

IIG BANK (MALTA) LTD

Annual Report and Financial Statements  
31 December 2025

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## Directors' report

The directors present their annual report and the audited financial statements of IIG Bank (Malta) Ltd (the "Bank") for the year ended 31 December 2025.

### Principal activities

The principal activity of IIG Bank (Malta) Ltd is the operation of a credit institution under the Banking Act, Cap 371 of the Laws of Malta, in accordance with the credit institution licence granted by the Malta Financial Services Authority ("MFSA"). As at 31 December 2024 the Bank had one branch located in Malta.

The Bank's primary activity consists of international trade finance. It is a lender and facilitator to a client base of traders engaged in the import and export of essential commodities, consumables, energy products and other goods traded all over the world, particularly business opportunities involving emerging markets. Funding for this core business activity is sourced primarily from the domestic market attracting savers with competitive interest rates for term deposits denominated in EUR, GBP and USD ranging from one to five years maturity, supplemented by a platform-based deposit products offering to the German savers market.

### Review of the business

*Performance:* When it comes to the prevailing external environment, 2025 continued where 2024 left off, but with a turn for the worse. On January 20<sup>th</sup> Mr. Trump took over the presidency of the USA and immediately launched into a campaign of trade tariffs and other actions that has deeply pushed the world into "geopolitical recession", while wars continued to rage on. Despite all the turmoil and disruption, global trade proved resilient once again, and where necessary, rerouting and re-sourcing of goods rapidly filled gaps. Some of our clients went through such experiences. Most got back on track very strongly, presenting us with regular flows of business throughout the year. However, in order to build more resiliency, and to address some emerging gaps in core trade finance lending, the Bank launched a more focused approach to entice letter of credit advising, confirmations and discounting of such trade facilitation instruments by directing its marketing efforts towards relationships with emerging market banks which regularly seek such support internationally. Through this medium the Bank has managed to expand business with banks in Francophone West Africa while also growing a new niche client base, typically traders supplying essential commodities to this region. In the meantime, the Bank decided to start winding down its fledgling real estate lending portfolio to developers in Malta to create more capital and funding space for the increasing demand in trade finance loans and EM banks' receivable discounting. This shift is capital weighting positive and presents better remuneration both in interest and fee income. We continue to enjoy the support of a loyal client base which is now supplemented by direct business through foreign banks, an activity which is growing consistently. Small to medium sized traders seek our services because we understand their business and offer bespoke solutions. Our growing network of banking correspondents in emerging markets allows for a broader and more diversified business base.

The Bank's deposit offering also remains attractive to a customer base that appreciates the traditional touch of banking "in person" through the services provided at our Sliema branch office. Our interest rate offering is in line with what is paid by other middle tier Banks in Malta, while we also compete at a similar level for platform-based deposits from German retail savers. Throughout 2025, the Bank has managed to maintain a consistent level of deposits, aligned with its funding requirement.

In February of last year, the MFSA initiated their periodic Supervisory Review and Evaluation Process (SREP) of the Bank. This exercise came to its conclusion in the last quarter of 2025. During the course of the exercise and after, the Bank's executive team worked closely with the Regulator's banking supervision team. The Board and executive management committed to address any gaps as early as possible to the extent that those deliverables which were within the Bank's capacity to address were handled early. Operationally, the Bank also prioritised on all deliverables that concerned digital resilience and IT security, payment systems upgrades, and the underlying compliance and risk management infrastructure. Such challenges necessitated a concerted effort and investment in supporting resources. We are proud to have succeeded to meet all deadlines with the hard work and

## Directors' report - continued

dedication of our small team and the valuable support of our external partners. The Bank will continue to monitor regulatory developments and align itself with all required changes within defined timelines.

The detailed analysis of the income statement and the statement of financial position:

*Income statement:* In 2025, the Bank generated a total of net interest and net fee income of US\$5,332K, US\$382K less than prior year, and a net trading loss of US\$105K, (2024 – loss of US\$103). Other income of US\$194K led to an overall Operating Income of US\$5,422K (2024: US\$5,623K).

The Bank allocated US\$655K towards specific and general impairment provisions, while general administrative expenses of US\$6,170K (a comparative increase of US\$1,222K on 2024), finally resulting in a net loss of the year of US\$1,404K. During the year, no new non-performing loans were recognised, with the bank having three pre-existing non-performing loans. One of these loans was written-off during 2025, and the other two remaining loans are being pursued through negotiation and/or legal action. The Bank does not accrue interest on these assets.

*Statement of financial position:* The year-end statement of financial position of US\$115,209,160 (2024: US\$127,579,685), was lower than the average during the year. The main contributor for this reduction is the Bank's effort to comply with the Regulator's SREP assessment. The Balance Sheet denotes a strong liquid position with cash at the central bank of US\$4 million (2024: US\$22 million); investment securities of US\$30 million (2024: US\$35 million); loans and advances to banks of US\$19 million (2024: US\$23 million) and loans to customers of US\$55 million (2024: US\$41 million). The Bank managed to maintain a strong Capital Adequacy Ratio ("CAR"), of 18.83% as at end of 2025 (19.08% as at 31 December 2024). As mentioned, the Bank continues to maintain a strong short-term liquidity position as indicated at year end by the Liquidity Coverage Ratio of 1049% (regulatory minimum of 100%), and a stable funding source as indicated by Net Stable Funding Ratio which stands at 173% (regulatory minimum of 100%).

*Outlook for 2026:* The first quarter kicked off with a slow start but business started picking up by the 3<sup>rd</sup> week of January. It is very unfortunate that the US and Israel took it upon themselves to cause further grievance to an already very fragile status quo by hitting Iran with their combined military force. What should have been a clinical attack to trigger regime change, seeking to destroy nuclear stockpiles and decimate Iran's missiles, has failed dramatically. The most critical and disruptive outcome is the effective closure of the Straights of Hormuz. This has interrupted 20% of global oil energy products which flows out through from the Gulf. The price of oil has nearly doubled and the repercussions, if this stance is sustained, will devastate global economies, rich and poor alike.

So far, we are envisaging that the shortage of oil, rather than the price, will impact logistics, particularly shipping. While trade in itself is very hard to stop, without the availability of ships to carry goods from port A to port B, business will grind to a halt, and the world will plunge into a dark hole. We are hopeful that good sense will prevail before it gets too late. It is a dark moment, but we have to build our outlook on our strong belief, tried and tested over the years, in the resilience of cross border trade. IIG Bank is a niche player focusing primarily on regional trade (North Africa, Europe and the Black Sea), the Middle East and Asian sub-continent. We very rarely deal with US trade activity. This is a vulnerable spot right now as most countries have countered US tariffs by announcing their own tariffs. Barriers have been raised and there is a trade war with the US, but we have not experienced any shocks, and none are expected. As already stated, we have found alternative niche opportunities to replace some that failed, and we have already approved new lines during this first quarter of 2026. We are positive that we will continue to have regular pipeline of business to the level that we can support throughout 2026. The strategy to seek business directly through correspondent banks which we launched last year is delivering results.

**Directors' report** – continued

For some time, the Bank has been mindful of some shortfall in its board and committee level composition, and during the last quarter of 2025, two new directors were identified and appointed to supplement and strengthen governance. Appointments are subject to the standard process of regulatory due diligence, but it is expected that MFSA authorisation should be forthcoming during Q2.2026.

As we progress further into the current year, we will continue to focus on identified deliverables with particular commitment to digital resilience, preventive measures to counter fraud, anti-money laundering compliance and particular attention to the Bank's obligations surrounding ESG strategy. This effectively means that the Bank maintains the pace of work on several regulatory deliverables.

*Change of ownership*

The exercise that we have been reporting on concerning the change of ownership is presently on track. As we have disclosed, these past few years, the Bank has been coordinating negotiations towards concluding the sale of 100% shareholding by IIG TOF NV, which is our ultimate parent, to prospective future owners. During the last quarter of 2025, the commercial agreement between the parties was signed and formal application was filed with the Regulatory Authority. As reported last year the prospective buyer offers very good prospects for the future of this institution, since it brings with it banking experience which is compatible with the core business activity of IIG Bank and capital support to support growth. As at this reporting date the application process is progressing in line with expectations. Despite this ongoing process, the Board remains committed to maintain the "going concern" status with sustainable business and funding proposition. To this effect the Bank has a sustainability plan which has been shared with the Regulatory Authority. In the meantime, the Bank continues to be in good standing and is compliant with all the applicable laws, regulation and rules to conduct its business.

**Key performance indicators**

The Board of Directors tracks the Bank's progress in implementing its strategy with a range of financial measures or key performance indicators ('KPIs'). Progress is assessed by comparison with the Bank's budgets and historical performance. The financial KPIs tracked by the Board of the Bank are presented in the following table.

	<b>2025</b>	<b>2024</b>
Loss before tax	<b>(US\$1,403,635)</b>	(US\$359,332)
Cost to income ratio	<b>117%</b>	96%
Return on equity	<b>(7.92%)</b>	(1.72%)
Capital Adequacy Ratio	<b>18.83%</b>	19.08%

The Board of Directors does not monitor any specific non-financial KPIs.

## **Directors' report** - continued

### **Risk management**

IIG Bank faces a range of business, financial and operational risks. The Bank adopts a robust corporate governance framework with a bank-wide risk management approach, to understand what its risks are, what element of risk is acceptable to generate income, and to be able to manage it to preserve value for shareholders while meeting regulatory requirements ensuring integrity, and ethical and transparent behaviour.

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

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

Also, as part of embedding a strong risk culture, the Bank recognises the need to have the required resources in place for effective risk management. In this respect, during 2024, the Bank has supported its dedicated risk management team with training and its enhanced IT infrastructure.

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

### **Results and dividends**

The income statement is set out on page 19. Similar to 2024, during 2025, the directors have not proposed any dividends relative to the financial year ended 31 December 2025.

### **Directors**

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

Joseph Grioli - Chairman  
Raymond Busuttill  
James Douglas Nelson  
Karl Vella

In accordance with the Bank's articles of association, the directors remain in office until they resign or are otherwise removed from office.

## Directors' report - continued

### Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386) to prepare financial statements that give a true and fair view of the state of affairs of the Bank as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business as a going concern.

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

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

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

On behalf of the board

  
James Douglas Nelson  
Director

  
Raymond Busuttill  
Director

Registered Office:  
Level 20  
Portomaso Business Tower  
St. Julians STJ4011  
Malta

Company Secretary:  
Karl Vella

Telephone number: 22484500



# Independent auditor's report

To the Shareholders of IIG Bank (Malta) Ltd

## Report on the audit of the financial statements

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### Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of IIG Bank (Malta) Ltd (the Bank) as at 31 December 2025, and of the Bank's 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

IIG Bank (Malta) Ltd's financial statements, set out on pages 23 to 83, comprise:

- the statement of financial position as at 31 December 2025;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.



## **Independent auditor's report** - continued

To the Shareholders of IIG Bank (Malta) Ltd

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### **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 Bank 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 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, in the period from 1 January 2025 to 31 December 2025, are disclosed in note 26 to the financial statements.



## Independent auditor's report - continued

To the Shareholders of IIG Bank (Malta) Ltd

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### Our audit approach

#### Overview

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<b>Materiality</b>	Overall materiality: US\$203,000, which represents approximately 1% of net assets.
<b>Key audit matters</b>	Credit loss allowances in respect of loans and advances to customers

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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.

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 Bank, the accounting processes and controls, and the industry in which the Bank operates.

#### 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.



## Independent auditor's report - continued

To the Shareholders of IIG Bank (Malta) Ltd

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall 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.

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<b>Overall materiality</b>	US\$203,000
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<b>How we determined it</b>	Approximately 1% of net assets
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<b>Rationale for the materiality benchmark applied</b>	We chose net assets as the benchmark because, in our view, the net assets are considered to be the key driver of the business and the determinant of the Bank's value.
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We selected 1% based on our professional judgement, noting that it is also within the range of commonly accepted asset related thresholds.

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We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US\$20,000 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.

## Independent auditor's report - continued

To the Shareholders of IIG Bank (Malta) Ltd

Key audit matter	How our audit addressed the key audit matter
<p><b>Credit loss allowances in respect of loans and advances to customers</b></p> <p>Credit loss allowances in respect of loans and advances to customers represent management's best estimate of the expected credit losses ('ECLs') within the Bank's loan portfolio at the reporting date. A considerable level of judgement is required to estimate ECLs on loans measured at amortised cost in accordance with the requirements of IFRS 9.</p> <p>All loans and advances to customers are considered individually significant. As a result, credit loss allowances relating to all loans and advances within the portfolio are determined at an instrument level.</p> <p>For non-defaulted (Stages 1 and 2) exposures, the Bank uses ECL models that rely specifically on the following key inputs: probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'). The maximum period considered when measuring ECL is the maximum period over which the Bank is exposed to credit risk.</p> <p>For defaulted (Stage 3) exposures, discounted cash flow models are utilised in order to estimate ECLs. Judgement is required to estimate the expected future cash flows related to that loan under multiple scenarios, and the timing at which such cashflows will reasonably be received.</p> <p>Judgement is also required to determine when an increase in credit risk or default has occurred and as a result, to allocate the appropriate stage classification. Staging is determined based on a combination of criteria including days past due, borrowers' performance and how strategic and economic developments affect borrowers' future payment capabilities.</p>	<p>During our audit of the financial statements for the year ended 31 December 2025, we continued to focus on the key drivers of the estimation of ECL.</p> <p>Discussions with management focused mainly on modelling assumptions and parameters in the context of the current economic environment, as well as on the key assumptions in respect of the discounted cashflow models used to determine expected credit losses on defaulted/Stage 3 exposures.</p> <p>In respect of the ECL calculation for non-defaulted exposures we performed the following procedures:</p> <ul style="list-style-type: none"> <li>- We 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. This includes completeness of data used in the computation of the PD, LGD and EADs.</li> <li>- Tested a sample of loans to independently review the borrower's financial performance and ability to meet loan repayments and assessed the appropriateness of the internal credit ratings, and hence the stage classification assigned by management.</li> <li>- Tested the appropriateness of model design and formulas applied to determine the ECL as well as the calculations performed in the model.</li> <li>- Tested the reasonableness of macro-economic variables used to determine PDs under different forward-looking scenarios and formed a view on the probability weightings assigned to different scenarios.</li> </ul> <p>Based on the evidence obtained, we found the model assumptions and data used within the model to determine expected credit losses for non-defaulted loans to be reasonable.</p> <p>The appropriateness of management's judgements was also independently considered in respect of defaulted</p>



## Independent auditor's report - continued

To the Shareholders of IIG Bank (Malta) Ltd

We focused on credit loss allowances due to the subjective nature of the calculations and the subjective judgements involved in both timing of recognition of impairment and the estimation of the size of any such impairment.

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

- Allocation of loans to Stage 1, 2, or 3 using criteria in accordance with IFRS 9;
- 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 respective probability weights; and
- Measurements of individually assessed credit losses including the assessment of multiple scenarios.

Relevant references in the Annual Report and Financial Statements:

- Summary of material accounting policies: Note 1.3;
- Credit risk: Note 2.1 (a);
- Critical estimates and judgements: Note 3;
- Note on Loans and advances to customers: Note 8; and
- Note on Change in expected credit losses and other credit impairment charges: Note 25.

exposures. In this respect, we performed the following procedures:

- Reviewed the credit files of defaulted loans to understand the latest developments at the level of the borrower and the basis of measuring the ECL provisions and considered whether key judgements were appropriate given the borrowers' circumstances.
- Determined different scenarios and their respective probability weights independently, and formed our view (based on detailed loan and customer information in the credit file) on the recoverability of the selected corporate loans.

Based on the evidence obtained, we found management's judgements to be reasonable.



