



**APS Bank plc**  
ANNUAL REPORT &  
FINANCIAL STATEMENTS  
2025

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This document is not the official version of the Annual Financial Report for 2025. Official Annual Financial Report for 2025 in line with the ESEF requirements may be accessed through the Bank’s website [www.apsbank.com.mt](http://www.apsbank.com.mt). The approved ESEF version should prevail in case of any conflicts with the document.

## CHAIRMAN'S STATEMENT

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### The global canvas

Malta's economy performed stronger than the broader EU economies during the year under review, driven by resilient domestic demand and a strong tourism sector. It expanded more rapidly than most European economies, even as the EU experienced only modest recovery amid tariff pressures and weak industrial output.

Global geopolitical tensions, including US–EU trade frictions, rising “own country first” protectionism, and supply-chain disruptions, created a challenging backdrop, yet Malta's performance remained dynamic and adaptable. The services sector, especially digital and tourism-related activities, helped cushion external shocks, allowing the country to maintain a healthier growth trajectory despite global uncertainty.

Inflation across the EU eased steadily in 2025, and Malta followed the same downward path. Price pressures in Malta remained slightly firmer than the euro-area average, reflecting domestic demand and sector-specific factors, but still moderated throughout the year in line with the broader European disinflation trend.

Within this context APS Bank continued to grow its commercial lending, mortgage lending, pensions and investment management and retail banking business. During April 2025, we re-focused our growth strategy, continuously and successfully refining our Net Interest Margin management leading to significant quarter on quarter improvements supporting our full year financial results.

The Board of Directors remains keenly attuned to global and regional shifts that influence economic conditions and shape the operating environment. Inorganic investment opportunities continued to form part of our growth strategy. Malta's overall performance, and consequently the Bank's, continues to be closely linked to the stability and predictability of its domestic economy, where a calm and well-anchored local landscape has historically underpinned the country's broader success.

### 2025 Financial performance

APS Group Profit Before Tax reached €26.5 million versus a prior year result of €23.8 million. Bank solo Profit Before Tax stands at €26.9 million versus prior year of €22.5 million. 2025 PAT was lower in view of significant non-deductible costs this year and income taxed at lower rates in the comparative period. Non-Performing Loans continue to reflect the bank's ability to manage credit underwriting at the highest professional levels: the Non-Performing Loan ratio stands at 1.36% as at the year end. The Chief Executive Officer's report will address the Bank's solid performance in more detail.

The Bank's capital position is strong with a Tier 1 capital of 17.6% and a Total Own Funds of €430.3 million up on prior year by €48.6 million. The Bank's capital was further strengthened by a successful Rights Issue during the last quarter of 2025. The Total Capital Ratio stands at 23.2%. The Board of Directors reports a Group return on average equity of 5.4% for 2025. I am very confident that our return on equity will continue to improve in the quarters ahead. The year's results delivered a gross Dividend Yield of 11.7%, net 7.6% and an Earnings per Share of 4.1c versus 4.6c for prior year.

Whilst our interest margin management realised enhanced value for shareholders, we have continued to reward our depositors' trust by paying attractive market rates of credit interest and at the same time ensuring that our home loan lending rates continued to be supported by the Bank's social conscience.

The Bank continues to drive meaningful change through collaborative engagement with the community. Guided by its Corporate Social Responsibility policy and committed to building partnerships of lasting value, the Bank supported 256 community projects through an open call in the year under review. These initiatives delivered positive impact across its pillars of Arts, Lifelong Learning and Sustainability.

### Delivering Value to Shareholders

I am delighted to advise that the Board is recommending a gross dividend to shareholders of €11.4 million (with a scrip dividend alternative), bringing the total dividend for the year to €14.2 million, up from €13 million for 2024 - equating to a 2025 dividend per share of €0.029 gross or €0.019 net per share. This final dividend is subject to final regulatory approval.

As already referred to, after the successful Rights Issue, we saw strong support from existing shareholders through rights issue take-up. As has already been reported, our Major shareholder continues to pursue a policy of dilution in line with its financial strategy. We are also very pleased to report that a good number of existing and new institutional investors have strengthened their holding by acquiring lapsing rights of other shareholders.

## CHAIRMAN'S STATEMENT

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### **Governance Matters**

The Board met monthly, in addition to a number of ad-hoc meetings, supported by the work of six specialised board committees that examined detailed matters and enabled the main board meeting to concentrate on strategy, internal-control and regulatory oversight, and long-term direction. This structure reinforces a healthy balance between prudent risk management, regulatory compliance, and sustainable value creation, always within an environment built on the Bank's stated culture and value set. Discussions at the board meetings remained active and well-informed, with Directors providing constructive challenge to Management and ensuring that decisions were tested rigorously from multiple perspectives.

In line with best practice and regulatory corporate governance guidelines, the composition, skills and experience of the Board is regularly reviewed to ensure individual and collective suitability. During the year the Board of Directors had the opportunity to participate in ongoing training sessions including topical subjects such as Agentic Artificial Intelligence, stress testing within a risk management framework and mandatory regulatory matters.

### **Success Acknowledged**

2025 has been another challenging year, but also a year characterised by many important successes. I sincerely thank my colleagues on the Board for their contributions, the Management team led by Mr Marcel Cassar, Chief Executive Officer, for their leadership and all the talented employees for their customer focus and performance. The results enjoyed by all our stakeholders are the result of a harmonious APS team that continues to achieve strong, market leading, advocacy results.

