Fair value measurement			Carrying
	Level 1	Level 2	Level 3	Total	Amount
At 31 December 2025	€000	€000	€000	€000	€000
Financial assets					
Investments					
Debt and other fixed income instruments					
-Amortised	4,269,894	2,436,949	-	6,706,843	6,781,209
Financial liabilities					
Unsubordinated debt securities in issue	370,195	-	-	370,195	351,659
Subordinated liabilities	529,122	-	-	529,122	540,143
	899,317	**-**	**-**	**899,317**	**891,802**

		Fair value measurement			Carrying
	Level 1	Level 2	Level 3	Total	Amount
At 31 December 2024	€000	€000	€000	€000	€000
Financial assets					
Investments					
Debt and other fixed income instruments					
-Amortised	3,761,542	2,414,844	-	6,176,386	6,251,257
Financial liabilities					
Unsubordinated debt securities in issue	384,545	-	-	384,545	350,846
Subordinated liabilities	259,405	-	-	259,405	263,136
	643,950	**-**	**-**	**643,950**	**613,982**

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

39.6.4 FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE (continued)

The following are all other financial instruments that are not measured at fair value subsequent to initial recognition and that are not included in the table above:

i. Loans and advances to customers

Loans and advances to customers are the largest financial asset held by the Group and are reported net of expected credit loss allowance to reflect the estimated recoverable amounts. The carrying amount of loans and advances to customers is a reasonable approximation of fair value because these are re-priced to consider changes in both benchmark interest rates and credit spreads. Their fair value estimate is considered Level 2.

ii. Loans and advances to banks and balances with Central Bank

The majority of these assets reprice or mature in less than 1 year. Hence their fair value is not deemed to differ materially from their carrying amount at the respective reporting dates.

iii. Other financial assets

The fair value of other financial assets is not deemed to differ materially from their carrying amount at the respective reporting dates.

iv. Amounts owed to banks and customers

These liabilities are carried at amortised cost. The majority of these liabilities reprice or mature in less than 1 year. Hence their fair value is not deemed to differ materially from their carrying amount at the respective reporting dates. Their fair value estimate is considered Level 2.

v. Other financial liabilities

The fair value of other financial liabilities is not deemed to differ materially from their carrying amount at the respective reporting dates.

39. FINANCIAL RISK MANAGEMENT (continued)

39.6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

39.6.5 RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

The following table shows a reconciliation from the opening balances to the closing balances of the Group's financial assets measured at fair value categorised as Level 3 within the fair value hierarchy.

	FVTPL	FVTPL	FVOCI	FVOCI	
	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Total
2025	€000	€000	€000	€000	€000
Opening balance	7	5,369	-	-	5,376
Total gains or losses					
- in profit or loss	(1)	(1,414)	-	-	(1,415)
Closing balance	**6**	**3,955**	**-**	**-**	**3,961**

	FVTPL	FVTPL	FVOCI	FVOCI	
	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Debt and other fixed income instruments	Equity and other non-fixed income instruments	Total
2024	€000	€000	€000	€000	€000
Opening balance	7	6,061	62,533	-	68,601
Total gains or losses					
- in profit or loss	-	(692)		-	(692)
- in other comprehensive income	-	-	1,912	-	1,912
Transfers	-	-	(64,445)	-	(64,445)
Closing balance	**7**	**5,369**	**-**	**-**	**5,376**

The main instruments classified within Level 3 comprise:

- an externally managed fund with the reported net asset value of the fund representing its fair value at the end of the reporting period; and
- shares in a global payments technology company valued using the intrinsic value of the conversion shares less a discount for liquidity and litigation risk.

Taking cognisance of the insignificance of the carrying amount of the Group's Level 3 assets, disclosures in respect of significant unobservable inputs and other related disclosures are required by IFRS 13 Fair Value Measurement were not deemed necessary.

39. FINANCIAL RISK MANAGEMENT (continued)

39.7 CAPITAL RISK MANAGEMENT

The Group adheres to the requirements laid down in the Capital Requirements Regulation (CRR) and the principles laid down in the Capital Requirements Directive (CRD). The Group's capital management approach ensures a sufficient level of capitalisation to manage risk exposures whilst supporting business growth and providing adequate returns to the shareholders. Under this approach, Risk capital management does not in any way substitute risk mitigation measures. The structure of limits and thresholds, as stipulated in the Bank's Risk Appetite Framework, should be able to prevent concentrations of risk from building up in such a way as to compromise a significant proportion of the Group's capital resources.

The Group has implemented the necessary measures to ensure full compliance with the Pillar I capital requirements set by the CRR and its subsequent revisions. Furthermore, the Group and the Bank implemented the updated capital requirements introduced through the Capital Requirements Regulation 3 (CRR3), which came into force from 1 January 2025. The amendments to the regulation introduced enhancements to the credit and operational risk methodologies, updated CVA and market risk capital requirements, and included the gradual phasein of the output floor. In line with the CRR, both the Group and the Bank classify their capital base into Common Equity Tier 1 (CET1) capital and Tier 2 capital. CET1 capital represents the highest quality of capital and consists primarily of shareholders' equity and is adjusted with specific deductions and regulatory adjustments mandated by the CRR, such as relating to intangible assets, prudent valuation adjustments, the Depositor Compensation Scheme reserve and adjustment in respect of coverage on non-performing exposures. Tier 2 capital principally consists of subordinated debt.