## **Independent auditor's report** - continued

To the Shareholders of IIG Bank (Malta) Ltd

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### **Other information**

The directors are responsible for the other information. The other information comprises the Directors' report and the Five Year Summary (but does not include the financial statements and our auditor's report thereon).

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

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

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

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### **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 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 Bank or to cease operations, or have no realistic alternative but to do so.



## **Independent auditor's report** - continued

To the Shareholders of IIG Bank (Malta) Ltd

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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### **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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



## **Independent auditor's report** - continued

To the Shareholders of IIG Bank (Malta) Ltd

- 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 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 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.

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.



## Independent auditor's report - continued

To the Shareholders of IIG Bank (Malta) Ltd

### Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 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 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 <i>Annual Report and Financial Statements 2025</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p><b>Directors' report</b></p> <p>(on pages 1 to 5)</p> <p>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.</p>	<p>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.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <ul style="list-style-type: none"><li>In addition, we are required to state whether, in the light of the knowledge and understanding of the Bank 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.</li></ul>	<p>In our opinion:</p> <ul style="list-style-type: none"><li>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</li><li>the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).</li></ul> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>

## Independent auditor's report - continued

To the Shareholders of IIG Bank (Malta) Ltd

Area of the Annual Report and Financial Statements 2025 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p><b>Other matters prescribed by the Maltese Banking Act (Cap. 371)</b></p> <p>In terms of the requirements of the Maltese Banking Act (Cap. 371), we are also required to report whether:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• proper books of account have been kept by the bank, so far as appears from our examination of those books;</li> <li>• the bank's financial statements are in agreement with the books of account;</li> <li>• 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.</li> </ul>	<p>In our opinion:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• proper books of account have been kept by the bank, so far as appears from our examination of those books;</li> <li>• the bank's financial statements are in agreement with the books of account; and</li> <li>• 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.</li> <li>•</li> </ul>
	<p><b>Other matters on which we are required to report by exception</b></p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.</p>	<p>We have nothing to report to you in respect of these responsibilities.</p>



## Independent auditor's report - continued

To the Shareholders of IIG Bank (Malta) Ltd

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### 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.

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### Appointment

We were first appointed as auditors of the Bank for the period ended 31 December 2010 on 22 March 2010. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 16 years.

**Norbert Paul Vella**  
Principal

*For and on behalf of*

**PricewaterhouseCoopers**

78, Mill Street

Zone 5, Central Business District

Qormi

Malta

30 April 2026

## Statement of financial position

		As at 31 December	
		2025	2024
		US\$	US\$
	Notes		
<b>ASSETS</b>			
Cash and balances with Central Bank of Malta	4	3,796,055	21,805,210
Investment securities	5	29,983,758	34,527,232
Derivative financial instruments	6	22,417	4,291
Loans and advances to banks	7	19,012,691	22,887,879
Loans and advances to customers	8	55,182,790	41,011,443
Right-of-use assets	9	364,724	520,163
Property, plant and equipment	10	125,992	163,171
Intangible assets	11	1,363,013	1,604,516
Deferred tax assets	12	1,478,737	1,558,890
Accrued income and other assets	13	3,878,983	3,496,890
<b>Total assets</b>		<b>115,209,160</b>	127,579,685
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	26,500,000	26,500,000
Fair value reserve	15	(288,649)	(151,236)
Accumulated losses		(6,072,309)	(4,477,500)
<b>Total equity</b>		<b>20,139,042</b>	21,871,264
<b>Liabilities</b>			
Amounts owed to customers	16	88,254,996	104,035,292
Amounts owed to banks	17	5,500,000	-
Derivative financial instruments	6	4,779	145,286
Lease liabilities	9	381,797	544,961
Other liabilities	18	928,546	982,882
<b>Total liabilities</b>		<b>95,070,118</b>	105,708,421
<b>Total equity and liabilities</b>		<b>115,209,160</b>	127,579,685
<b>MEMORANDUM ITEMS</b>			
Commitments and other contingencies	19	11,812,755	23,729,193

The official closing middle rate of exchange applicable between US dollar and euro published by the European Central Bank as at 30 December 2025 was 1.1750 (31 December 2024: 1.0389).

The notes on pages 23 to 83 are an integral part of these financial statements.

The financial statements on pages 18 to 83 were authorised for issue by the board on 30 April 2026 and were signed on its behalf by:

  
James Douglas Nelson  
Director

  
Raymond Busuttill  
Director

## Income statement

	Notes	Year ended 31 December	
		2025 US\$	2024 US\$
Interest income	20	6,843,353	7,585,557
Interest expense	21	(2,584,081)	(2,886,275)
<b>Net interest income</b>		<b>4,259,272</b>	<b>4,699,282</b>
Fee and commission income	22	1,384,539	1,434,984
Fee and commission expense	22	(311,499)	(420,407)
<b>Net fee and commission income</b>		<b>1,073,040</b>	<b>1,014,577</b>
Net trading income	23	(104,544)	(102,593)
Other income	24	194,366	11,820
<b>Operating income</b>		<b>5,422,134</b>	<b>5,623,086</b>
Change in expected credit losses and other credit impairment charges	25	(655,408)	(1,034,832)
Administrative expenses	26	(6,170,361)	(4,947,586)
<b>Loss before tax</b>		<b>(1,403,635)</b>	<b>(359,332)</b>
Tax expense	27	(191,174)	(17,449)
<b>Loss for the year</b>		<b>(1,594,809)</b>	<b>(376,781)</b>

The notes on pages 23 to 83 are an integral part of these financial statements.

## Statement of comprehensive income

	Note	Year ended 31 December	
		2025 US\$	2024 US\$
<b>Loss for the year</b>		<b>(1,594,809)</b>	<b>(376,781)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Financial assets measured at fair value through other comprehensive income:			
Net changes in fair value arising during the year, before tax	5	(248,434)	59,748
Reclassification adjustments - net amounts reclassified to profit or loss upon disposal, before tax			
Income tax relating to components of other comprehensive income	12	111,021	(20,912)
<b>Other comprehensive income for the year, net of tax</b>		<b>(137,413)</b>	<b>38,836</b>
<b>Total comprehensive income for the year</b>		<b>(1,732,222)</b>	<b>(337,945)</b>

The notes on pages 23 to 83 are an integral part of these financial statements.

## Statement of changes in equity

	Notes	Share capital US\$	Fair value reserve US\$	Accumulated losses US\$	Total equity US\$
<b>Balance at 31 December 2023</b>		26,500,000	(190,072)	(4,100,719)	22,209,209
<b>Comprehensive income</b>					
Loss for the year		-	-	(376,781)	(376,781)
Other comprehensive income:					
<i>Fair valuation of financial assets measured at fair value through other comprehensive income</i>					
Net changes in fair value arising during the year, net of tax	5,12	-	38,836	-	38,836
<b>Total comprehensive income</b>		-	38,836	(376,781)	(337,945)
<b>Balance at 31 December 2024</b>		26,500,000	(151,236)	(4,477,500)	21,871,264
<b>Comprehensive income</b>					
Loss for the year		-	-	(1,594,809)	(1,594,809)
Other comprehensive income:					
<i>Fair valuation of financial assets measured at fair value through other comprehensive income</i>					
Net changes in fair value arising during the year, net of tax	5,12	-	(137,413)	-	(137,413)
<b>Total comprehensive income</b>		-	(137,413)	(1,594,809)	(1,732,222)
<b>Balance at 31 December 2025</b>		26,500,000	(288,649)	(6,072,309)	20,139,042

The notes on pages 23 to 83 are an integral part of these financial statements.

## Statement of cash flows

		Year ended 31 December	
		2025 US\$	2024 US\$
	Notes		
<b>Operating activities</b>			
Interest and commission income received		8,080,122	9,169,948
Interest and commission expense paid		(2,863,841)	(3,082,304)
Net (losses)/income from foreign exchange transactions		(4,638,975)	1,701,853
Cash payments to employees and suppliers		(5,295,580)	(4,278,224)
Cash flows generated from operating activities before changes in operating assets and liabilities		(4,718,274)	3,511,273
Changes in operating assets and liabilities:			
Net decrease/(increase) in reserve deposit with Central Bank of Malta	4	122,683	(197,025)
Net decrease in loans and advances to banks	7	3,344,387	3,738,461
Net (Increase)/decrease in other assets	13	(313,999)	293,350
Net increase in loans and advances to customers	8	(14,987,586)	(9,914,437)
Net decrease in amounts owed to customers	16	(15,780,296)	(210,287)
Net increase/(decrease) in amounts owed to banks	17	5,500,000	(5,000,000)
Net cash (used in)/generated from operating activities		(26,833,085)	(7,778,665)
<b>Investing activities</b>			
Purchase of financial assets mandatorily measured at fair value through other comprehensive income	5	-	(284,507)
Proceeds from redemption of financial assets measured at amortised cost	5	8,679,450	1,050,402
Purchase of property, plant and equipment	10	(12,491)	(18,446)
Purchase of intangible assets	11	(190,319)	(275,338)
Net cash generated from investing activities		8,476,640	472,111
<b>Financing activities</b>			
Principal element of lease payment	9	(222,685)	(76,419)
Net cash used in financing activities		(222,685)	(76,419)
<b>Net movement in cash and cash equivalents</b>		(18,579,130)	(7,382,973)
<b>Cash and cash equivalents at beginning of year</b>		27,889,905	35,272,878
<b>Cash and cash equivalents at end of year</b>		9,310,775	27,889,905

The notes on pages 23 to 83 are an integral part of these financial statements.

## Notes to the financial statements

### 1. Summary of material accounting policies

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

#### 1.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Banking Act, (Cap. 371) and the Maltese Companies Act, (Cap. 386). These financial statements are prepared under the historical cost convention, as modified by the fair valuation of financial assets and financial liabilities measured at fair value through profit or loss, including derivative financial instruments, and financial assets measured at fair value through other comprehensive income.

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

##### *Assessment of going concern assumption*

In 2019, the Bank's ultimate parent, IIG Trade Opportunities Fund N.V. (the Fund), was put into administration triggering a wind-down of the Fund's assets, including the sale of the Fund's stake in the Bank. The Bank has been coordinating negotiations towards concluding the sale of 100% shareholding by IIG TOF NV, the Bank's ultimate parent, to prospective future owners. Last year, the Board reported that a suitable buyer had been identified. The buyer brings with it banking experience which is compatible with the core business activity of IIG Bank. Since then, the process of acquisition and mandatory regulatory application to authorise the conveyance of the shares to the prospective buyer has moved ahead in earnest. Despite the efforts by all involved, such an exercise follows a certain order that takes time to bring to fruition and depends on the Malta Financial Services Authority (MFSA) and European Central Bank (ECB) approval. The Board expects positive steps to be achieved along the course of this exercise in the months ahead.

Until completion of the change in control process, the Bank's management will continue to focus the Bank's business strategy on servicing its depositing customers and providing trade facilitation through the provision of funding and trade and commodity finance products to its borrowing customers.

Despite the above circumstances, the Bank maintained a strong capital and liquidity base which remained in excess of the regulatory requirements throughout the financial reporting period until the date of authorisation for issue of the financial statements. Further, the Bank has assessed the impact of geopolitical conditions brought about by the on-going conflict in the Middle East. In terms of its assets, none of the Bank's assets are directly linked to the Middle East. With respect to shipping related loans of the Bank, albeit the Bank monitors on a daily basis the positions of the vessels currently financed, they are currently located away from the Middle East, and therefore there is no heightened risk associated with these exposures. In terms of its liabilities and funding base, the Bank is not currently experiencing any liquidity pressures or increases to withdrawal of deposits. The Bank sources its funding primarily in Malta and Germany through deposits, and no significant deposits are sourced from the Middle East. Notwithstanding that there no direct impacts experienced by the Bank, the Bank has the ability to draw funding from the European Central Bank's open market operations.

In the meantime, management is confident that the Bank's strategy is feasible and tenable.

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

**1.1 Basis of preparation – continued**

*Assessment of going concern assumption - continued*

Notwithstanding the fact that the Board expects there to be positive steps achieved in the change in control process, the Bank has evaluated a remote scenario where the change in control process does not come into fruition. In such a circumstance, management has prepared a business plan to ensure that the Bank is able to continue as a going concern, which has also been communicated to the regulator. On the basis of these considerations, it is the view of the Board of Directors that there is a reasonable expectation that the Bank is able to continue in business for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

*Standards, interpretations and amendments to published standards effective in 2025*

There were no new standards, amendments to standards or interpretations that had a significant effect on these financial statements. Accounting policies have been applied consistently.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Bank's accounting periods beginning after 1 January 2025.

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

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

IFRS 18 (issued on 9 April 2024) has been endorsed for use in the European Union on 16 February 2026. It is set to replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, particularly those related to the statement of financial performance. IFRS 18 will also require the disclosure of management-defined performance measures within the financial statements.

Management is currently assessing the implications of applying IFRS 18 on the Bank's financial statements.

The new standard will be applicable from its mandatory effective date of 1 January 2027, with retrospective application.

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

**1.2. Foreign currency transactions and balances**

*a) Functional and presentation currency*

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

*b) Transactions and balances*

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

**1.3 Financial assets**

*i. Initial recognition*

The Bank recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the asset. Accordingly, the Bank uses trade date accounting for regular way contracts when recording financial asset transactions. All financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the financial asset.

*ii. Classification and subsequent measurement*

On initial recognition the Bank classifies its financial assets in the following measurement categories: (a) amortised cost; (b) fair value through profit or loss ('FVPL'); or fair value through other comprehensive income ('FVOCI'). The classification varies depending on whether the financial asset is a debt or an equity instrument.

Debt securities are those instruments that meet the definition of a financial liability from the issuer's perspective such as loans, government and corporate bonds, and units held in collective investment schemes (also known as puttable shares).

Classification and subsequent measurement of debt securities depends on:

- The Bank's business model for managing the asset; and
- The cash flow characteristic of the asset.

Based on these factors, the Bank classifies its debt securities into one of the following three measurement categories.

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance recognised and measured as described in Note 3. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

## 1. Summary of material accounting policies - continued

### 1.3 Financial assets - continued

#### ii. Classification and subsequent measurement - continued

- **FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are all 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 or loss on disposal of financial assets measured at fair value through other comprehensive income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss within 'Net trading income' in the period in which it arises, unless it arises from debt securities that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net trading income'. Debt instruments that contain contractual terms that give rise to specified dates to cash flows that are not consistent with a basic lending arrangement and thus fail the solely payments of principal and interest test are 'mandatorily' measured at FVTPL. Interest income from these financial assets, including those that are 'mandatorily' measured at FVTPL, is included in 'Interest and similar income' using the effective interest rate method.

**Business model:** the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets ('Amortised cost') or is to collect both the contractual cash flows and cash flows arising from the sale of assets ('FVOCI'). If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified and measured at FVPL.

**SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

## 1. Summary of material accounting policies - continued

### 1.3 Financial assets – continued

#### *ii. Classification and subsequent measurement - continued*

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

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

#### *iii. De-recognition of financial assets*

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

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

#### *iv. Impairment of amortised cost and FVOCI financial assets*

The Bank assesses on a forward-looking basis the expected credit losses ('ECLs') associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. As at 31 December 2025 and 2024, the Bank did not have any financial guarantee contracts. The Bank recognises a loss allowances for such losses at each reporting date. The measurement of ECLs reflects:

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

The Bank calculates ECL using three main components: a probability of default ('PD'), a loss given default ('LGD'), and the exposure at default ('EAD'). Note 2.1 provides more detail of how the expected credit loss allowance is measured.

At initial recognition, an allowance (or provision in the case of credit related commitments) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk ('SICR'), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'Stage 1'; financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'Stage 2'; and financial assets for which there is objective evidence of impairment, and which are so considered to be in default or otherwise credit impaired, would be classified as 'Stage 3'. Purchased or originated credit-impaired financial assets ('POCI') are treated differently.

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

**1.3 Financial assets - continued**

*iv. Impairment of amortised cost and FVOCI financial assets - continued*

Credit impaired (Stage 3)

The Bank determines that a financial instrument is credit impaired and in Stage 3 by considering relevant objective evidence, primarily when there are indications that the obligor is unlikely to pay. If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-offs. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Renegotiation

Loans are identified as renegotiated and classified as credit impaired when contractual payment terms are modified due to significant credit distress of the borrower. Renegotiated loans, that are not derecognised, remain classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows. These loans could be transferred to Stage 1 or 2 based on the mechanism as described below by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different financial instrument. The Bank assess this by considering among others (i) the change in contractual cash flows; (ii) introduction of substantial new terms; (iii) significant extension of the loan term; (iv) significant change in interest rates; and (v) changes in credit enhancements that affect the credit risk associated with the loan. Loans that arise following derecognition events may be considered POCI.

Loan modifications that are not credit impaired

Loan modifications that are not identified as renegotiated are considered to be commercial restructuring. Where a commercial restructuring results in a modification (whether legalised through an amendment to the existing terms or the issuance of a new loan contract) such that the Bank's rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided.

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

**1.3 Financial assets – continued**

*iv. Impairment of amortised cost and FVOCI financial assets - continued*

Significant increase in credit risk (Stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. While it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk, the Bank considers that a financial asset has experienced a significant increase in credit risk when one or more of the following backstop criteria have been met:

- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default; and
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

Further, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

The Bank considers certain financial assets as having 'low credit risk' in terms of paragraphs 5.5.10 and B5.5.23 of IFRS 9. These include balances with the Central Bank of Malta, loans and advances to banks and debt securities measured at amortised cost and FVOCI. This consideration is made in the light of the fact that all obligors within these categories are considered by the Bank to have a strong capacity to meet their obligations, and that adverse changes in economic conditions should not reduce their ability to fulfil obligations.

The Bank assumes that the credit risk on these financial assets has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk, within the meaning of paragraph 5.5.10 of IFRS 9, at the reporting date. If, on the other hand, these financial assets suffer a significant increase in credit risk, for example following a downgrade to below investment grade, the financial instrument will be re-classified as a Stage 2 exposure. This will impact the measurement of the loss allowance, moving from a 12-month ECL assumption to a lifetime ECL assumption.

Unimpaired and without significant increase in credit risk (Stage 1)

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

## 1. Summary of material accounting policies - continued

### 1.3 Financial assets – continued

#### *iv. Impairment of amortised cost and FVOCI financial assets - continued*

##### Movement between stages

Financial assets can be transferred between the different categories (other than POCI). Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above. Renegotiated loans that are not derecognised will continue to be in Stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period and there are no other indicators of impairment.

##### Measurement of expected credit losses

ECLs 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.
- The EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months ("12 EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Bank 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.
- The LGD represents the Bank'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. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made 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 effectively calculating the ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile is developed by applying forward looking macroeconomic variables to historical default rates, taking into consideration the likelihood of survival. As part of this process, marginal PDs are determined through interpolation. For the Lending portfolio, the historical default rates are based on the Bank's historical experience. For assets that are defined to have low credit risk in terms of IFRS 9, to derive coherent PDs, proxy unconditional PDs taken from reputable credit rating agencies are used.

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

**1.3 Financial assets - continued**

*iv. Impairment of amortised cost and FVOCI financial assets – continued*

The 12-month and lifetime EADs are determined based on the expected payment profile, based on contractual repayments owed by the borrower.

The LGD is determined based on factors which impact the recoveries made post default. This is primarily based on collateral type and projected collateral values, discounts to values, time to repossession and recovery costs observed.

The Bank applies forward-looking economic scenarios into the calculation of ECL by incorporating the effect of projected macroeconomic variables into the estimation of the term structure of the PD under two scenarios. They represent a 'most likely outcome' (the Baseline scenario), and a less likely 'Alternative' scenario, weighted by an appropriate probability of occurrence.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

**1.4 Offsetting financial instruments**

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

**1.5 Derivative financial instruments**

Derivative financial instruments, including currency forwards and swaps, are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at their fair value. Fair values for currency forwards are determined using forward exchange market rates at the end of the reporting period. Discounting techniques, reflecting the fact that the respective exchange or settlement will not occur until a future date, are used when the time value of money has a significant effect on the fair valuation of these instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

**1.6 Intangible assets**

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

## 1. Summary of material accounting policies - continued

### 1.6 Intangible assets - continued

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

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

At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable (Note 1.8).

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

### 1.7 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

	%
Leasehold improvements	20
Furniture and fittings	20
Computer hardware	20
Office equipment	33

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.8).

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

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

**1.8 Impairment of non-financial assets**

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

**1.9 Leases**

*The Bank is the lessee*

The Bank has lease agreements in place related to the leases of property used as office space.

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

Lease liabilities arising from such contracts are measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate, which is the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions.

The Bank measures the associated right-of-use assets at an amount equal to the lease liability at the date at which the leased asset is made available for use.

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

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Reassessment is required when the terms and conditions of a contract are changed. Lease liabilities are remeasured when:

- There are changes in future lease payments arising from changes in an index or rate;
- There are changes in the Bank's assessment of whether it will exercise an extension option, which is not considered for lease liability calculation; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

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

**1.9 Leases - continued**

Lease liabilities are remeasured with a corresponding adjustment to the right-of-use assets, or an adjustment in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero and there is a further reduction in the measurement of the lease liability.

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

**1.10 Current and deferred tax**

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

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

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Bank has a legal right to offset.

**1.11 Share capital**

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

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

**1.12 Financial liabilities**

The Bank recognises a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Bank's financial liabilities are composed of financial liabilities at fair value through profit or loss (classified as 'Derivative financial instruments') and financial liabilities which are not at fair value through profit or loss (classified as "Other liabilities") under IFRS 9. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability, these liabilities are subsequently measured at amortised cost. The Bank derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

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

Derivatives are categorised as financial liabilities classified as held for trading. Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included directly in profit or loss and are reported as 'Net trading income'. Interest expense on financial liabilities held for trading is included in 'Net interest income'.

**1.13 Contingent liabilities**

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

Where the Bank undertakes to make a payment on behalf of its customers for guarantees issued such as for performance bonds or as irrevocable letters of credit for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Other contingent liabilities primarily include irrevocable letters of credit such as shipping guarantees.

**1.14 Provisions**

The Bank may, in the normal course of business, receive legal claims against it. Where appropriate the Bank recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. As at the end of the reporting period, there were no legal claims against the Bank.

**1.15 Commitments**

Where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees whether cancellable or not or letters of credit and the Bank has not made payments at the end of the reporting period, those instruments are included in these financial statements as commitments

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

**1.16 Interest income and expense**

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**1.17 Fee and commission income and expense**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees received by the Bank for loans which are probable of being drawn down, are an integral part of generating an involvement with the resulting financial instrument and, together with the related direct costs, are deferred and recognised as an adjustment to the effective interest rate on the loan using the effective interest method. Other fees and commission income, including account servicing fees and corporate servicing fees are recognised in the accounting period in which the services are rendered. Commissions and fees arising from negotiating a transaction are recognised on completion of the underlying transaction.

**1.18 Net trading income**

Trading income represents income from foreign exchange transactions and balances, net income from derivatives, as well as gains and losses from changes in fair value on all financial assets measured at FVPL.

**1.19 Employee benefits**

*Funded defined contribution plan*

The Bank operates a post-employment scheme, which consists of a defined contribution pension plan. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Expenses relating to defined contribution plans are recognised as an expense in profit or loss, within administrative expenses.

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

**1.20 Cash and cash equivalents**

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

**2. Financial risk management**

**2.1 Financial risk factors**

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

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

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

The Bank's treasury function is responsible for managing assets, liabilities and the overall financial position and is also responsible for the management of funding and liquidity risks. The Bank's risk oversight function has the overall responsibility for the development of the entity's risk strategy and the implementation of risk principles, framework, policies and related limits.

*(a) Credit risk*

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Accordingly, management carefully manages its exposure to this risk. Credit exposures arise principally through the Bank's participation in trade financing transactions (including exposures to certain banks), its investments in debt securities, and also through the Bank's transactions with correspondent banks, and other exposures arising from activities such as those relating to derivative transactions.

**2. Financial risk management - continued**

**2.1 Financial risk factors – continued**

*(a) Credit risk – continued*

The following table presents the maximum exposure to credit risk from on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements. For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their carrying amount. For lending related commitments and contingencies that are irrecoverable over the life of the respective facilities, the maximum exposure to credit risk is generally the full amount of the Bank's irrevocable obligations.

	2025 US\$	2024 US\$
<b>Credit risk exposures relating to on-balance sheet assets:</b>		
Financial assets mandatorily measured at fair value through profit or loss:		
Debt securities (Note 5)	461,540	402,366
Financial assets measured at fair value through other comprehensive income:		
Debt securities (Note 5)	5,802,041	5,289,931
Financial assets held for trading:		
Derivative financial instruments (Note 6)	22,417	4,291
Amortised cost:		
Balances with Central Bank of Malta (Note 4)	3,789,919	21,802,332
Debt securities (Note 5)	23,720,177	28,834,935
Loans and advances to banks (Note 7)	19,012,691	22,887,879
Loans and advances to customers (Note 8)	55,182,790	41,011,443
Accrued interest income and other receivables (Note 13)	2,981,040	2,758,433
	110,972,615	122,991,610
<b>Credit risk exposures relating to off-balance sheet instruments:</b>		
Commitments and contingencies (Note 19)	11,339,274	23,606,473

The exposures set out in the preceding table are based on carrying amounts as reported in the statement of financial position. The table represents a worst-case scenario of credit risk exposure to the Bank as at 31 December 2025 and 2024, without taking account of any collateral held or any other credit enhancements attached.

2. **Financial risk management - continued**

2.1 **Financial risk factors – continued**

(a) *Credit risk – continued*

The following disclosure presents the gross carrying/nominal amounts of financial instruments measured at amortised cost to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL, as well as the fair value of financial instruments measured at FVOCI and the associated allowance for ECL.

	31 December 2025		31 December 2024	
	Gross carrying/nominal amount US\$	Allowance for ECL US\$	Gross carrying/nominal amount US\$	Allowance for ECL US\$
<b>Amortised cost</b>				
Balances with Central Bank of Malta	3,790,320	401	21,803,483	1,151
Debt securities	23,729,933	9,756	28,847,658	12,723
Loans and advances to banks	19,032,448	19,757	23,068,743	180,864
Loans and advances to customers	56,569,386	1,386,596	42,099,259	1,087,816
Accrued income and other assets	3,044,681	63,641	2,817,808	59,375
<b>Total gross carrying amount on-balance sheet</b>	<b>106,166,768</b>	<b>1,480,151</b>	<b>118,636,951</b>	<b>1,341,929</b>
Commitments and other contingencies	11,339,274	-	23,606,473	-
<b>Total nominal amount off-balance sheet</b>	<b>11,339,274</b>	<b>-</b>	<b>23,606,473</b>	<b>-</b>
	<b>117,506,942</b>	<b>1,480,151</b>	<b>142,243,424</b>	<b>1,341,929</b>

  

	31 December 2025		31 December 2024	
	Fair value US\$	Memorandum allowance for ECL US\$	Fair value US\$	Memorandum allowance for ECL US\$
<b>Financial assets measured at fair value through other comprehensive income</b>				
Debt securities	5,802,041	3,214	5,289,931	2,941
	<b>5,802,041</b>	<b>3,214</b>	<b>5,289,931</b>	<b>2,941</b>

Undrawn commitments substantially arises from loans and advances to customers. ECL in respect of undrawn commitments, which are not deemed material, have been allocated to loans and advances to customers.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (a) Credit risk - continued

The following table presents the distribution, by stage, of financial instruments to which the impairment requirements in IFRS 9 are applied, and the associated ECL as at 31 December 2025 and as at 31 December 2024. The financial assets recorded in each stage have the following characteristics:

- Stage 1: unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised;
- Stage 2: a significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised; and
- Stage 3: objective evidence of impairment, and are therefore considered to be credit impaired on which a lifetime ECL is recognised.

	Gross carrying/nominal amount				Allowance for ECL			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Credit risk exposures relating to on-balance sheet assets:</b>								
Balances with Central Bank of Malta	3,790,320	-	-	3,790,320	401	-	-	401
Investment securities	29,531,974	-	-	29,531,975	12,970	-	-	12,970
Loans and advances to banks	19,032,448	-	-	19,032,448	19,757	-	-	19,757
Loans and advances to customers	54,894,085	-	1,675,301	56,569,386	401,158	-	985,438	1,386,596
Accrued income and other assets	3,044,681	-	-	3,044,681	63,641	-	-	63,641
	<b>110,293,508</b>	<b>-</b>	<b>1,675,301</b>	<b>111,968,809</b>	<b>497,927</b>	<b>-</b>	<b>985,438</b>	<b>1,483,365</b>
<b>Credit risk exposures relating to off-balance sheet:</b>								
Commitments and other contingencies	11,339,274	-	-	11,339,274	-	-	-	-
<b>At 31 December 2025</b>	<b>121,632,782</b>	<b>-</b>	<b>1,675,301</b>	<b>123,308,083</b>	<b>497,927</b>	<b>-</b>	<b>985,438</b>	<b>1,483,365</b>
<b>Credit risk exposures relating to on-balance sheet assets:</b>								
Balances with Central Bank of Malta	21,803,483	-	-	21,803,483	1,151	-	-	1,151
Investment securities	34,137,589	-	-	34,137,589	15,664	-	-	15,664
Loans and advances to banks	23,068,743	-	-	23,068,743	180,864	-	-	180,864
Loans and advances to customers	39,300,483	-	2,798,776	42,099,259	335,819	-	751,997	1,087,816
Accrued income and other assets	2,817,808	-	-	2,817,808	59,375	-	-	59,375
	<b>121,128,106</b>	<b>-</b>	<b>2,798,776</b>	<b>123,926,882</b>	<b>592,873</b>	<b>-</b>	<b>751,997</b>	<b>1,344,870</b>
<b>Credit risk exposures relating to off-balance sheet:</b>								
Commitments and other contingencies	23,606,473	-	-	23,606,473	-	-	-	-
<b>At 31 December 2024</b>	<b>144,734,579</b>	<b>-</b>	<b>2,798,776</b>	<b>147,533,355</b>	<b>592,873</b>	<b>-</b>	<b>751,997</b>	<b>1,344,870</b>

## 2. Financial risk management - continued

### 2.1 Financial risk factors – continued

#### (a) Credit risk – continued

*Loans and advances to banks and customers within the trade finance portfolio and real estate portfolio*

The following table presents loans and advances to customers and loans and advances to banks within the trade finance portfolio by industry and geographical concentration and by stage allocation, as well as the associated ECL as at 31 December 2025 and 2024. For the purposes of this table, the Bank has allocated exposures to regions based on the country of domicile of the respective counterparties or customers. As at 31 December 2025 and 2024, the geographical exposures in the table below do not consist of individually significant exposures at a country level.