The Group and the Bank utilise the Standardised Approach for credit risk and operational risk, the Simplified Standardised Approach for foreign exchange risk, and the Simplified Approach for Credit Valuation Adjustment (CVA) risk in order to calculate the Pillar 1 minimum capital requirements.

In addition to the Pillar 1 capital requirements, the Malta Financial Services Authority (MFSA's) Banking Rule BR/15 – 'Capital Buffers of Credit Institutions authorised under the Banking Act, 1994' – requires credit institutions to always comply with additional regulatory capital buffers. These are: the Capital Conservation Buffer (CCB), the Countercyclical Capital Buffer (CCyB), the Institution Specific CCyB, the Systemic Risk buffer, and the Other-Systemically Important Institutions (O-SII) Buffer. These buffers are aimed at strengthening the institution's resilience Automatic restrictions on capital distributions apply if the Group's and the Bank's CET1 capital fall below the level of its combined buffer.

In addition to the regulatory requirements referred to above, the Group and the Bank are required to maintain a Pillar 2 Requirement (P2R) to be held in excess of the minimum own funds requirement and to be maintained at all times in accordance with Article 104a of the CRD. Furthermore, a Pillar 2 Guidance (P2G) made up entirely of CET1 capital is to be held over and above the Overall Capital Requirement (OCR), which comprises the Pillar 1 capital requirement, the P2R and the combined buffer requirements.

Other material risks are also allocated capital as part of the Internal Capital Adequacy Assessment Process (ICAAP) embedded within the Pillar II framework. This process enables a more risksensitive assessment of the regulatory capital required to cover risks assumed in the course of business, including those not captured under Pillar I. The Board is set to submit the latest ICAAP capital document to the JST in March 2026, with 2025 as the reference year.

Capital management is under the direct control of the Asset and Liability Committee (ALCO). During the financial period, ALCO has monitored the adequacy of the Group's capital and gave strategic direction on the most efficient use of capital.

During 2025, the Bank issued two Tier 2 issuances of €150m and €125m, respectively. During the financial years ended 31 December 2025 and 31 December 2024, the Group and the Bank have met all externally imposed capital requirements at all times.

Notes to the Financial Statements
for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.7 CAPITAL RISK MANAGEMENT (continued)

The following table shows the components and basis of calculation of the Group's and the Bank's own funds.

	The Group	The Bank
At 31 December 2025	€000	€000
Own funds		
Tier 1		
-Paid up capital instruments	642,234	642,234
-Share premium	49,277	49,277
-Direct holdings of CET1 instruments	(1,071)	(1,071)
-Retained earnings*	603,198	601,571
-Accumulated other comprehensive income	(46)	(158)
-Other reserves	92,363	92,363
-Funds for general banking risk	2,466	2,466
-Deductions:		
Prudential Valuation fair valued assets and liabilities	(423)	(376)
Other intangible assets	(27,953)	(27,953)
Depositor Compensation Scheme	(29,099)	(29,099)
Insufficient coverage for non-performing exposure	(21,369)	(21,369)
Total Tier 1 Capital	**1,309,577**	**1,307,885**

*Retained earnings include the current period's profit which is subject to regulatory approval.

	The Group	The Bank
Tier 2		
-Capital instruments and subordinated loans	540,143	540,143
-Amortisation in accordance with Article 64 of the CRR III	(10,364)	(10,364)
Total Tier 2 Capital	**529,779**	**529,779**
Total Own Funds	**1,839,356**	**1,837,664**

	The Group	The Bank
At 31 December 2024	€000	€000
Own funds		
Tier 1		
-Paid up capital instruments	583,849	583,849
-Share premium	49,277	49,277
-Retained earnings*	611,453	610,200
-Accumulated other comprehensive income	607	495
-Other reserves	61,713	61,713
-Funds for general banking risk	6,727	6,727
-Deductions:		
Prudential Valuation fair valued assets and liabilities	(390)	(350)
Other intangible assets	(32,740)	(32,740)
Depositor Compensation Scheme	(27,660)	(27,660)
Regulatory coverage on non-performing exposures	(18,376)	(18,376)
Total Tier 1 Capital	**1,234,460**	**1,233,135**

*Retained earnings include the current period's profit which is subject to regulatory approval.

	The Group	The Bank
Tier 2		
-Capital instruments and subordinated loans	263,136	263,136
Total Tier 2 Capital	**263,136**	**263,136**
Total Own Funds	**1,497,596**	**1,496,271**

39. FINANCIAL RISK MANAGEMENT (continued)

39.7 CAPITAL RISK MANAGEMENT (continued)

Further information on the Group's capital adequacy ratios may be found in the Pillar 3 Disclosures Report – section 4.2, table CC1. The report will be available on the Bank's website.