	2025							
	Stage 1 US\$	Gross carrying amount		Total US\$	Stage 1 US\$	Allowance for ECL		Total US\$
By industry		Stage 2 US\$	Stage 3 US\$			Stage 2 US\$	Stage 3 US\$	
Wholesale trade of commodities	27,149,035	-	1,307,857	28,456,892	183,320	-	790,645	973,965
Manufacturing of commodities	2,574,200	-	367,444	2,941,644	3,483	-	194,793	198,276
Real estate and construction	21,961,050	-	-	21,961,050	93,251	-	-	93,251
Banking	13,005,225	-	-	13,005,225	19,757	-	-	19,757
Transportation and storage	3,209,800	-	-	3,209,800	64,756	-	-	64,756
<b>At 31 December</b>	<b>67,899,309</b>	<b>-</b>	<b>1,675,301</b>	<b>69,574,611</b>	<b>364,567</b>	<b>-</b>	<b>985,438</b>	<b>1,350,005</b>
By geography								
Asia	16,171,571	-	1,307,857	17,479,428	171,577	-	790,645	962,222
EU countries	28,435,709	-	-	28,435,709	127,047	-	-	127,047
Other countries in Europe	2,677,795	-	367,444	3,045,239	26,644	-	194,793	221,437
Rest of the world	20,614,235	-	-	20,614,235	39,299	-	-	39,299
<b>At 31 December</b>	<b>67,899,309</b>	<b>-</b>	<b>1,675,301</b>	<b>69,574,611</b>	<b>364,567</b>	<b>-</b>	<b>985,438</b>	<b>1,350,005</b>
	2024							
By industry	Stage 1 US\$	Gross carrying amount		Total US\$	Stage 1 US\$	Allowance for ECL		Total US\$
		Stage 2 US\$	Stage 3 US\$			Stage 2 US\$	Stage 3 US\$	
Wholesale trade of commodities	21,003,904	-	1,307,857	22,311,761	104,977	-	534,390	639,367
Manufacturing of commodities	2,199,777	-	1,490,919	3,690,696	52,121	-	217,607	269,728
Real estate and construction	13,971,802	-	-	13,971,802	68,585	-	-	68,585
Banking	16,349,612	-	-	16,349,612	180,599	-	-	180,599
Transportation and storage	2,125,000	-	-	2,125,000	54,191	-	-	54,191
<b>At 31 December</b>	<b>55,650,095</b>	<b>-</b>	<b>2,798,776</b>	<b>58,448,871</b>	<b>460,473</b>	<b>-</b>	<b>751,997</b>	<b>1,212,470</b>
By geography								
Asia	12,072,955	-	1,307,857	13,380,812	141,568	-	534,390	675,958
EU countries	17,482,752	-	-	17,482,752	111,849	-	-	111,849
Other countries in Europe	8,223,966	-	343,413	8,567,379	9,073	-	171,707	180,780
Rest of the world	17,870,422	-	1,147,506	19,017,928	197,983	-	45,900	243,883
<b>At 31 December</b>	<b>55,650,095</b>	<b>-</b>	<b>2,798,776</b>	<b>58,448,871</b>	<b>460,473</b>	<b>-</b>	<b>751,997</b>	<b>1,212,470</b>

## 2. Financial risk management - continued

### 2.1 Financial risk factors – continued

#### (a) Credit risk – continued

In order to manage its principal risk exposures arising from its financial assets, primarily its loans and advances to customers and loans and advances to banks under the trade finance portfolio, the Bank compiles and updates due diligence reports in respect of these financial assets.

The creditworthiness of counterparties or customers is formally evaluated and appropriate exposure limits are established. Credit review procedures are designed to identify at an early stage, exposures which require more detailed monitoring and review. Exposure to credit risk is managed through regular analysis of the ability of counterparties and potential counterparties to meet interest and capital repayment obligations and by changing the exposure limits where deemed appropriate. The Bank manages adherence to limits by reference to reporting mechanisms covering exposures and controls concentrations of risk wherever they are identified.

The Bank focuses on the compilation, together with ongoing and event-driven updating of due diligence analyses taking cognisance of actual account developments, repayment history, ability to meet commitments and collateral measurement.

The Bank's approach when granting credit facilities is based on the counterparties' capacity to repay rather than placing primary reliance on credit risk mitigants. Notwithstanding, as part of the Bank's credit risk mitigation techniques, the Bank holds collateral against loans and advances to customers, for which the nature and level generally depends on the amount of the exposure, the type of facility provided, the term of the facility and the level of credit risk involved.

The most common practice used by the Bank to mitigate credit risk with respect to loans and advances to customers is securing collateral. The main collateral types obtained by the Bank to secure against losses from loans and advances to customers are (a) cash; (b) mortgaged assets including property; (c) goods or commodities under shipment; as well as (d) insurance covers. The following table presents the Bank's loans and advances to customers and the related interest receivable, gross of impairment allowances, together with the type of collateral attached to the loan and the corresponding value of collateral capped at the gross carrying amount, analysed by stage classification. The collateral value of goods, commodities and mortgaged assets represents their market value, which is usually in excess of the gross carrying amount, hence in the table below, the value of collateral is capped at 100% of the gross carrying amount. Other collateral is included in the table at 100% of the guaranteed amount.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(a) Credit risk - continued*

	Gross on- balance sheet exposure US\$	Cash US\$	Mortgaged assets US\$	Goods/ Commodities US\$	Insurance US\$	Net maximum exposure US\$
<b>31 December 2025</b>						
Stage 1	54,894,085	2,751,840	30,041,364	7,467,188	5,290,189	9,343,503
Stage 2	-	-	-	-	-	-
Stage 3	1,675,301	-	-	-	-	1,675,301
	<b>56,569,386</b>	<b>2,751,840</b>	<b>30,041,364</b>	<b>7,467,188</b>	<b>5,290,189</b>	<b>11,018,804</b>
<b>31 December 2024</b>						
Stage 1	39,300,483	2,736,240	14,902,069	5,989,957	5,864,295	9,807,922
Stage 2	-	-	-	-	-	-
Stage 3	2,798,776	-	-	1,147,506	-	1,651,270
	<b>42,099,259</b>	<b>2,736,240</b>	<b>14,902,069</b>	<b>7,137,463</b>	<b>5,864,295</b>	<b>11,459,192</b>

Loans and advances to banks as part of the trade finance portfolio are classified as Stage 1 and are unsecured.

The Bank uses external ratings such as Fitch ratings or their equivalents to monitor the credit risk exposures for its loans and advances to banks under the trade finance portfolio. The table below represents the Bank's loans and advances to banks under the trade finance portfolio by rating, net of ECL as at 31 December:

	2025 US\$	2024 US\$
B	2,388,025	1,981,298
B-	419,143	10,058,898
BB	10,179,029	-
BB-	-	1,988,922
BBB-	-	1,999,660
Unrated	-	140,350
<b>Total</b>	<b>12,986,197</b>	<b>16,169,128</b>

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (a) Credit risk - continued

The Bank is exposed to a significant concentration of credit risk with respect to its loans and advances to customers as they are due from a limited number of customers. The following tables sets out the loans and advances to customers deemed to be large exposures for regulatory reporting purposes, prior to any eligible exemptions, in accordance with the requirements of Part Four of the Capital Requirements Regulations (CRR), Large Exposures by stage.

	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>As at 31 December 2025:</b>				
Gross carrying/nominal amount	42,022,816	-	-	42,022,816
Allowance for ECL	290,706	-	-	290,706
Percentage of loans and advances to customers	74.29%	-	-	-
<b>As at 31 December 2024:</b>				
Gross carrying/nominal amount	28,838,959	-	-	28,838,959
Allowance for ECL	235,448	-	-	235,448
Percentage of loans and advances to customers	70.32%	-	-	70.32%

#### (a) Credit risk - continued

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due ('DPD') and are transferred from Stage 1 to Stage 2. Past due financial instruments are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities.

As at 31 December 2025 and 2024, the Bank had no loans and advances to customers and banks under the trade finance portfolio classified as Stage 2 which were past due.

There are instances where the contractual terms of a loan may be modified, due to for example, changing market conditions and other factors not related to the credit quality of a customer. Where however, the modifications to contractual terms relate to a customer's financial difficulties, this is referred to as forbearance. Loan forbearance is undertaken by the Bank very selectively and is only granted in situations where the Bank assesses that the customer has the ability to meet the revised contractual terms. As part of its forbearance measures, the Bank may extend payment terms, reduce interest or principal repayments, and defer foreclosure of collateral.

Forbearance is objective evidence of impairment and a forbore loan is deemed to be credit impaired (i.e. Stage 3) when there has been a change in contractual cash flows as a result of a concession which the Bank would otherwise not consider, and it is probable that the customer would be unable to meet the contractual payment obligations in full. Forborne loans are not classified as credit impaired (i.e. Stage 3) where the contractual cash flows arising from the forbearance measures are expected to be collected in full.

When a loan is restructured as part of a forbearance strategy and the restructuring results in a derecognition of the existing loan, the new loan is considered forborne. A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated loan is substantially a different financial instrument.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

As at 31 December 2025, the Bank classified gross exposure balances for two (2024: three) borrowers as forborne, all of which are classified in Stage 3 amounting to US\$1,675,301 (2024: US\$2,798,776). The corresponding allowance for ECL amounted to US\$985,438 (2024: US\$751,997).

The total renegotiated/forborne loans and advances to customers for 2025 represent 2.96% (2024: 4.99%) of total gross loans and advances to customers. No interest income was recognised in 2025 in respect of forborne assets (2024: US\$27,309).

The following table shows the movement in forbearance activity during the year:

	<b>2025</b>	2024
	<b>US\$</b>	US\$
At 1 January	<b>2,046,779</b>	3,724,862
Additions	<b>516,912</b>	-
Repayments	<b>(1,123,475)</b>	(621,795)
Amounts written off	<b>(516,912)</b>	(2,878,566)
Movement in allowances for expected credit losses	<b>(233,441)</b>	1,822,278
	<hr/>	<hr/>
At 31 December	<b>689,863</b>	2,046,779

Forborne loans are analysed by geographical location as follows:

	<b>2025</b>	2024
	<b>US\$</b>	US\$
<b>As at 31 December</b>		
Other countries in Europe (non-EU)	<b>183,722</b>	171,707
Rest of world	<b>506,141</b>	1,875,072
	<hr/>	<hr/>
	<b>689,863</b>	2,046,779

The following disclosure provides a reconciliation by stage of the Bank's gross carrying/nominal amount and allowances for loans and advances to customers.

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

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

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(a) Credit risk – continued*

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

As at 31 December 2025, the increase in ECLs was driven by a combination of factors but mainly from the remeasurement of ECLs related to Stage 3 exposures and an increase in the volume of loans during the year.

As at 31 December 2024, the decrease in ECLs was mainly driven by write-offs to Stage 3 loans during the year. The decrease was neutralised by additional ECLs recognised on Stage 3 loans, mainly coming from change in the risk parameters surrounding the remaining Stage 3 loans.

The movement in ECL is illustrated in the following tables:

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Credit risk – continued

	Stage 1		Non-credit impaired		Stage 2		Credit impaired Stage 3		Total	
	Gross carrying amount US\$	Allowance for ECL US\$	Gross carrying amount US\$	Allowance for ECL US\$	Gross carrying amount US\$	Allowance for ECL US\$	Gross carrying amount US\$	Allowance for ECL US\$	Gross carrying amount US\$	Allowance for ECL US\$
At 31 December 2024	39,300,483	335,819	-	-	2,798,776	751,997	42,099,259	1,087,816	-	-
Stage transfers	-	-	-	-	-	-	-	-	-	-
Net remeasurement of ECL arising from stage transfer	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters	(516,912)	(59,901)	-	-	-	279,438	(516,912)	219,537	-	(8,924)
Write-off	16,158,604	134,164	-	-	(1,123,475)	(45,997)	15,035,129	88,167	-	-
Net new and further lending/(repayments)										
<b>At 31 December 2025</b>	<b>54,894,085</b>	<b>401,158</b>	<b>-</b>	<b>-</b>	<b>1,675,301</b>	<b>985,438</b>	<b>56,569,386</b>	<b>1,386,596</b>	<b>298,780</b>	<b>516,912</b>
Change in expected credit losses on loans and advances to customers									298,780	516,912
Written-off									4,266	(750)
Change in expected credit losses attributable to:									(161,107)	
Accrued interest income and other assets									274	(2,967)
Balances with Central bank of Malta										
Loans and advances to banks										
Financial assets measured at fair value through other comprehensive income										
Financial assets measured at amortised cost										
<b>Total expected credit loss charge for the year</b>									<b>655,408</b>	

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Credit risk – continued

	Stage 1		Non-credit impaired		Credit impaired		Total
	Gross carrying amount US\$	Allowance for ECL US\$	Gross carrying amount US\$	Allowance for ECL US\$	Gross carrying amount US\$	Allowance for ECL US\$	
At 31 December 2023	28,759,755	435,825	-	-	6,299,637	2,574,775	35,059,392
Stage transfers	-	-	-	-	-	-	-
Net remeasurement of ECL arising from stage transfer	-	-	-	-	-	-	-
Changes in risk parameters	-	(190,320)	-	-	-	1,179,129	988,809
Write-off	-	-	-	-	(2,878,566)	(2,878,566)	(2,878,566)
Net new and further lending/(repayments)	10,540,728	90,314	-	-	(622,295)	(123,341)	9,918,433
<b>At 31 December 2024</b>	<b>39,300,483</b>	<b>335,819</b>	<b>-</b>	<b>-</b>	<b>2,798,776</b>	<b>751,997</b>	<b>42,099,259</b>
Change in expected credit losses on loans and advances to customers							(1,922,784)
Written-off							2,878,566
Recoveries							2,285
Change in expected credit losses attributable to:							(22,609)
Accrued interest income and other assets							299
Balances with Central bank of Malta							102,480
Loans and advances to banks							(411)
Financial assets measured at fair value through other comprehensive income							(2,994)
Financial assets measured at amortised cost							1,034,832
<b>Total expected credit loss charge for the year</b>							<b>1,034,832</b>

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (a) Credit risk - continued

In accordance with IFRS 9, the Bank incorporates forward-looking economic forecasts into its ECL estimates.

More specifically, the Bank applies forward economic scenarios into the calculation of ECL by incorporating the effect of macroeconomic variables into the estimation of the term structure of the PD. In order to model the impact of economic scenarios on PDs, the Bank determines, through a historical analysis, which macroeconomic variables correlate best to the Bank's default rates. The impact of these scenarios on PD is modelled over a period equal to the remaining maturity of underlying asset. The macro-economic variable with the strongest correlation with its trade finance portfolio is the World Real GDP growth, whereas the macro-economic variable with the strongest correlation to its real estate portfolio is the change in the employment rate in Malta.

IFRS 9 does not require every possible scenario to be identified. However, it requires the Bank to estimate ECLs by taking into consideration multiple forward-looking macroeconomic scenarios, since the use of a single 'most likely' scenario is not deemed sufficient.

In this respect, the Bank has adopted the use of multiple scenarios representative of forecast economic conditions sufficient to calculate unbiased expected losses and sources different publicly available economic forecasts from reputable international institutions that represent a 'most likely outcome' (the Baseline scenario) and less likely 'Alternative' scenario. Each scenario is weighted by an appropriate probability of occurrence, determined on the basis of scenarios and respective probability weights judgmentally set by management. The probability weights reflect macroeconomic research representing information published both by banking authorities and reputable credit rating agencies. As at 31 December 2025, the probability weight assigned to the respective scenarios were 55% for the Baseline (2024: 55%) and 45% for the Alternative (2024: 45%).

As at 31 December 2025 and 2024, the macroeconomic scenarios used in the Bank's modelling of credit loss allowances reflect the potential macroeconomic impacts arising from geopolitical tensions in the eastern European region, supply chain disruptions in global trade and the high interest rate regime currently in place to combat inflation.

As a result, the measurement of ECLs in line with IFRS 9 involves the use of significant judgement firstly in selecting the baseline and alternative scenarios and secondly in determining the severity of those scenarios and as a result the respective probability of occurrence for each scenario used.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (a) Credit risk - continued

The ECL outcome is naturally sensitive to estimations made in this regard. As a result, management assessed and considered the sensitivity of the ECL outcome against the forward-looking economic conditions as part of the ECL governance process.

As at 31 December 2025 and 2024, the sensitivity of the ECL outcome to the economic forecasts was assessed by recalculating the ECL under the scenarios described above for loans and advances to customers, applying a 100% weighting to each scenario.

In this respect, if the ECL outcome was estimated solely on the basis of the baseline scenario, the credit loss allowances in respect of the loan portfolio would decrease by US\$53,314 (2024: US\$52,002) compared to the weighted average credit loss allowances estimated at year end amounting to US\$1,386,596 (2024: US\$1,087,816). If the ECL outcome was estimated solely on the basis of the alternative scenario, the credit loss allowances in respect of the loan portfolio would increase by US\$102,262 (2024: US\$85,310) compared to the weighted average credit loss allowances estimated at year end.

As at 31 December 2025, the sensitivity impact was not considered to be significant in view of the above, particularly when considering that a 100% weighting to the Alternative scenario leads to an increase in ECLs of approximately US\$100,000 in both 2025 and 2024.

The sensitivity analysis excludes the sensitivity of the ECL related to defaulted (stage 3) exposures. It is generally impracticable to separate the effect of macroeconomic factors in individual assessments of exposures in default. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the borrower than future economic scenarios, and defaulted exposures are a small portion of the overall lending exposure, even if representing majority of the allowance for ECL. Therefore, ECL in respect to stage 3 exposures is assumed to remain constant across the sensitivity outcomes reported above.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (a) Credit risk - continued

*Loans and advances to banks excluding those under the trade finance portfolio, and other financial assets*

In the normal course of business, the Bank places funds, carries out transactions and enters into forward foreign exchange contracts or currency swaps with specific high quality locally listed banks and international banks having a very high credit rating, subject to the application of a limit framework.

As part of its treasury management activities the Bank invests in debt securities issued by local and foreign governments, listed debt securities issued by foreign corporates generally with high credit quality and strong financial background as well as in rated sub-investment grade debt securities. These transactions are monitored through the practical use of exposure limits. All such investments are listed on the Malta Stock Exchange, which is currently the only locally-based Recognised Investment Exchange (RIE) in Malta and other major stock exchanges. External ratings such as Standard & Poor's rating or their equivalents are used for monitoring these credit risk exposures.

The following tables present an analysis of the Bank's financial assets by rating agency based on Fitch ratings or their equivalent.

	Balances With Central Bank of Malta US\$	Derivative financial instruments US\$	Financial assets mandatorily measured at fair value through profit or loss US\$	Financial assets measured at fair value through other comprehensive income US\$	Financial assets measured at amortised cost US\$	Loans and advances to banks US\$
<b>31 December 2025</b>						
AAA	-	-	-	-	-	-
AA+	-	-	-	-	-	-
AA	-	-	-	441,659	-	5,243,783
A+	3,790,320	-	-	-	23,739,689	-
A	-	-	-	539,504	-	-
A-	-	-	-	112,095	-	-
BBB+	-	-	-	-	-	-
BBB	-	-	-	790,158	-	88,330
BBB-	-	-	-	-	-	127,366
BB+	-	-	-	-	-	-
BB	-	-	-	-	-	-
BB-	-	-	-	-	-	450,453
B	-	-	-	-	-	60,501
B-	-	-	-	-	-	56,790
Unrated	-	22,417	461,540	3,918,625	-	-
<b>Total</b>	<b>3,790,320</b>	<b>22,417</b>	<b>461,540</b>	<b>5,802,041</b>	<b>23,739,689</b>	<b>6,027,223</b>

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(a) Credit risk - continued*

	Balances With Central Bank of Malta US\$	Derivative Financial Instruments US\$	Financial assets mandatorily measured at fair value through profit or loss US\$	Financial assets measured at fair value through other comprehensive income US\$	Financial assets measured at amortised cost US\$	Loans and advances to banks US\$
<b>31 December 2024</b>						
AAA	-	-	-	-	-	-
AA+	-	-	-	-	-	-
AA	-	-	-	-	-	5,133,149
A+	21,802,332	-	-	281,376	28,834,935	-
A	-	-	-	573,971	-	-
A-	-	-	-	96,005	-	-
BBB+	-	-	-	-	-	676,625
BBB	-	-	-	-	-	38,045
BBB-	-	-	-	732,622	-	411,563
BB+	-	-	-	-	-	-
BB	-	-	-	-	-	-
BB-	-	-	-	-	-	459,435
Unrated	-	4,291	402,366	3,605,957	-	-
<b>Total</b>	<b>21,802,332</b>	<b>4,291</b>	<b>402,366</b>	<b>5,289,931</b>	<b>28,834,935</b>	<b>6,718,817</b>

*(b) Market risk*

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

*Foreign exchange risk*

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

The Bank funds its growth through the acceptance of deposits predominantly denominated in euro.

The Bank manages its currency risk on an ongoing basis by ensuring that foreign currency liabilities are utilised to fund assets denominated in the same foreign currency thereby matching asset and liability positions as much as is practicable. When it is not possible to match the asset and liability currency positions, the Bank hedges its open foreign exchange exposures arising from customer deposits by entering into forward foreign exchange contracts or currency swaps.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(b) Market risk - continued*

*Foreign exchange risk - continued*

The following tables summarise the Bank's exposure to foreign currency risk as at 31 December 2025 and 2024. Included in the tables are the Bank's financial instruments at carrying amounts, categorised by currency.

	US\$	GBP US\$	EUR US\$	Total US\$
<b>As at 31 December 2025</b>				
<b>Financial assets</b>				
Balances with Central Bank of Malta	3,830	-	3,786,840	3,790,320
Financial assets mandatorily measured at fair value through profit and loss	-	-	461,540	461,540
Financial assets measured at fair value through other comprehensive income	-	-	5,802,041	5,802,041
Financial assets measured at amortised cost	-	-	23,720,177	23,720,177
Loans and advances to banks - at amortised cost	8,199,551	51,972	10,780,925	19,032,448
Loans and advances to customers - at amortised cost	27,443,714	367,444	28,758,228	56,569,386
Accrued income and other assets - at amortised cost	2,432,776	-	198,424	2,631,200
<b>Total financial assets</b>	<b>38,079,871</b>	<b>419,416</b>	<b>73,507,825</b>	<b>112,007,112</b>
<b>Financial liabilities</b>				
Amounts owed to customers - at amortised cost	16,337,067	3,262,414	68,641,756	88,254,996
Amounts owed to banks	5,500,000	-	-	5,500,000
Lease liabilities	-	-	381,797	381,797
Other liabilities	28,137	16,814	883,595	928,546
<b>Total financial liabilities</b>	<b>21,865,204</b>	<b>3,279,227</b>	<b>69,907,148</b>	<b>95,065,339</b>
Net on-balance sheet position		(2,859,812)	3,600,657	
Off-balance sheet net notional position		2,816,100	(1,997,500)	
Net currency exposure		(43,712)	1,603,177	

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(b) Market risk - continued*

*Foreign exchange risk - continued*

	US\$	GBP US\$	EUR US\$	Total US\$
<b>As at 31 December 2024</b>				
<b>Financial assets</b>				
Balances with Central Bank of Malta	3,830	-	21,799,653	21,803,483
Financial assets mandatorily measured at fair value through profit and loss	-	-	402,366	402,366
Financial assets measured at fair value through other comprehensive income	-	-	5,289,931	5,289,931
Financial assets measured at amortised cost	-	-	28,847,658	28,847,658
Loans and advances to banks - at amortised cost	20,279,948	418,847	2,369,948	23,068,743
Loans and advances to customers - at amortised cost	23,996,788	343,413	17,759,058	42,099,259
Accrued income and other assets - at amortised cost	2,474,605	-	343,203	2,817,808
<b>Total financial assets</b>	<b>46,755,171</b>	<b>762,260</b>	<b>76,811,817</b>	<b>124,329,248</b>
<b>Financial liabilities</b>				
Amounts owed to customers - at amortised cost	16,646,069	2,750,065	84,639,158	104,035,292
Lease liabilities	-	-	544,961	544,961
Other liabilities	259,185	14,299	709,398	982,882
<b>Total financial liabilities</b>	<b>16,905,254</b>	<b>2,764,364</b>	<b>85,893,517</b>	<b>105,563,135</b>
Net on-balance sheet Position		(2,002,104)	(9,081,700)	
Off-balance sheet net notional position		2,816,000	8,215,909	
Net currency exposure		3,176	(865,791)	

Under the scenario that the US dollar appreciates against the EUR from 0.8511 to 1.000 (2024: from 0.9626 to 1.0000) and against the GBP from 0.7457 to 1.0000 (2024: from 0.7979 to 1.0000), the impact recognised in profit or loss would amount to a pre-tax loss of US\$227,597 (2024: US\$88,586). If on the other hand, the US dollar depreciates against the EUR to 0.7000 (2024: 0.9526) and the GBP to 0.6357 (2024: 0.7879), the impact recognised in profit or loss would amount to a gain before tax of US\$278,172 (2024: US\$25,098).

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (b) Market risk - continued

##### Interest rate risk

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

	Floating rates US\$	Fixed rates US\$	Total US\$
<b>At 31 December 2024</b>			
<i>Interest-bearing assets</i>			
Financial assets mandatorily measured at fair value through profit and loss:			
Debt securities	-	402,366	402,366
Financial assets measured at fair value through other comprehensive income:			
Debt securities	-	5,289,931	5,289,931
Financial assets measured at amortised cost			
Debt securities	-	28,847,658	28,847,658
Loans and receivables - at amortised cost:			
Balances with Central Bank of Malta	-	21,803,483	21,803,483
Loans and advances to banks	-	23,068,743	23,068,743
Loans and advances to customers	22,120,072	19,979,187	42,099,259
	22,120,072	99,391,368	121,511,440
<i>Interest-bearing liabilities</i>			
Amounts owed to customers			
	13,408,232	90,627,060	104,035,292
	13,408,232	90,627,060	104,035,292
Net exposure	8,711,840	8,764,308	17,476,148
<b>At 31 December 2025</b>			
<i>Interest-bearing assets</i>			
Financial assets mandatorily measured at fair value through profit and loss:			
Debt securities	-	461,540	461,540
Financial assets measured at fair value through other comprehensive income:			
Debt securities	-	5,802,042	5,802,042
Financial assets measured at amortised cost			
Debt securities	-	23,729,933	23,729,933
Loans and receivables - at amortised cost:			
Balances with Central Bank of Malta	-	3,796,055	3,796,055
Loans and advances to banks	-	19,032,449	19,032,449
Loans and advances to customers	47,285,075	9,284,311	56,569,386
	47,285,075	62,106,330	109,391,405
<i>Interest-bearing liabilities</i>			
Amounts owed to customers			
	28,483,989	59,770,417	88,254,396
Amounts owed to banks			
	-	5,500,000	5,500,000
	28,483,989	65,270,417	93,754,396
Net exposure	18,801,094	(3,164,087)	15,637,009

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (b) Market risk - continued

##### *Interest rate risk - continued*

All financial instruments issued at fixed rates expose the Bank to economic fair value interest rate risk. Albeit, loans and advances to customers, loans and advances to banks, one of the portfolios of investment securities and amounts owed to customers are measured at amortised cost and are therefore not subject to fair value interest rate risk for the purposes of financial reporting.

Although such financial instruments are not subject to fair value interest rate risk for financial reporting purposes, the Bank manages the risk of an adverse impact to regulatory capital due to changes in market interest rates by measuring the expected change in the economic value of all instruments on equity ('EVE') as part of its annual Internal Capital Adequacy Assessment Process (ICAAP).

The Bank measures the expected change in EVE using six interest rate shocks mandated by the regulatory technical standards of the European Banking Authority (EBA) on supervisory outlier tests (EBA/RTS/2022/10), which includes a 200-bps parallel increase and 200-bps parallel decrease in interest rates, among others.

In addition, the Bank has established internal risk appetite limits around the expected change in EVE and monitors EVE sensitivities as a percentage of its Tier 1 capital.

As at 31 December 2025 and 2024, the Bank's instruments that are fair valued and which are subject to interest rate risk comprise the debt securities measured both at fair value through other comprehensive income and through profit or loss (Note 5). All of the Bank's investments in debt securities are subject to fixed interest rates.

A sensitivity analysis using modified duration was used to measure the potential change in market value arising from a 100 basis-point upward and downward parallel shifts in yields. Investment securities measured at fair value as at 31 December 2025 amount to US\$6,260,367 (2024: US\$5,692,297). The estimated impact of an immediate 200 basis point (2024: 100 basis point) parallel increase in yields as at 31 December 2025 on the fair valuation of these investments amounts to a reduction in the fair value of US\$50,338 (2024: US\$260,064). The estimated impact of an immediate 200 basis point (2024: 100 basis point) parallel decrease in yields as at 31 December 2025 on the fair valuation of these investments amounts to an increase in the fair value of US\$493,574 (2024: US\$275,250).

**2. Financial risk management – continued**

**2.1 Financial risk factors – continued**

*(b) Market risk – continued*

*Interest rate risk – continued*

The Bank is also exposed to cash flow interest rate risk principally in respect of financial assets and liabilities which are subject to floating interest rates or which are fixed rate but maturing within a 12 month horizon.

At the end of the reporting period, if interest rates had increased/decreased by 2% (2024: 2%) (assuming a parallel shift of 200 basis points (2024: 200 basis points) in yields) with all other variables held constant, in particular foreign currency rates, the post-tax result for the following one year, excluding changes in fair values would decrease/increase by US\$427,640 (2024: US\$177,020).

The following table summarises mismatch of the dates on which interest on financial assets and financial liabilities are next reset to market rates on a contractual basis or, if earlier, the dates on which the instruments mature as at 31 December.

	Within one month US\$	Within three months but over one month US\$	Within one year but over three months US\$	More than one year US\$	Total US\$
<b>As at 31 December 2025</b>					
<b>Financial assets</b>					
Balances with Central Bank of Malta	3,790,320	-	-	-	3,790,320
Financial assets mandatorily measured at fair value through profit or loss	-	-	-	461,540	461,540
Financial assets measured at fair value through other comprehensive income	-	-	-	5,802,042	5,802,042
Financial assets measured at amortised cost	-	-	23,720,177	-	23,720,177
Loans and advances to banks	10,238,441	8,794,108	-	-	19,032,449
Loans and advances to customers	50,048,997	4,700,000	1,820,389	-	56,569,386
	<b>64,077,758</b>	<b>13,494,108</b>	<b>25,540,566</b>	<b>6,263,582</b>	<b>109,375,914</b>
<b>Financial liabilities</b>					
Amounts owed to customers	39,481,288	11,037,411	23,947,552	13,788,146	88,254,396
Amounts owed to banks	5,500,000	-	-	-	5,500,000
	<b>44,981,288</b>	<b>11,037,411</b>	<b>23,947,552</b>	<b>13,788,146</b>	<b>93,754,396</b>
Interest rate gap	<b>19,096,470</b>	<b>2,456,698</b>	<b>1,593,014</b>	<b>(7,524,564)</b>	

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

(b) *Market risk - continued*

*Interest rate risk - continued*

	Within one month US\$	Within Three months but over one Month US\$	Within one year but over three months US\$	More than one year US\$	Total US\$
<b>As at 31 December 2024</b>					
<b>Financial assets</b>					
Balances with Central Bank of Malta	21,803,483	-	-	-	21,803,483
Financial assets mandatorily measured at fair value through profit or loss	-	-	-	402,366	402,366
Financial assets measured at fair value through other comprehensive income	-	-	-	5,289,931	5,289,931
Financial assets measured at amortised cost	-	-	7,821,160	21,026,498	28,847,658
Loans and advances to banks	8,859,501	5,509,242	8,700,000	-	23,068,743
Loans and advances to customers	38,894,659	970,068	235,155	1,999,377	42,099,259
	69,557,643	6,479,310	16,756,315	28,718,172	121,511,440
<b>Financial liabilities</b>					
Amounts owed to customers	26,832,246	19,513,049	40,255,240	17,434,757	104,035,292
	26,832,246	19,513,049	40,255,240	17,434,757	104,035,292
Interest rate gap	42,725,397	(13,033,739)	(23,498,925)	11,283,415	

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(c) Liquidity risk*

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

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

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

- financial assets measured at fair value through other comprehensive income; and
- unencumbered high quality liquid assets that are readily acceptable for repurchase agreements with the Central Bank of Malta.