39.8 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the following table include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position; or
- are subject to an enforceable master netting arrangement that covers similar financial instruments irrespective of whether they are offset in the statement of financial position.

The derivative financial assets with a positive carrying amount and the derivative financial liabilities with a negative carrying amount are set-off to the extent that there are liabilities and if not, they are presented separately in the Statement of Financial Position.

These instruments are subject to the ISDA Master Agreement. The ISDA Master Agreement provides, amongst others, for the netting of termination values for purposes of determining a single lump-sum termination amount upon the insolvency of a counterparty. By virtue of the Set-off and Netting on Insolvency Act, 2003 (Chapter 459, Laws of Malta), the close-out netting provisions contained in the ISDA Master Agreement are valid and enforceable under Maltese law. The cleared interest rate swaps assets and liabilities which include related financial collateral, are offset on the Statement of Financial Position given the right of set-off both in the normal course of business and in the event of default, insolvency, and bankruptcy. The remaining derivatives do not meet the criteria for offsetting in the Statement of Financial Position given the set-off provisions under the ISDA Master Agreement are enforceable only where there is an event of default, credit event upon merger or any termination event has been declared.

The Bank also has in place credit support annexes "CSAs" with a number of its financial counterparties for purposes of the collateralisation of exposures between the Bank and its counterparties. The CSA is a schedule to the ISDA Master Agreement. By virtue of such CSAs, a party to a derivative that has an exposure to its counterparty, will post collateral to its counterpart to cover such exposure by way of an outright title transfer of such collateral. All CSAs that the Bank has in place are of a two-way nature.

In the case of non-financial counterparties, the Bank enters into pledging collateral arrangements with the counterparties, in favour of the Bank. Such pledging agreements are of a one-way nature, in favour of the Bank.

Notes to the Financial Statements

for the year ended 31 December 2025

39. FINANCIAL RISK MANAGEMENT (continued)

39.8 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	The Group	
	2025 €000	2024 €000
Derivative financial assets		
Gross amounts of recognised financial assets (derivatives)	4,771	5,801
Gross amounts of recognised financial liabilities (placements) set off in the statement of financial position	(1,784)	(1,730)
Net amounts of financial assets presented in the statement of financial position	2,987	4,071
Related amounts not set off in the statement of financial position:		
Financial instruments (derivatives)	(2,322)	(1,077)
Net amount	**665**	**2,994**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	The Group	
Derivative financial liabilities		
Gross amounts of recognised financial liabilities (derivatives)	5,956	4,820
Gross amounts of recognised financial assets (placements) set off in the statement of financial position	(1,388)	(620)
Net amounts of financial liabilities presented in the statement of financial position	4,568	4,200
Related amounts not set off in the statement of financial position:		
Financial instruments (derivatives)	(2,322)	(1,077)
Financial collateral pledged (placements)	(1,998)	(2,818)
Net amount	**248**	**305**

A number of financial assets and financial liabilities are being offset and it is the intention to settle net, since they relate to the same counterparties and have the same maturities.

40. TRUST ACTIVITIES

The Group acts as trustee and provides trust activities that result in the holding and placing of assets on behalf of third parties. Trust assets are not assets of the Group and therefore they are not included in its Statement of Financial Position.

Income derived from trust assets is excluded from revenue. Fees arising from the rendering of trustee services are recognised in the Group's profit or loss.

At 31 December 2025, the total assets held by the Group on behalf of its customers amounted to €5.2 million (2024: €7.5 million).

Notes to the Financial Statements

for the year ended 31 December 2025

41. REGULATORY COMPENSATION SCHEMES

Regulatory contributions amounting to €2.9 million (2024: €2.9 million), included with administrative expenses, reflect the Group's annual obligations arising from the EU Directives on Deposit Guarantee Scheme and Single Resolution Fund.

41.1 INVESTOR COMPENSATION SCHEME

In accordance with the provisions of the Investor Compensation Scheme Regulations, 2003, issued under the Investment Services Act, 1994, licence holders are required to transfer a variable contribution to an Investor Compensation Scheme Reserve and place the equivalent amount with a bank, pledged in favour of the Scheme. Alternatively, licence holders can elect to pay the amount of variable contribution directly to the Scheme. Bank of Valletta p.l.c. has elected to pay the amount of the variable contribution directly to the Scheme.

41.2 DEPOSITOR COMPENSATION SCHEME

The Bank fulfils its obligations in respect of to the Depositor Compensation Scheme by effecting a payment of 70% of the required contribution directly, while the remaining 30% is maintained as irrevocable payment commitments (IPCs). The IPCs as at the end of the year amounted to €29.1 million (2024: €27.7million). The IPCs are irrevocable in nature, consistent with recent EU jurisprudence confirming that such payment commitments remain binding and enforceable.

The IPCs are secured by the Bank's holdings of Malta Government Stocks with a nominal value of €40 million, which remain recognised within the Bank's financial assets in the statement of financial position. Consequently, as at 31 December 2025 and 2024, no balances with Central Bank of Malta have been pledged in favour of the Depositor Compensation Scheme.

The IPCs represent a present obligation arising from past events. IPCs represents a legally binding obligation that could require payment under specific circumstances, also emphasised by recent case law. The obligation emanating from the IPCs would result in an outflow of funds only if either (i) a DCS determination event occurs in terms of the DCS Regulations in respect of a member bank which is unable to repay its deposit liabilities, which would require DCS funding, or (ii) the Bank surrenders its credit institution licence. The probability of an outflow of economic resources is dependent on the likelihood of occurrence of the triggering events described above.

Management has assessed the probability of the Bank surrendering its licence, based on its strong capital and liquidity position, profitability projections, regulatory compliance and systemic importance within the domestic banking system. The Bank's business model and financial standing indicate the intentions to continue operating indefinitely. The likelihood of a DCS determination event occurring within the Maltese banking sector, was also assessed considering macroeconomic conditions, financial stability indicators and the historical incidence of such determination events. The outcome of the Bank's assessment is that an outflow lined to the Bank surrendering its credit institution licence and to a DCS determination event would occur sufficiently far in the future that any provision that would be 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.

42. EVENTS SUBSEQUENT TO THE FINANCIAL REPORTING DATE

There are no events subsequent to the financial reporting date to report.

43. REGISTERED OFFICE

The registered and principal office of the Bank is 58, Triq San Zakkarija, Il-Belt Valletta, VLT1130, Malta.

44. RE-PRESENTATION AND RECLASSIFICATION OF COMPARATIVE INFORMATION

During the current financial year, the Group and the Bank revised the presentation of the primary financial statements as well as the structure and content of the related notes in to enhance clarity, improve consistency across disclosures and align the presentation of information with the current year financial statements.

As a result of these changes:

- certain line items in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows have been represented;

- certain comparative amounts presented in the primary financial statements have been reclassified to conform with the current year presentation; and

- the structure of certain notes has been revised, including the reorganisation, combination and, where relevant, disaggregation of disclosures, with comparative information updated accordingly.

These changes relate solely to the presentation and classification of information and did not result in any changes to the recognition or measurement of assets, liabilities, income or expenses. Accordingly, the re-presentation and reclassifications had no impact on the Group's and the Bank's profit or loss, total comprehensive income, equity or cash flows for the comparative period.

Independent auditor's report

To the Shareholders of Bank of Valletta p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and the Parent Company ("the Bank") financial statements (the "financial statements") of Bank of Valletta p.l.c. give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2025, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386).

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

What we have audited

Bank of Valletta p.l.c.'s financial statements comprise:

- the Consolidated and Parent Company statements of profit or loss and statements of profit or loss and other comprehensive income for the year ended 31 December 2025;
- the Consolidated and Parent Company statements of financial position as at 31 December 2025;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cashflows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to audits of financial statements of an EU Public Interest Entity in Malta and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these Codes.

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

The non-audit services that we have provided to the Bank and its subsidiaries, in the period from 1 January 2025 to 31 December 2025, are disclosed in note 9 to the financial statements.

Our audit approach

Overview

Overall group materiality: €12.6 million, which represents approximately 5% of profit before tax.

- The Group is composed of five components: Bank of Valletta p.l.c. (the "Parent Company" or "the Bank"), its subsidiaries: BOV Asset Management Limited and BOV Fund Services Limited and two associates: Mapfre Middlesea p.l.c. and Mapfre Msv Life p.l.c.
- The group auditor carried out a full scope audit on the financial statements of the Bank.
- The subsidiaries and associates are determined to be inconsequential components to the group financial statements.

- Credit loss allowances in respect of loans and advances to customers

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

Materiality

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

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

Overall group materiality	€12.6 million
How we determined it	Approximately 5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €630,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Credit loss allowances in respect of loans and advances to customers Credit loss allowances attributable to loans and advances to customers, reflect management's best estimate of expected credit losses ('ECLs') within the loan portfolios as at the reporting date. The development of the models designed to estimate ECLs on loans measured at amortised cost, in accordance with IFRS 9 requirements, involves significant judgement since the calculation of ECLs is subject to a high degree of estimation uncertainty. In this respect, it is considered a key area of focus. The level of estimation uncertainty around the calculation of ECLs in respect of the Bank's loan portfolios remained high during the financial year ended 31 December 2025. Credit loss allowances relating to loans and advances in the Bank's Business and Retail portfolios are determined at an exposure level. The Bank determines ECLs through the application of the following key inputs: probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'). When the Bank determines it to be appropriate, overlays based on expert judgement, are also applied to account for risks which in management's view are not fully captured	During our audit of the financial statements for the year ended 31 December 2025, we focused on the key drivers of the estimation of ECL. In this respect, we evaluated and tested the appropriateness of management assumptions and key parameters. Discussions with the Audit Committee and management included: • observations in respect of the methodology applied by the Bank to estimate ECLs in accordance with the requirements emanating from IFRS 9, including the appropriateness of the models and staging criteria used by the Bank as part of the ECL calculation; • understanding of the controls and governance framework implemented by management in respect of the estimation of ECLs in accordance with IFRS 9; and • challenge of individually significant loan impairments. *ECL calculation for Stage 1, Stage 2 and Stage 3 exposures* We understood and critically assessed the models used for ECL estimation for the Bank's loan portfolios. Since modelling assumptions and parameters are based on historical data, we reviewed

through the determined ECLs based on these key inputs.