Liquidity is managed by the Bank's treasury function and the Bank's liquidity management process, includes:

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

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

#### *(i) Liquidity Coverage Ratio*

Management monitors the Liquidity Coverage Ratio ('LCR') metric to gauge the short-term resilience of the Bank's liquidity profile. The LCR, a minimum regulatory standard, aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA'), which consist of cash or assets that can be converted into cash at little or no loss of value in the markets, to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. As at 31 December 2025 and 2024 and during the respective financial years, the LCR was within both the regulatory minimum and the risk appetite set by the Bank.

#### *(ii) Net Stable Funding Ratio*

The NSFR requires institutions to maintain sufficient stable funding relative to required stable funding, and reflects a bank's long-term funding profile (funding with a term of more than a year). It is designed to complement the LCR. The Bank calculates NSFR in line with the provisions of the Capital Requirements Regulation. As at 31 December 2025 and 2024 and during the respective financial years, the NSFR was within both the regulatory minimum and the risk appetite set by the Bank.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (c) Liquidity risk - continued

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

	Within one month US\$	Within three months but over one Month US\$	Within one year but over three months US\$	More than one year US\$	No maturity US\$	Total US\$
<b>As at 31 December 2025</b>						
<b>Financial assets</b>						
Balances with Central Bank of Malta	3,283,151	-	-	-	512,904	3,796,055
Financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	461,540	-	461,540
Financial assets measured at amortised cost	-	-	-	5,802,041	-	5,802,041
Loans and advances to banks	10,238,340	6,658,781	2,135,328	-	-	19,032,449
Loans and advances to customers	4,658,226	18,525,068	13,633,988	19,752,104	-	56,569,386
Derivative financial instruments	-	22,417	-	-	-	22,417
Accrued income and other assets	137,299	90,412	85,451	2,261,320	413,481	3,044,681
	<b>18,317,016</b>	<b>25,296,678</b>	<b>18,212,311</b>	<b>49,639,638</b>	<b>927,790</b>	<b>112,392,028</b>
<b>Financial liabilities</b>						
Amounts owed to customers	39,481,288	11,037,411	23,947,552	13,788,146	-	88,254,396
Amounts owed to banks	5,500,000	-	-	-	-	5,500,000
Lease liabilities	-	758	308,147	72,452	-	381,357
Derivative financial instruments	-	4,779	-	-	-	4,779
Other liabilities	620,073	69,726	124,633	96,706	-	911,138
	<b>45,601,362</b>	<b>11,112,674</b>	<b>24,380,332</b>	<b>13,957,304</b>	<b>-</b>	<b>95,051,671</b>
Maturity gap	<b>(27,284,346)</b>	<b>14,184,004</b>	<b>(6,168,021)</b>	<b>35,682,335</b>		
Cumulative gap	<b>(27,284,346)</b>	<b>(13,100,342)</b>	<b>(19,268,362)</b>	<b>16,413,973</b>		

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(c) Liquidity risk - continued*

	Within one month US\$	Within three months but over one month US\$	Within one year but over three months US\$	More than one year US\$	No maturity US\$	Total US\$
<b>As at 31 December 2024</b>						
<b>Financial assets</b>						
Balances with Central Bank of Malta	21,191,695	-	-	-	611,788	21,803,483
Financial assets mandatorily measured at fair value through profit or loss	-	-	-	402,366	-	402,366
Financial assets measured at fair value through other comprehensive income	-	-	-	5,289,931	-	5,289,931
Financial assets measured at amortised cost	-	-	7,821,160	21,026,498	-	28,847,658
Loans and advances to banks	8,859,501	5,509,242	8,700,000	-	-	23,068,743
Loans and advances to customers	2,737,357	12,126,795	8,339,527	18,895,580	-	42,099,259
Derivative financial instruments	-	4,291	-	-	-	4,291
Accrued income and other assets	61,827	31,966	219,369	2,220,243	284,403	2,817,808
	32,850,380	17,672,294	25,080,056	47,834,618	896,191	124,333,539
<b>Financial liabilities</b>						
Amounts owed to customers	26,832,246	19,513,049	40,255,240	17,434,757	-	104,035,292
Amounts owed to banks	-	-	-	-	-	-
Lease liabilities	-	76,319	183,015	285,627	-	544,961
Derivative financial instruments	22,204	106,321	16,761	-	-	145,286
Other liabilities	457,776	150,231	253,443	121,432	-	982,882
	27,312,226	19,845,920	40,708,459	17,841,816	-	105,708,421
Maturity gap	5,538,154	(2,173,626)	(15,628,403)	29,992,802		
Cumulative gap	5,538,154	3,364,528	(12,263,875)	17,728,927		

As at 31 December 2025, call accounts payable on demand amounting to US\$28,483,978 (2024: US\$13,408,232) are disclosed within the 'Within one month' maturity grouping. However, in practice, these deposits are maintained with the Bank for longer periods than one month.

As at 31 December 2025, financial assets measured at fair value through other comprehensive income amounting to US\$5,802,041 (2024: US\$5,289,931) and financial assets measured at fair value through profit or loss amounting to US\$461,540 (2024: US\$402,366), which principally mature after more than one year, were available for immediate sale in case the need arises, including under stress.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(c) Liquidity risk - continued*

In addition, financial assets measured at amortised cost with a carrying amount of US\$23,720,177 (2024: US\$24,980,822) had been pledged in favour of the Central Bank of Malta for the purpose accessing the European Central Bank's open market operations. As at 31 December 2025, the Bank had drawn US\$5,000,000 (2024: nil) against these pledged assets. In this respect, the Bank has an additional US\$14,163,670 (2024: US\$24,980,822) against which it can access Central Bank liquidity if and when needed.

Although settled on a gross basis, the amounts attributable to derivative contracts have been included above on a net basis. Gross contractual undiscounted cashflows relating to derivative transactions are included below.

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

	Within one month US\$	Within three months but over one month US\$	Within one year but over three months US\$	More than one year US\$	Total US\$	Carrying amount US\$
<b>As at 31 December 2025</b>						
Amounts owed to customers	39,737,398	11,148,944	24,363,804	14,177,249	89,427,394	88,254,395
Amounts owed to banks	5,513,108	-	-	-	5,513,108	5,500,000
Lease liabilities	-	766	310,536	77,866	389,168	311,320
Other liabilities	716,281	181,259	540,885	485,810	1,924,235	911,138
	<b>85,448,077</b>	<b>22,368,379</b>	<b>49,162,778</b>	<b>28,529,069</b>	<b>185,508,302</b>	<b>94,976,854</b>
<b>As at 31 December 2024</b>						
Amounts owed to customers	21,560,699	19,663,280	40,508,683	22,897,134	104,629,796	104,035,292
Lease liabilities	-	76,319	183,015	285,627	544,961	544,961
Other liabilities	457,776	150,231	253,443	121,432	982,882	982,882
	<b>22,018,475</b>	<b>19,889,830</b>	<b>40,945,141</b>	<b>23,304,193</b>	<b>106,157,639</b>	<b>105,563,135</b>

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(c) Liquidity risk - continued*

The Bank's currency derivatives are all settled on a gross basis. The following tables analyse the Bank's derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Contracted undiscounted cash flows		
	Within three Months US\$	Over three months US\$	Total US\$
<b>At 31 December 2025</b>			
Inflows	9,476,260	-	9,476,260
Outflows	(9,487,330)	-	(9,487,330)
	(11,070)	-	(11,070)
<b>At 31 December 2024</b>			
Inflows	10,053,945	237,239	10,291,184
Outflows	(10,191,092)	(254,000)	(10,445,092)
	(137,147)	(16,761)	(153,908)

## 2. Financial risk management - continued

### 2.2 Capital risk management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' as disclosed in the statement of financial position, are:

- to comply with the capital requirements set by the Malta Financial Services Authority ('MFSA');
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital/own funds are monitored on an ongoing basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Union Directives and Regulations, as implemented by the MFSA for supervisory purposes.

The minimum capital requirements are calculated for credit, market and operational risks. During the year, the Bank utilised the Standardised Approach for credit risk, the Standardised Approach for operational risk and the Basic Method for foreign exchange risk in order to calculate the Pillar 1 minimum capital requirements.

For credit risk, under the standardised approach, risk weights are determined according to credit ratings provided by internationally recognised credit agencies such as Fitch or their equivalents and by using the applicable regulatory risk weights for unrated exposures. Under this standardised approach for operational risk, the capital requirement for operational risk is determined on the basis of the Bank's Business Indicator (BI), proxy based on three-year averages of income and expenses, including interest, lease, dividend (ILDC), services (SC), and financial components (FC).

The Basic Method for market risk requires the Bank to allocate 8% of its overall net foreign exchange position to calculate the capital requirement for foreign exchange risk.

To ensure sound capital risk management, the Bank has in place an internal capital adequacy assessment process ('ICAAP'). The ICAAP is an assessment of the Bank's capital position, outlining both regulatory and internal capital resources and requirements resulting from the Bank's business model, strategy, risk profile and management, performance and planning, risks to capital, and the implications of stress testing. The Bank's assessment of capital adequacy is driven by an assessment of risks. These risks include credit, operational, foreign exchange and interest rate risk in the banking book. The Bank's ICAAP supports the determination of the capital risk appetite and target ratios, as well as enables the assessment and determination of capital requirements by regulators. The Bank prepares ICAAPs in line with guidance issued by the ECB, the EBA and the MFSA.

During the financial years ended 31 December 2025 and 2024, the Bank has met all external capital requirements at all times.

**2. Financial risk management - continued**

**2.3 Fair value of financial instruments**

*Financial instruments measured at fair value*

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

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

	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Total US\$</b>
<b>As at 31 December 2025</b>			
<b>Assets</b>			
Financial assets mandatorily measured at fair value through profit or loss:			
Debt securities	461,540	-	461,540
Financial assets measured at fair value through other comprehensive income:			
Debt securities	5,802,041	-	5,802,041
Financial assets held-for-trading:			
Derivative financial assets	-	22,417	22,417
Total financial assets at fair value	6,263,581	22,417	6,285,998
<b>Liabilities</b>			
Derivative financial liabilities	-	4,779	4,779
<b>As at 31 December 2024</b>			
<b>Assets</b>			
Financial assets mandatorily measured at fair value through profit or loss:			
Debt securities	402,366	-	402,366
Financial assets measured at fair value through other comprehensive income:			
Debt securities	5,289,931	-	5,289,931
Financial assets held-for-trading:			
Derivative financial assets	-	4,291	4,291
Total financial assets at fair value	5,692,297	4,291	5,696,588
<b>Liabilities</b>			
Derivative financial liabilities	-	145,286	145,286

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

**2. Financial risk management - continued**

**2.3 Fair value of financial instruments – continued**

*(a) Financial instruments in Level 1*

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

As at 31 December 2025 and 2024, instruments included in level 1 comprise primarily debt securities issued by the Government of Malta and listed on the Malta Stock Exchange as well as debt securities listed on other recognised investment exchanges.

*(b) Financial instruments in Level 2*

Fair values for the Bank's derivative contracts are determined utilising valuation techniques, involving primarily the use of discounted cash flow techniques. The fair values referred to are determined by reference to market prices or rates (forward foreign exchange rates) quoted at the end of the reporting period. The valuation techniques used are supported by observable market prices or rates since their variables include only data from observable markets. The Bank's derivative financial instruments are accordingly categorised as level 2 instruments.

*Financial instruments not measured at fair value*

As at 31 December 2025, financial assets measured at amortised cost include debt securities having a carrying amount of US\$23,720,177 (2024: US\$28,847,658). The fair value of these financial assets as at 31 December 2025 amounted to US\$19,931,173 (2024: US\$25,635,741). These estimates are considered level 1 fair value estimates.

Loans and advances to banks and customers and amounts owed to banks and customers are carried at amortised cost in the statement of financial position. The directors consider the carrying amounts of loans and advances to customers and banks to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods. The fair value of fixed interest deposits and amounts owed to banks, is not deemed to be significantly different from their carrying amounts, based on discounted cash flows at current market interest rates, particularly due to the relatively short periods to maturity.

### 3. Critical estimates and judgments

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

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

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

The measurement of the expected credit loss allowance for loans and advances to customers is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour. In this respect, a number of significant judgements are made by management. Most notably, these include defining SICR and UTP criteria and determining whether a SICR or UTP event has occurred (Note 1.3). Judgement is also required in choosing appropriate assumptions for the measurement of ECLs, both in the case of modelled ECLs for Stage 1 and Stage 2 exposures, as well as in the case of defaulted/Stage 3 loans, which depend on estimating borrower's cashflows.

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

In view of this uncertainty, management considered the sensitivity of the ECL outcome to the macro-economic forecasts by recalculating the ECL under the different scenarios, applying a 100% weighting to each scenario, the effect of which is disclosed in Note 2.1(a).

### 4. Cash and balances with Central Bank of Malta

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Cash in hand	<b>6,136</b>	2,878
Balances with Central Bank of Malta	<b>3,790,320</b>	21,803,483
Allowances for expected credit losses	<b>(401)</b>	(1,151)
	<b>3,796,055</b>	21,805,210

The average reserve deposit held with the Central Bank of Malta for the relevant maintenance period in terms of Regulation (EC) No. 1745 2003 of the European Central Bank amounted to \$512,904 (2024: \$635,587). As at 31 December 2025, other balances with the Central Bank of Malta in euro were remunerated at the Eurosystem deposit facility rate which as at 31 December attracted an interest rate of 2% per annum (2024: 3%).

**5. Investment securities**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Financial assets mandatorily measured at fair value through profit or loss:		
Debt securities	<b>461,540</b>	402,366
Financial assets measured at fair value through other comprehensive income:		
Debt securities	<b>5,802,041</b>	5,289,931
Financial assets measured at amortised cost:		
Debt securities	<b>23,720,177</b>	28,834,935
	<b>29,983,758</b>	34,527,232

As at 31 December 2025, the Bank had pledged financial assets measured at amortised cost with a carrying amount of US\$23,720,177 (2024: US\$28,834,935) in favour of the Central Bank of Malta as security in respect of the Bank's participation in the European Central Bank's open market operations (Note 17).

The cash value of unutilised borrowing facilities (headroom) of the Bank as at 31 December 2025 which are secured by the investment securities referred to above amounted to US\$14,163,670 (2024: US\$24,980,822).