The maximum period considered when measuring credit loss allowances is the maximum period over which the Bank is exposed to credit risk.

ECL calculation for non-defaulted exposures

For non-defaulted (Stage 1 and 2) exposures, the Bank utilises internally developed models to determine the ECLs at an individual exposure level. For Stage 1 and 2 exposures, 12-month and lifetime PDs are estimated using the Bank's own historical time series data. By conditioning the PDs on macro-economic variables, conditional point–in–time ('PiT') PDs are determined by product type and internal credit rating grade. The Business portfolio is segmented into two segments and PD curves are estimated for each unique segment. The Retail portfolio is segmented into four segments and likewise PD curves are estimated for each unique segment.

The LGD for both the Business and Retail portfolios is calculated separately for the secured and unsecured portions of the EAD. For the secured portion, LGDs are driven by collateral valuations adjusted for market value haircuts, for costs to sell and for the impact of discounting from the estimated date of realisation of collateral back to the default date, attributable to the time to sell factor. In the case of real estate collateral, the collateral haircut is applied to indexed property values reflecting forecasted collateral values based on the house price index ('HPI') developed internally by the Bank. For the unsecured portion of the EAD, the LGD is estimated to be at 100%.

Staging is determined based on movements in grades emanating from the Bank's internal credit rating system ('ICRS') which, for the Business portfolio, considers both quantitative management's assessment whether historic experience was representative of the recent losses incurred within the portfolios. The appropriateness of management's judgements was also independently considered in respect of calculation methodologies, calibration of PDs and LGDs, segmentation and selection of macro-economic variables. Model calculations were also tested independently.

The design and operating effectiveness of key controls management has implemented around the processes relevant to the ECL models were tested as follows:

- Approval of model recalibration by Bank committees prior to implementing the model into the live environment.
- Review and approval of manual overrides to ICRS grades by management.
- Review and approval of manual overrides to IFRS 9 staging by management.
- Review and challenge to assess ECL output and approval of manual overlays.
- Review and approval of client files in a timely manner as per the Bank's policy.
- Obtaining updated collateral valuations regularly in accordance with the Bank's policy.

We determined that we could rely on these controls for the purpose of our audit.

Substantive procedures were performed as follows:

- Tested a sample of loans, from the Business portfolio, to independently review the borrower's financial performance and ability to meet loan repayments, and assess the appropriateness of the internal credit rating assigned by management.
- Challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9 requirements and tested a sample of assets in

and qualitative criteria. In respect of the former, the internal credit grade is influenced by financial information gathered at the borrower level. In relation to the latter, the internal credit grade is affected by behavioural attributes of the respective borrower. The final ICRS grade also considers the delinquency status of the exposure, as well as the manual credit grade which is assigned on the basis of a qualitative credit risk assessment performed at least on an annual basis. The Bank's ECL model captures Significant Increase in Credit Risk ('SICR') events at an individual exposure level through movements in the ICRS grade which can be triggered by both quantitative and qualitative factors. With respect to the quantitative aspect, the PDs at the reporting date are compared to PDs estimated at origination date. In relation to the qualitative aspect, downgrade of the manual credit grade below pre-determined grades represents a SICR event.

For the Retail portfolio, staging is also determined on the basis of movements in the Bank's ICRS grade. However in the case of retail exposures, the ICRS considers only qualitative criteria based on behavioural attributes of the respective borrowers. The final ICRS grade also considers the delinquency status of the exposure, as well as the manual credit grade. For the Retail portfolio, similar to the Business portfolio, the ECL model captures SICR events at an individual exposure level through movements in the ICRS grade. The delinquency status is the most prominent trigger of SICR within the Retail portfolio.

ECL calculation for defaulted exposures

For defaulted (Stage 3) exposures within both the Business and Retail portfolios, credit loss allowances are determined through the use of ECL models as highlighted above for non-defaulted exposures. The LGD for defaulted

stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.

- Tested the completeness and accuracy of the critical data extracted from the underlying systems, that is utilised within the models for the purposes of the year end ECL calculation.
- Reviewed and evaluated the appropriateness of the Bank's IFRS 9 impairment methodology documentation through the involvement of our subject matter experts.
- Assessed the methodology applied by the Bank in the determination of PDs and LGDs with respect to the Bank's approved methodology documentation and generally accepted industry practices, through the involvement of our subject matter experts.
- Assessed the script codes utilised for the determination of the PD curves and the development of the House Price Index (used to forecast immoveable property collateral values for LGD calculation purposes) with respect to the Bank's approved methodology documentation and generally accepted industry practices, through the involvement of our subject matter experts.
- Evaluated the methodology applied by the Bank in determining ICRS grades and recalculated the ICRS grades across the Business and Retail portfolios, through the involvement of our subject matter experts.
- Assessed the reasonableness of modelled PDs and LGDs by reviewing management's back-testing against actual observed defaults and credit losses.
- Assessed the reasonableness of market value haircuts and time to sell assumptions used as inputs to modelled LGDs. We also tested the accuracy of the Bank's data in respect of the status of perfection of collateral on a sample basis.

exposures secured by real estate collateral is determined by considering an additional risk adjustment factor on the collateral value in order to account for the additional risks attributable to the respective borrower experiencing financial difficulties.

Forward-looking scenarios applied within the credit loss allowance calculation

In accordance with IFRS 9 requirements, the Bank is required to develop and integrate multiple forward-looking economic scenarios into its ECL estimates, reflecting management's view of possible future economic conditions and variables. To capture non-linearity across credit portfolios, several macro-economic scenarios based on selected macro-economic variables are considered. The complexity of this process necessitates that management exercises significant judgement in devising multiple macro-economic scenarios.

The Bank uses an internal methodology to generate the economic scenarios applied within the ECL models. Specifically, the Bank applies three macro-economic scenarios in the development of conditional PiT PDs. During the financial year ended 31 December 2025, the Bank reviewed its methodology for incorporating forward-looking information ('FLI') in estimating ECL allowances within its loan portfolios.

For the Business portfolio, the impact of macro-economic scenarios on PDs is modelled at a portfolio level. During the financial year ended 31 December 2025, a number of Malta specific predictor variables (macro-economic variables) were analysed to establish a statistically sound and economically intuitive link between the macro-economic indicators and the year-on-year change in the business loan default rate. The final macro-economic variables applied for the

- Through the involvement of our subject matter experts, we reviewed management's process in evaluating multiple macro-economic variables and in the selection of the appropriate variables to be utilised in estimating the PDs. We assessed the appropriateness of changes effected during the current year to factor in the impact of the prevailing macro-economic environment. We reviewed the relationship established between macro-economic variables and the historical default rates used by the Bank to establish and apply forward-looking information within the ECL models.
- Evaluated the Bank's methodology used to develop macro-economic forecasts for the selected variables and to devise the scenarios applied in the determination of PDs and LGDs, assessing the mechanism applied in the estimation of these parameters which takes into account these macro-economic scenarios.
- Performed a recalculation of the ECL for a sample of exposures across portfolios.

Based on the evidence obtained, we found the model methodology, model assumptions, data used within the models, model calculations and overlays to be reasonable.

Additional procedures performed on the ECL calculation for Stage 3 exposures

Substantive procedures were performed in respect of the identification of defaults by selecting a sample of performing loans which had not been identified by management as potentially defaulted to form our own judgement as to whether management's determination was appropriate and to further challenge whether all relevant events had been identified by management.

Substantive procedures were performed on defaulted exposures in respect of the estimation of the amounts of the respective ECL provisions, as follows:

Business portfolio are GDP growth rate (year-on-year change), income growth (year-on-year change) and a COVID dummy to capture exogenous shocks.

For the Retail portfolio, the impact of macro-economic scenarios on PDs is modelled at a sub-portfolio level, covering home loans and other personal loans separately. Similar to the Business portfolio, during the financial year ended 31 December 2025, a number of Malta specific predictor variables were analysed to establish a statistically sound and economically intuitive link between the macro-economic indicators and the year-on-year change in the home loan default rate and in the other personal loan default rate, respectively. The final macro-economic variables applied for the home loan and other personal loan sub-portfolios are unemployment rate (year-on-year difference), income growth (year-on-year difference) and a COVID dummy to capture exogenous shocks.

In the development of forward-looking LGDs, the Bank applies four macro-economic scenarios by introducing an extreme pessimistic scenario to capture the possibility of a decline in property prices. For both the Business and Retail portfolios, the Bank calculates the HPI internally using statistical models.

The prevailing economic environment, combined with macro-economic uncertainty caused by market interest rate fluctuations and geopolitical tensions, has greatly influenced macro-economic variables. This has heightened the uncertainty surrounding the judgements involved in assessing the severity and probability of macro-economic forecasts within the various economic scenarios used in the ECL models.

The data utilised in the ECL models is collected from various systems, some of which

- Independently challenged and recalculated the ECL allowance for a sample of defaulted exposures by forming an independent view of the recoverability of the selected exposures under different independently established scenarios.
- Assessed the appropriateness of a sample of property valuations securing credit-impaired loans through the use of our valuation experts.