The Bank's debt securities consist entirely of listed securities and are analysed by issuer as follows:

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Financial assets mandatorily measured at fair value through profit or loss:		
Corporates and credit institutions	<b>461,540</b>	402,366
	<b>461,540</b>	402,366

**5. Investment securities - continued**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Financial assets measured at fair value through other comprehensive income:		
Local government	<b>315,925</b>	281,376
Corporates and credit institutions	<b>5,486,116</b>	5,008,555
	<b>5,802,041</b>	5,289,931
<hr/>		
Allowances for expected credit losses		
Local government	<b>(67)</b>	(68)
Corporates and credit institutions	<b>(3,147)</b>	(2,873)
	<b>(3,214)</b>	(2,941)
<hr/>		
	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Financial assets measured at amortised cost		
Local government	<b>23,729,933</b>	28,847,658
	<b>23,729,933</b>	28,847,658
<hr/>		
Allowances for expected credit losses		
Local government	<b>(9,756)</b>	(12,723)
	<b>(9,756)</b>	(12,723)
<hr/>		

**5. Investment securities - continued**

The movement in investment securities are summarised below:

	2025			
	Measured at fair value through profit or loss US\$	Measured at fair value through other comprehensive income US\$	Measured at amortised cost US\$	Total US\$
At 1 January	402,366	5,286,990	28,834,935	34,524,291
Disposals/redemptions	-	-	(8,679,450)	(8,679,450)
Amortisation	-	(16,064)	(74,988)	(91,052)
Net fair value movements	59,174	(248,434)	-	(189,260)
Movements in ECL	-	-	2,967	2,967
Effect of foreign exchange movement	-	779,549	3,636,713	4,416,262
<b>At 31 December</b>	<b>461,540</b>	<b>5,802,041</b>	<b>23,720,177</b>	<b>29,983,758</b>

  

	2024			
	Measured at fair value through profit or loss US\$	Measured at fair value through other comprehensive income US\$	Measured at amortised cost US\$	Total US\$
At 1 January	414,640	5,290,436	31,814,557	37,519,633
Acquisitions	-	284,507	-	284,507
Disposals/redemptions	-	-	(1,050,402)	(1,050,402)
Amortisation	-	(33)	(151,454)	(151,487)
Net fair value movements	(12,274)	59,748	-	47,474
Movements in ECL	-	-	(2,994)	(2,994)
Effect of foreign exchange movement	-	(344,727)	(1,774,772)	(2,119,499)
<b>At 31 December</b>	<b>402,366</b>	<b>5,289,931</b>	<b>28,834,935</b>	<b>34,527,232</b>

## 6. Derivative financial instruments

The fair values of derivative financial instruments held at the end of each reporting period are set out in the following table:

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
<b>Derivative financial assets</b>		
- currency swaps	<b>22,417</b>	4,291
<b>Derivative financial liabilities</b>		
- currency swaps	<b>4,779</b>	145,286

The Bank enters into currency swaps, to hedge the foreign currency exposures arising out of amounts owed to customers, for risk management purposes. While these derivative transactions provide effective economic hedges, hedge accounting under the requirements of IFRS 9 has not been adopted in this respect. Accordingly, these derivative contracts held for risk management purposes have been classified as held-for-trading in these financial statements in accordance with IFRS 9.

The derivative financial instruments held at 31 December 2025 for risk management purposes relate to the forward purchase of £2,100,000 (2024: £1,600,000), forward purchase of €2,000,000 (2024: €10,000,000) and forward sale of €3,700,000 (2024: €3,000,000) against US\$ maturing within one year from the end of the reporting period at the average contractual rate of 1.3316 (2024: 1.2673), 1.1662 (2024: 1.0595) and 1.1679 (2024: 1.0541) respectively.

In addition, as at 31 December 2024, the Bank transacted certain derivatives to create risk management solutions for clients. Derivative financial instruments held in this respect relate to a forward sale of €955,548 and forward purchase of €1,863,824 against US\$ at the average contractual rate of 1.0976 and 1.0879, respectively.

The foreign exchange risk from positions entered into with clients is managed as part of the Bank's overall foreign exchange risk management framework, mainly by ensuring that on a daily basis its exposure to foreign currencies is within prescribed limits as approved by the Board. Net open positions are typically brought to within the Board's appetite through the use of spot foreign exchange trades, unless the use of forward contracts is deemed more practicable.

## 7. Loans and advances to banks

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Repayable on call and at short notice	<b>6,027,223</b>	6,719,131
Term loans and advances	<b>13,005,225</b>	16,349,612
Allowances for expected credit losses	<b>(19,757)</b>	(180,864)
	<b>19,012,691</b>	22,887,879

Loans and advances with a contractual maturity of three months or less included in the table above are included in cash and cash equivalents for the purposes of the statement of cash flows (Note 28). Term loans and advances to banks form part of the Bank's trade finance portfolio in their entirety.

**8. Loans and advances to customers**

	<b>2025 US\$</b>	<b>2024 US\$</b>
Gross term loans and advances to customers	<b>56,569,386</b>	42,099,259
Allowances for expected credit losses	<b>(1,386,596)</b>	(1,087,816)
<b>Net term loans and advances to customers</b>	<b>55,182,790</b>	41,011,443
	<b>2025 US\$</b>	<b>2024 US\$</b>
Credit loss allowances:		
Allowances booked under Stage 1	<b>401,158</b>	335,819
Allowances booked under Stage 2	-	-
Allowances booked under Stage 3	<b>985,438</b>	751,997
	<b>1,386,596</b>	1,087,816

The Bank enters into trade finance arrangements giving rise to lending and related facilities. In this respect, loans and advances to customers amounting to US\$9,284,311 (2024: US\$19,979,187) are subject to fixed interest rates ranging from 1% to 10% (2024: 1% to 10%) while US\$47,285,074 (2024: US\$22,120,072) are subject to variable interest rates ranging from 1% to 10% (2024: 1% to 10%).

The Bank holds various forms of collateral to secure its loans and advances, including mortgages on property, guarantees, pledges in the form of a floating charge over inventories, the assignments of receivables, as well as bills of exchange.

**9. Right-of-use assets and Lease liabilities**

The Bank leases office space, premises for a branch as well as vehicles for executive use. Lease contracts are typically made for fixed periods with any extension or termination options exercisable only by the Bank and not by the respective lessor.

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

<b>Right-of-use asset</b>	<b>2025 US\$</b>	<b>2024 US\$</b>
At 1 January	<b>520,163</b>	94,522
Additions	-	497,708
Depreciation	<b>(155,439)</b>	(72,067)
<b>At 31 December</b>	<b>364,724</b>	520,163

**9. Right-of-use assets and Lease liabilities - continued**

The lease liabilities were initially measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing, which represents the rate at which the Bank would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The movement in lease liabilities is analysed below:

<b>Lease liabilities</b>	<b>2025 US\$</b>	<b>2024 US\$</b>
At 1 January	544,961	138,017
Additions	-	497,708
Interest expense on lease liability	6,792	5,910
Effect of foreign exchange movements	52,730	(20,255)
Lease payments	(222,685)	(76,419)
<b>At 31 December</b>	<b>381,797</b>	<b>544,961</b>

Lease liabilities are split into maturity groupings as follows:

	<b>2025 US\$</b>	<b>2024 US\$</b>
Current	309,345	259,334
Non-current	72,452	285,627
<b>At 31 December</b>	<b>381,797</b>	<b>544,961</b>

The income statement reflects the following amounts relating to leases:

	<b>2025 US\$</b>	<b>2024 US\$</b>
Expenses for short-term leases	69,245	218,313
Depreciation charge of right-of-use assets	155,439	72,067
Interest expense	6,792	5,910

The total cash payments for leases in 2025 was US\$293,779 (2024: US\$300,997). Out of the total cash payments, US\$ 69,245 (2024: US\$218,313) relates to payments made on short-term leases during the year.

Towards the end of 2024, the Bank extended its lease agreement for part of its office space for a period of two years and the remaining portion of office space for a period of 12-months, considered as a short term lease.

As at 31 December 2025, the Bank has commitments in the next 12 months amounting to US\$59,220 (2024: US\$52,361) relating to a short-term lease.

**10. Property, plant and equipment**

	Leasehold improvements US\$	Furniture and fittings US\$	Computer hardware US\$	Office equipment US\$	Total US\$
<b>At 1 January 2024</b>					
Cost	73,043	226,008	560,230	61,309	920,590
Accumulated depreciation	(73,043)	(219,413)	(370,637)	(61,100)	(724,193)
Net book amount	-	6,595	189,593	209	196,397
<b>Year ended 31 December 2024</b>					
Opening net book amount	-	6,595	189,593	209	196,397
Additions	-	-	18,446	-	18,446
Depreciation charge	-	(1,944)	(49,596)	(132)	(51,672)
Closing net book amount	-	<b>4,651</b>	<b>158,443</b>	<b>77</b>	<b>163,171</b>
<b>At 31 December 2024</b>					
Cost	73,043	226,009	578,676	61,309	939,037
Accumulated depreciation	(73,043)	(221,358)	(420,233)	(61,232)	(775,866)
Net book amount	-	<b>4,651</b>	<b>158,443</b>	<b>77</b>	<b>163,171</b>
<b>Year ended 31 December 2025</b>					
Opening net book amount	-	4,651	158,443	77	163,171
Additions	-	2,438	10,053	-	12,491
Depreciation charge	-	(2,087)	(47,519)	(64)	(49,670)
Closing net book amount	-	<b>5,002</b>	<b>120,977</b>	<b>13</b>	<b>125,992</b>
<b>At 31 December 2025</b>					
Cost	73,044	228,447	588,730	61,308	951,529
Accumulated depreciation	(73,044)	(223,445)	(467,752)	(61,296)	(825,537)
Net book amount	-	<b>5,002</b>	<b>120,977</b>	<b>13</b>	<b>125,992</b>

**11. Intangible assets**

	<b>Computer software US\$</b>
<b>At 1 January 2024</b>	
Cost	3,744,661
Accumulated amortisation	(2,000,098)
Net book amount	<b>1,744,563</b>
 <b>Year ended 31 December 2024</b>	
Opening net book amount	1,744,563
Additions	275,338
Amortisation charge	(415,385)
Closing net book amount	<b>1,604,516</b>
 <b>At 31 December 2024</b>	
Cost	4,019,999
Accumulated amortisation	(2,415,483)
Net book amount	<b>1,604,516</b>
 <b>Year ended 31 December 2025</b>	
Opening net book amount	1,604,516
Additions	190,319
Amortisation charge	(431,822)
Closing net book amount	<b>1,363,013</b>
 <b>At 31 December 2025</b>	
Cost	4,210,319
Accumulated amortisation	(2,847,306)
Net book amount	<b>1,363,013</b>

As at 31 December 2025, computer software amounting to US\$82,782 (2024: US\$253,435) related to the implementation of new modules to the core banking system which were still in the course of development.

**12. Deferred tax assets**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35%.

The movement in deferred tax assets during the year is as follows:

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
At beginning of year	<b>1,558,890</b>	1,597,251
Recognised in profit or loss		
- Derecognition of deferred tax asset in respect of unutilised tax losses	<b>(191,174)</b>	(17,449)
Recognised in other comprehensive income		
- Deferred taxes on fair valuation of financial assets measured at fair value through other comprehensive income		
Net changes in fair value	<b>111,021</b>	(20,912)
At end of year	<b>1,478,737</b>	1,558,890

The balance at 31 December represents temporary differences attributable to:

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
<b>At 31 December</b>		
Fair valuation of financial assets measured at fair value through other comprehensive income	<b>191,174</b>	80,153
Unutilised tax losses	<b>1,287,563</b>	1,478,737
	<b>1,478,737</b>	1,558,890

The recognised deferred tax assets are expected to be recovered principally after more than twelve months. The Bank has concluded that the deferred tax assets will be recoverable using the estimated future taxable income.

Total unrecognised deferred tax assets on unutilised tax losses of US\$4,321,080 (2024: US\$3,229,651) carried forward amounted to US\$1,512,378 (2024: US\$1,130,378). The deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits. Whereas tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of the trade.

**13. Accrued income and other assets**

	2025 US\$	2024 US\$
Receivable from immediate parent company	2,261,320	2,220,243
Allowances for expected credit losses	(62,394)	(57,790)
	2,198,926	2,162,453
Accrued interest income	369,880	313,162
Allowances for expected credit losses	(1,247)	(1,585)
	368,633	311,577
Amounts attributable to the Depositor Compensation Scheme	413,481	284,403
Prepayments	778,096	651,745
Indirect taxation	119,847	86,712
	3,878,983	3,496,890

**14. Share capital**

	2025 US\$	2024 US\$
<b>Authorised</b>		
99,999,999 Ordinary 'A' shares of US\$1 each	99,999,999	99,999,999
1 Ordinary 'B' Share of US\$1 each	1	1
	100,000,000	100,000,000
<b>Issued and fully paid up</b>		
26,499,999 Ordinary 'A' shares of US\$1 each	26,499,999	26,499,999
1 Ordinary 'B' Share of US\$1 each	1	1
	26,500,000	26,500,000

The Ordinary 'B' share, which is held by a director, does not carry any voting rights and is not entitled to receive dividends.

**15. Fair value reserve**

The fair value reserve reflects the effects of the fair value measurement of financial instruments classified as at fair value through other comprehensive income, net of deferred taxes. Any gains or losses are not recognised in profit or loss until the asset has been sold.

**16. Amounts owed to customers**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Term and other deposits	<b>56,768,295</b>	87,493,954
Fiduciary deposits	<b>3,002,121</b>	3,133,106
Call accounts	<b>28,483,979</b>	13,408,232
	<b>88,254,996</b>	104,035,292

Amounts owed to customers are classified as liabilities at amortised cost and are subject to fixed interest rates except for call accounts, which are subject to re-pricing at the discretion of the Bank.

Balances consisting of cash collateral amounting to US\$3,761,339 (2024: US\$2,736,240) are included within 'Term and other deposits' in the table above.

Fiduciary deposits, which are of a fixed term or notice period nature, refer to placements made by other banks or investment firms in their own name but on behalf of retail depositors.

**17. Amounts owed to banks**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Term loans and advances	<b>5,500,000</b>	-

Term loans and advances relate to the Bank's participation in the European Central Bank's US Dollar operations. These liabilities were subject to fixed interest rates and were secured by a pledge over financial assets measured at amortised cost with carrying amounts as at 31 December 2025 of US\$23,720,177 (2024: US\$28,834,935) (Note 5).

**18. Other liabilities**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Accrued interest expense	<b>516,548</b>	595,831
Other payables and accrued expenses	<b>411,998</b>	387,051
	<b>928,546</b>	982,882

**19. Contingent liabilities and commitments**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Confirmed letters of credit	<b>5,056,006</b>	5,527,320
Undrawn commitments	<b>6,283,268</b>	18,079,153
Other	<b>413,481</b>	422,720
	<b>11,812,755</b>	23,729,193

Other contingent liabilities include possible future contributions payable to the Depositor Compensation Scheme ('DCS'). The DCS provides compensation, up to certain limits, to eligible customers of credit institutions that are unable, or likely to be unable, to pay claims against them. The DCS may impose a further contribution on the bank to the extent that contributions imposed to date are not sufficient to cover compensation due to customers in any future possible collapse. The ultimate contribution to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors, including the potential recovery of assets by the DCS, changes in the level of protected products (including deposits and investments) and the population of DCS members at the time. As at 31 December 2025, the DCS reserve amounts to \$413,481. A contingent liability for an identical amount is disclosed as contingent liability to reflect the possibility that the commitment becomes payable.

As at 31 December 2024, other contingent liabilities also included a legal claim outstanding since 2018 amounting to €133,138, equivalent to US\$138,317. Based on legal advice, the Bank had previously assessed the matter as a contingent liability. As at 31 December 2025, the legal proceeding has been fully resolved, and no present obligation exists. Accordingly, the contingent liability previously disclosed is no longer in place. The resolution of the matter did not have a material impact on the Bank's financial position or performance.