In the case of some impairment allowances, we formed a different view from that of management, but in our view the differences were within a reasonable range of outcomes.

are not primarily used for the preparation of accounting records. This increases the risk of inaccurate and incomplete data being used to establish assumptions and run the ECL models.

The Bank's application of the IFRS 9 impairment requirements is considered a key focus area due to the subjective nature of certain data inputs used in the calculations, as well as the judgements required regarding the timing of impairment recognition and the estimation of its magnitude.

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

- Allocation of exposures to stage 1, 2, or 3 using criteria in accordance with IFRS 9;
- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;
- Completeness and accuracy of data used to calculate the ECL;
- Inputs and assumptions used to estimate the impact of multiple macro-economic scenarios; and
- The measurement and application of post-model adjustments designed to capture risks and data deficiencies not captured by the model.

Relevant references in the financial statements:

- Material accounting policies: Note 1;
- Note on Net impairment (charge)/reversal: Note 8;
- Note on Loans and advances to customers: Note 17; and
- Financial risk management: Note 39.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is composed of five components: Bank of Valletta p.l.c. (the “Parent Company” or “the Bank”), its subsidiaries: BOV Asset Management Limited and BOV Fund Services Limited and two associates: Mapfre Middlesea p.l.c. and Mapfre Msv Life p.l.c. The subsidiaries and associates are determined to be inconsequential components to the group financial statements.

The group auditor carried out a full scope audit on the Parent Company.

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

Other information

The directors are responsible for the other information. The other information comprises all of the information presented in the *Annual Report 2025* (but does not include the financial statements and our auditor’s report thereon).

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

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

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of Bank of Valletta p.l.c. for the year ended 31 December 2025, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

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

Our responsibilities

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

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.

- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.

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

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

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2025 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Report 2025* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the *Annual Report 2025* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' Report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements. With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Corporate Governance Statement of Compliance The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Report of the Remuneration Committee The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

Other matters prescribed by the Maltese Banking Act (Cap. 371) In terms of the requirements of the Maltese Banking Act (Cap. 371), we are also required to report whether: • 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 bank, so far as appears from our examination of those books; • the bank's financial statements are in agreement with the books of account; • in our opinion, and to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law which may from time to time be in force in the manner so required.	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 bank, so far as appears from our examination of those books; • the bank's financial statements are in agreement with the books of account; and • to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law in force in the manner so required.
Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion adequate accounting records have not been kept, or returns adequate for our audit have	We have nothing to report to you in respect of these responsibilities.

	not been received from branches not visited by us. We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

Other matter - use of this report

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

Appointment

We were first appointed as auditors of the Company by shareholders' resolution on 29 May 2025 for the year ended 31 December 2025.

Fabio Axisa
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

26 March 2026

The Group’s five-year summary

Extracted from the respective audited financial statements

A. STATEMENTS OF PROFIT OR LOSS

For the financial years

	2025 12 months to December 2025	2024 12 months to December 2024	2023 12 months to December 2023	2022 12 months to December 2022 restated	2021 12 months to December 2021
	€000	€000	€000	€000	€000
Interest and similar income	446,226	437,174	401,402	220,210	194,813
Interest expense	(58,833)	(51,257)	(49,403)	(18,311)	(38,503)
Net interest income	387,393	385,917	351,999	201,899	156,310
Other operating income	109,444	99,839	89,003	91,458	86,598
Other operating charges	(246,811)	(216,688)	(210,900)	(192,616)	(195,603)
Net impairment (charge) / reversal	(42)	23,831	10,481	49,075	18,856
Net litigation settlement charge	-	-	-	(102,958)	-
Share of results of equity-accounted investees, net of tax	10,409	9,466	11,030	2,217	14,498
Profit before tax	260,393	302,365	251,613	49,075	80,659
Income tax expense	(88,685)	(102,766)	(83,677)	(17,547)	(24,468)
Profit for the year	171,708	199,599	167,936	31,528	56,191
Attributable to:					
Equity holders of the Bank	171,708	199,599	167,936	31,528	56,191
	171,708	199,599	167,936	31,528	56,191
Earnings per share	26.7c	31.1c	28.8c	5.4c	9.6c

Only 2022 amounts have been restated in line with the adoption of IFRS 17 and IFRS 9 by the associates.