**20. Interest income**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
On loans and advances to customers	<b>5,805,329</b>	6,256,636
On investments measured at fair value through other comprehensive income:		
- coupon interest	<b>198,332</b>	160,254
- net amortisation of premiums and discounts	<b>(16,064)</b>	(33)
On investments measured at amortised cost:		
- coupon interest	<b>302,961</b>	427,353
- net amortisation of premiums and discounts	<b>(74,988)</b>	(151,454)
On loans and advances to banks	<b>263,169</b>	364,246
On balances with Central Bank of Malta	<b>364,614</b>	528,555
	<b>6,843,353</b>	7,585,557

**21. Interest expense**

	2025 US\$	2024 US\$
On amounts owed to customers	2,125,143	2,532,161
On amounts owed to banks	452,146	348,204
On lease liabilities	6,792	5,910
	2,584,081	2,886,275

**22. Fee and commission income and expense**

*(a) Fee and commission income*

	2025 US\$	2024 US\$
Trade service-related fees	997,528	963,397
Transfer commissions	323,301	414,246
Account maintenance fees	62,910	56,541
Other fees	800	800
	1,384,539	1,434,984

*(b) Fee and commission expense*

	2025 US\$	2024 US\$
Correspondent bank charges	239,376	198,214
Portfolio management fees	1,801	565
Other fees	70,322	221,628
	311,499	420,407

**23. Net trading income**

	2025 US\$	2024 US\$
Foreign exchange differences	(44,716)	155,581
Net fair value losses on foreign exchange derivative contracts	(133,135)	(259,836)
Net gains/(losses) on financial assets mandatorily measured at fair value through profit or loss	59,174	(12,274)
Interest income on financial assets mandatorily measured at fair value through profit and loss	14,133	13,936
	(104,544)	(102,593)

**24. Other income**

For the period ended 31 December 2025, Other income relates to reimbursements of costs incurred by the Bank as part of the change in control process.

**25. Change in expected credit losses and other credit impairment charges**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Change in expected credit losses in profit or loss on:		
- Loans and advances to customers including accrued interest and other assets	<b>303,046</b>	(1,945,393)
- Balances with Central Bank of Malta	<b>(750)</b>	299
- Loans and advances to banks	<b>(161,107)</b>	102,480
- Investments measured at fair value through other comprehensive	<b>274</b>	(411)
- Investments measured at amortised cost	<b>(2,967)</b>	(2,994)
Amounts written off	<b>516,912</b>	2,878,566
Recoveries	<b>-</b>	2,285
	<b>655,408</b>	1,034,832

**26. Administrative expenses**

	<b>2025</b>	<b>2024</b>
	<b>US\$</b>	<b>US\$</b>
Staff costs		
- Directors' remuneration	<b>507,955</b>	510,619
- Other staff salaries	<b>2,566,349</b>	2,128,577
- Social security costs	<b>120,915</b>	107,305
Directors' fees	<b>130,720</b>	125,598
Depreciation of right-of use asset and property, plant and equipment (Notes 9 and 10)	<b>205,109</b>	123,739
Amortisation of intangible assets (Note 11)	<b>431,822</b>	415,385
Legal and professional fees	<b>635,967</b>	266,418
Supervisory fees	<b>282,933</b>	190,123
Short-term leases (Note 9)	<b>69,245</b>	218,313
Other administrative expenses	<b>1,219,347</b>	861,509
	<b>6,170,361</b>	4,947,586

Other administrative expenses mainly comprise contributions to the Depositor Compensation Scheme, maintenance expenditure, marketing and other expense items which are incurred in the course of the Bank's operations.

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

	<b>2025</b>	<b>2024</b>
- Managerial	<b>10</b>	9
- Clerical	<b>33</b>	31
	<b>43</b>	40

**26. Administrative expenses - continued**

**Auditor's remuneration**

Fees charged by the auditor for services rendered to the Bank during the financial year relate to the following:

	<b>2025 US\$</b>	<b>2024 US\$</b>
Annual statutory audit	<b>130,000</b>	130,000

Fees charged by affiliated entities for services rendered in relation to tax compliance and advisory services and other non-audit services amounted to US\$7,375 (2024: US\$6,228) and US\$298,000 (2024: US\$265,959), respectively.

**27. Tax expense**

	<b>2025 US\$</b>	<b>2024 US\$</b>
Deferred tax expense (Note 12)	<b>191,174</b>	17,449

The tax on the Bank's loss differs from the theoretical amount that would arise using the effective tax rate applicable to the Bank as follows:

	<b>2025 US\$</b>	<b>2024 US\$</b>
Loss before tax	<b>(1,403,635)</b>	(359,332)
Tax on loss at 35%	<b>(491,272)</b>	(125,766)
Tax effect of:		
Disallowable expenses	<b>109,272</b>	89,882
Amounts which are not subject to tax	-	(643,813)
Derecognition of previously recognised deferred tax assets on unutilised tax losses	<b>191,174</b>	17,449
Tax loss for the period for which no deferred tax asset was Recognised	<b>382,000</b>	679,697
	<b>191,174</b>	17,449

**28. Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with contractual maturities of not more than three months and which form an integral part of the Bank's cash management:

	2025 US\$	2024 US\$
Cash in hand (Note 4)	6,136	2,878
Cash with Central Bank of Malta (Note 4)	3,277,416	21,167,896
Loans and advances to banks (Note 7)	6,027,223	6,719,131
	9,310,775	27,889,905

**29. Related party transactions**

IIG Malta Ltd is the Bank's immediate parent (refer to Note 31). This immediate parent is wholly owned by IIG Trade Opportunities Fund N.V. (refer to Note 31). All entities which were ultimately controlled by IIG Trade Opportunities Fund N.V. and managed by the Fund's Asset Manager, IIG Trade Finance LLC, were considered related parties.

On 3 September 2019, IIG Trade Opportunities Fund N.V. was put into administration by the Curacao Courts, and control was passed from IIG Trade Opportunities Fund NV asset managers to a Trustee, Ms. Maria Valerie Petronila. IIG Trade Finance LLC and other related entities have since not been considered as related parties.

As at 31 December 2025, the Bank had an outstanding receivable from its immediate parent company amounting to US\$2,261,320 (2024: US\$2,220,243) (refer to Note 13).

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 25.

**30. Events after reporting date**

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

**31. Statutory information**

IIG Bank (Malta) Ltd is a limited liability company and is incorporated in Malta.

The immediate parent company of IIG Bank (Malta) Ltd is IIG Malta Ltd, a company registered in Malta that owns all the shares of IIG Bank (Malta) Ltd with the exception of one share. Its registered address is Level 20, Portomaso Business Tower, Portomaso, St Julian's, Malta.

IIG Bank (Malta) Ltd is ultimately owned by IIG Trade Opportunities Fund N.V., a fund registered in Curacao, the Kingdom of the Netherlands, with its registered office at ANT Management (Curacao) N.V., Kaya W.F.G. (Jombi) Mensing 36, Willemstad Curacao. On 3rd September 2019, IIG Trade Opportunities Fund N.V. was put into administration by the Curacao Courts, and control passed to a Trustee, Ms. Maria Valerie Petronila.

## Five Year Summary

### Statement of financial position

	2025 US\$	2024 US\$	2023 US\$	2022 US\$	2021 US\$
<b>ASSETS</b>					
Cash and balances with Central Bank of Malta	3,796,055	21,805,210	16,719,619	28,330,575	13,539,932
Investment securities	29,983,758	34,527,232	37,519,633	51,418,420	70,880,826
Derivative financial instruments	22,417	4,291	122,742	181,520	813
Loans and advances to banks	19,012,691	22,887,879	39,001,142	54,275,947	37,863,330
Loans and advances to customers	55,182,790	41,011,443	32,048,792	41,132,450	60,996,460
Property, plant and equipment	364,724	520,163	196,397	60,809	72,945
Intangible assets	125,992	163,171	1,744,563	2,031,016	1,978,718
Right-of-use asset	1,363,013	1,604,516	94,522	333,667	627,356
Deferred tax assets	1,478,737	1,558,890	1,597,251	1,886,723	1,628,464
Accrued income and other assets	3,878,983	3,496,890	3,387,140	4,787,773	5,103,391
<b>Total assets</b>	<b>115,209,160</b>	<b>127,579,685</b>	<b>132,431,801</b>	<b>184,438,900</b>	<b>192,692,235</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	26,500,000	26,500,000	26,500,000	26,500,000	26,500,000
Fair value reserve	(288,649)	(151,236)	(190,072)	(369,517)	110,108
Other reserve	-	-	-	300,149	300,149
(Accumulated losses)/Retained earnings	(6,072,309)	(4,477,500)	(4,100,719)	(3,986,912)	(1,219,992)
<b>Total equity</b>	<b>20,139,042</b>	<b>21,871,264</b>	<b>22,209,209</b>	<b>22,443,720</b>	<b>25,690,265</b>
<b>Liabilities</b>					
Amounts owed to customers	88,254,996	104,035,292	104,245,579	153,907,685	148,387,154
Amounts owed to banks	5,500,000	-	5,000,000	7,000,000	17,000,000
Derivative financial instruments	4,779	145,286	-	4,366	95,599
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Lease liabilities	381,797	544,961	138,017	389,883	1,083,840
Other liabilities	928,546	982,881	838,996	693,246	757,727
<b>Total liabilities</b>	<b>95,070,118</b>	<b>105,708,420</b>	<b>110,222,592</b>	<b>161,995,180</b>	<b>167,324,320</b>
<b>Total equity and liabilities</b>	<b>115,209,160</b>	<b>127,579,685</b>	<b>132,431,801</b>	<b>184,438,900</b>	<b>192,692,235</b>
<b>MEMORANDUM ITEMS</b>					
Commitments	11,812,755	23,606,473	13,152,415	18,937,636	13,512,490

## Five Year Summary

### Statement of comprehensive income

	2025 US\$	2024 US\$	2023 US\$	2022 US\$	2021 US\$
Interest and similar income	6,843,353	7,585,557	6,672,620	5,965,690	6,057,787
Interest and similar expense	(2,584,081)	(2,886,275)	(2,315,991)	(1,684,626)	(1,930,185)
<b>Net interest income</b>	<b>4,259,272</b>	<b>4,699,282</b>	<b>4,356,629</b>	<b>4,281,064</b>	<b>4,127,602</b>
Fee and commission income	1,384,539	1,434,984	1,413,136	1,598,066	1,963,166
Fee and commission expense	(311,499)	(420,407)	(275,793)	(335,039)	(743,943)
<b>Net fee and commission income</b>	<b>1,073,040</b>	<b>1,014,577</b>	<b>1,137,343</b>	<b>1,263,027</b>	<b>1,219,223</b>
Net trading income	(104,544)	(102,593)	722,991	(3,917,455)	171,788
Net gains/(losses) on disposal of financial assets measured at fair value through other comprehensive income/available-for-sale financial assets	-	-	-	(87,960)	7,971
Other Income	194,366	11,820	83,361	-	-
<b>Operating income</b>	<b>5,422,134</b>	<b>5,623,086</b>	<b>6,300,324</b>	<b>1,538,676</b>	<b>5,526,584</b>
Net reversal of loan impairment charges	-	-	-	-	-
Change in expected credit losses and other credit	-	-	-	-	-
Impairment charges	(655,408)	(1,034,832)	(1,840,789)	(28,317)	(293,652)
Administrative expenses	(6,170,361)	(4,947,586)	(4,688,450)	(4,277,279)	(4,594,039)
<b>(Loss)/profit before tax</b>	<b>(1,403,635)</b>	<b>(359,332)</b>	<b>(228,915)</b>	<b>(2,766,920)</b>	<b>638,893</b>
Tax income/(expense)	(191,174)	(17,449)	(185,041)	-	(233,578)
<b>(Loss)/profit for the period</b>	<b>(1,594,809)</b>	<b>(376,781)</b>	<b>(413,956)</b>	<b>(2,766,920)</b>	<b>405,315</b>
<b>Other comprehensive income:</b>					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Fair valuation of available-for-sale financial assets:					
Net changes in fair value arising during the period, before tax	(248,434)	59,748	283,876	(825,844)	(271,780)
Reclassification adjustments – net amounts reclassified to profit or loss upon disposal, before tax				87,960	(7,971)
Income tax relating to components of other comprehensive income	111,021	(20,912)	(104,431)	258,259	103,974
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(137,413)</b>	<b>38,836</b>	<b>179,445</b>	<b>(479,625)</b>	<b>(175,777)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(1,732,222)</b>	<b>(337,945)</b>	<b>(234,511)</b>	<b>(3,246,545)</b>	<b>229,538</b>

## Five Year Summary

### Statement of cash flows

	2025	2024	2023	2022	2021
	US\$	US\$	US\$	US\$	US\$
<b>Operating activities</b>					
Interest and commission income received	<b>8,080,122</b>	9,169,948	8,542,444	7,525,149	6,190,130
Interest and commission expense paid	<b>(2,863,841)</b>	(3,082,304)	(2,490,383)	(2,115,649)	(2,595,820)
Net income from foreign exchange transactions	<b>(4,638,975)</b>	1,701,853	(1,782,979)	1,030,691	1,129,065
Cash payments to employees and suppliers	<b>(5,295,580)</b>	(4,278,224)	(4,128,242)	(3,773,300)	(3,803,043)
Cash flows generated from/(used in) operating activities before changes in operating assets and liabilities	<b>(4,718,274)</b>	3,511,273	140,840	2,666,891	920,332
Changes in operating assets and liabilities:					
Net (increase)/decrease in balances with Central Bank of Malta	<b>122,683</b>	(197,025)	135,103	204,160	313,223
Net (Increase)/decrease in financial assets measured at amortised cost	-	-	-	-	1,335,621
Net (increase)/decrease in loans and advances to banks	<b>3,344,387</b>	3,738,461	(6,590,617)	(3,734,390)	4,105,024
Net decrease/(increase) in amounts attributable to DCS	<b>(313,999)</b>	293,350	1,279,973	314,487	(25,724)
Net (increase)/decrease in loans and advances to customers	<b>(14,987,586)</b>	(9,914,437)	7,248,570	19,883,794	(634,051)
Net increase/(decrease) in amounts owed to customers	<b>(15,780,296)</b>	(210,287)	(49,662,106)	5,520,531	4,593,204
Net increase/(decrease) in amounts owed to banks	<b>5,500,000</b>	(5,000,000)	(2,000,000)	(10,000,000)	6,000,000
Net cash generated from/(used in) operating activities	<b>(26,833,085)</b>	(7,778,665)	(49,448,237)	14,855,473	16,607,629
<b>Investing activities</b>					
Purchase of financial assets measured at fair value through other comprehensive income / available-for-sale financial assets	-	(284,507)	-	-	(4,720,270)
Purchase of financial assets mandatorily measured at fair value through profit or loss	-	-	(10,000,000)	(532,150)	(18,601,087)
Purchase of financial assets designated as at fair value through profit or loss	-	-	-	-	-
Purchase of financial assets measured at amortised cost	-	-	(15,307,179)	(17,936,959)	(22,077,537)
Proceeds from disposal and redemptions of financial assets measured at fair value through other comprehensive income/available-for-sale financial asset	-	-	112,620	15,579,407	6,743,950
Proceeds from disposal and redemptions of financial assets mandatorily measured at fair value through profit or loss	-	-	18,623,954	16,360,706	14,079,564
Proceeds from redemption of financial assets measured at amortised cost	<b>8,679,450</b>	-	-	-	-
Purchase of property, plant and equipment	<b>(12,491)</b>	1,050,402	23,140,457	-	-
Purchase of intangible assets	<b>(190,319)</b>	(18,446)	(163,790)	(22,521)	(16,128)
Net cash (used in)/generated from investing activities	<b>8,476,640</b>	472,111	16,307,964	13,121,431	(24,725,901)
<b>Financing activities</b>					
Issue of ordinary share capital	-	-	-	-	-
Dividends paid to equity holders	-	-	-	-	-
Principal element of lease payment	<b>(222,685)</b>	(76,419)	(260,005)	(256,631)	(408,634)
Net cash (used in)/generated from financing activities	<b>(222,685)</b>	(76,419)	(260,005)	(256,631)	(408,634)
<b>Net movement in cash and cash equivalents</b>	<b>(18,579,130)</b>	(7,382,973)	(33,400,278)	27,720,273	(8,526,906)
<b>Cash and cash equivalents at beginning of year</b>	<b>27,889,905</b>	35,272,878	68,673,156	40,952,883	49,479,789
<b>Cash and cash equivalents at end of year</b>	<b>9,310,775</b>	27,889,905	35,272,878	68,673,156	40,952,883