The Group's five-year summary

Extracted from the respective audited financial statements (continued)

B. STATEMENTS OF FINANCIAL POSITION

	2025	2024	2023	2022 restated	2021
Assets					
Balances with Central Bank of Malta, cash and other related assets	921,224	1,085,871	2,353,317	3,389,261	4,626,066
Investments and loans and advances to customers at fair value through profit or loss	89,238	102,149	105,932	122,858	137,782
Derivative financial assets	2,987	4,071	7,921	23,505	1,204
Investments at amortised cost	6,781,209	6,251,257	5,266,958	4,467,432	3,443,199
Investments at fair value through other comprehensive income	73,830	85,439	86,504	99,632	125,470
Loans and advances to banks	258,754	328,547	196,307	394,546	452,469
Loans and advances to customers at amortised cost	7,985,473	6,846,302	6,114,589	5,560,076	5,097,598
Investments in equity-accounted investees	124,577	117,160	110,098	100,206	145,501
Intangible assets	40,980	45,317	54,642	56,047	56,074
Property and equipment	172,205	153,519	134,172	132,691	130,622
Current tax	-	-	-	20,706	28,640
Deferred tax	28,954	29,032	34,025	67,898	84,563
Other assets	50,892	50,435	42,483	37,886	29,254
Total Assets	**16,530,323**	**15,099,099**	**14,506,948**	**14,472,744**	**14,358,442**
LIABILITIES					
Derivative financial liabilities	4,568	4,200	4,154	6,702	17,642
Amounts owed to banks	99,894	9,150	315,651	77,074	560,117
Amounts owed to customers	13,740,565	12,803,915	12,152,216	12,547,911	12,176,854
Current tax	37,580	8,173	28,079	-	-
Deferred tax	8,291	8,119	7,435	7,054	6,717
Other liabilities	233,095	225,373	198,178	191,552	203,141
Provisions	17,554	18,388	20,166	16,518	104,449
Unsubordinated debt securities in issue	351,659	350,846	350,099	350,260	-
Subordinated liabilities	540,143	263,136	163,237	163,237	163,237
Total Liabilities	15,033,349	13,691,300	13,239,215	13,360,308	13,232,157
EQUITY					
Called up share capital	642,234	583,849	583,849	583,849	583,849
Share premium account	49,277	49,277	49,277	49,277	49,277
Revaluation reserves and other components of equity	99,083	89,977	86,151	81,992	93,945
Retained earnings	706,380	684,696	548,456	397,318	399,214
Total Equity	1,496,974	1,407,799	1,267,733	1,112,436	1,126,285
Total Liabilities and Equity	**16,530,323**	**15,099,099**	**14,506,948**	**14,472,744**	**14,358,442**
MEMORANDUM ITEMS					
Contingent liabilities	646,890	414,181	394,414	374,109	351,362
Commitments	3,210,569	3,000,258	2,315,962	1,918,119	1,898,310

Only 2022 amounts have been restated in line with the adoption of IFRS 17 and IFRS 9 by the associates.

The Group's five-year summary

Extracted from the respective audited financial statements (continued)

C. STATEMENTS OF CASH FLOWS

	2025 €000	2024 €000	2023 €000	2022 restated €000	2021 €000
Net cash (used in)/from operating activities	(131,177)	(64,837)	(562,111)	(561,373)	1,157,101
Cash flows from investing activities					
Dividends received	3,555	2,971	3,878	2,387	2,443
Interest received from debt investments	139,424	100,850	50,073	30,940	36,575
Injection of capital in associate (note 18)	-	-	-	-	(20,000)
Net outflow on investment securities	(504,408)	(952,613)	(781,815)	(1,024,416)	(289,103)
Proceeds from sale of equity instruments	1,318	111	7,897	-	-
Net outflow on property and equipment and intangible assets	(28,763)	(23,259)	(17,583)	(16,567)	(11,849)
Net cash used in investing activities	(388,874)	(871,940)	(737,550)	(1,007,656)	(281,934)
Cash flows from financing activities					
Payments for acquisition of treasury shares	(1,071)	-	-	-	-
Interest paid on unsubordinated debt securities in issue	(35,000)	(35,000)	(35,000)	(2,274)	-
Interest paid on subordinated liabilities	(10,780)	(5,781)	(5,781)	(5,781)	(5,776)
Net proceeds/(outflow) from issue of subordinated liabilities	272,837	99,093	(830)	350,000	-
Payments of lease liabilities	(1,370)	(1,413)	(1,763)	(1,739)	(1,919)
Dividends paid to equity holders	(85,600)	(61,631)	(17,533)	(10,019)	-
Net cash from/(used in) financing activities	139,016	(4,732)	(60,907)	330,187	(7,695)
(Decrease)/increase in cash and cash equivalents	(381,035)	(941,509)	(1,360,568)	(1,238,842)	867,472

D. PERFORMANCE EXPRESSED IN RELATION TO AVERAGE TOTAL ASSETS AND AVERAGE CAPITAL EMPLOYED

	2025 %	2024 %	2023 %	2022 restated %	2021 %
Operating income to total assets	3.1	3.3	3.0	2.0	1.8
Operating expenses to total assets	1.6	1.5	1.5	1.3	1.4
Profit before tax to total assets	1.6	2.0	1.7	0.3	0.6
Profit before tax to capital employed	17.9	22.6	21.1	4.4	7.3
Profit attributable to equity holders to total assets	1.1	1.3	1.2	0.2	0.4
Profit attributable to equity holders to capital employed	11.8	14.9	14.1	2.8	5.1

Only 2022 amounts have been restated in line with the adoption of IFRS 17 and IFRS 9 by the associates.