On behalf of the Board of Directors, the Management and all our employees, I would like to sincerely thank our many customers who continue to place their trust in the APS brand.

### **Future Direction**

The environment that we are experiencing is displaying significant risks including increased geo-political fragmentation, risk of war, extreme weather events and societal polarisation. The challenges and risks associated with cyber-crime and scarce human talent continue to present themselves.

The rate of change of transformative technology displays both opportunities and risks for APS Bank. Your Board continues to be vigilant and aware of the critical importance of creating a sustainable future for the benefit of the country, shareholders, customers, and society.

We are confident on the road ahead. APS Group enters the coming period with strong optimism, supported by high-calibre talent at every level and a culture where our values continue to guide decisions and behaviour. Our community-minded and sustainability-driven DNA remains a defining strength, reinforced by resilient performance, disciplined capital management, and a commitment to long-term stability. Together, these foundations position us well to navigate challenges, seize opportunities, and continue delivering meaningful value to all stakeholders.

**Martin Scicluna**

12 March 2026

Twenty questions. In conversation mode ...

### 1. How can one describe 2025 in one sentence?

It was an eventful year with considerable challenges, yet APS Bank demonstrated remarkable resilience, adaptability and future thinking, achieved significant transformational milestones, raised the bar on customer experience and registered strong revenue, profit and all-round business growth.

### 2. Which financial results from 2025 stand out, and why?

2025 saw us taking some bold, strategic decisions, resulting in a rebound in performance especially in 2H2025 – despite many challenges. Our build-up of liquidity since 2H2024 which ran into 2025, in anticipation of a prospective acquisition which was then abandoned, had taken place in an interest rate environment that was peaking, significantly restricting our interest margins and profitability. But we turned things around thanks to disciplined asset-liability management, retail and corporate lending growth, and consistent roll-out of our digital transformation projects. This delivered results across our core income streams, always underpinned by a strong culture of execution and customer focus.

### 3. What were the main drivers behind the Bank's revenue and profitability trends?

The main drivers were a combination of balance-sheet discipline, pricing and funding mix management, leading to healthier margins and steady fee generation across all business lines. We also continued our focus on cost control and efficiency. At the same time, we kept investing in technology, risk, compliance and security – all the lines of defence, in fact. It's not only about profits as a headline number, but quality of earnings is equally a priority.

### 4. How did the Bank balance growth with asset quality and risk management in 2025?

I would call our approach as 'growth with guardrails' – and the results speak for themselves. Our loan book grew by a record €350+ million, with increases across both retail and corporate, while the NPL ratio closed at a record low of 1.4%. We tightened underwriting where needed, actively monitored sector and risk concentration, protecting credit quality and capital, allowing us to grow our lending responsibly.

### 5. What progress was made on cost efficiency and operational efficiency?

We treated efficiency as a strategic lever: simplifying processes, automating high-volume journeys, and reducing duplication. Admittedly it's not immediately evident from the cost/income ratio which just edged 70% in 2025, but there were also some material, one-off items. Moreover, the costs of doing business safely, i.e. risk, regulatory and compliance management, are always rising and our investment in human capital is something we do not compromise with. Ultimately, our goal is to shift resources to improve the customer journey and digital delivery in the most compliant and efficient way possible.

### 6. How did APS perform relative to the Maltese banking market and to your own internal targets?

We measure ourselves for many KPIs against peers locally and also overseas and, more importantly, against our budgets. In 2025, for example, we again increased our share of the domestic lending market which has now just topped 20% (in the home loan segment only, it's now approaching 26%). We also made clear progress on the strategic priorities that are set and refined with every revision of our 3-year rolling business plan, delivering on profitability, resilience and transformation. Measurement against targets and forecasts is key to our financial management; it is a very disciplined process that allows us to adjust execution plans.

### 7. What were the biggest challenges the Bank faced in 2025, and how did you address them?

Challenges included a shifting macro environment and geopolitical developments, increasing expectations (and demands) around regulation and compliance, and intensified competition. All of these were capable of impacting markedly our revenues and costs, but we responded with various actions that improved productivity and customer experience, accelerated digital transformation and strengthened margins and revenue without commensurate increases in overheads.

### 8. APS is investing heavily in digital transformation—what tangible results did you see in 2025?

Customers increasingly want a simple experience and secure banking; as Management, our job is to deliver that through improved digital products and services, quicker processes and stronger systems. Transformation is all about that, about moving from 'projects' to 'capability'. As outlined at our Market Briefing of 3 July 2025, we are in a 3-year €32 million investment programme which last year alone saw us roll out, or complete, projects that improved digital adoption, streamlined key customer journeys, and strengthened our technology resilience and data foundations.

### **9. How did customer behaviour evolve in 2025, and how did APS adapt?**

As already stated, we saw rising expectations for speed, simplicity, security and transparency – not least because customers know that our transformation programme has always been about offering a better omni-channel experience. We responded by continuing to deliver solutions that strengthen the handover between digital and human support and using data more intelligently - so customers can choose how they bank. Examples of such projects, some still in the phase of execution, include enhancements to myAPS, digital onboarding, instant payments, e-statements, push notifications, work on new CRM and investments platforms, click-to-pay (cards) and upgrades to the ATM fleet.

### **10. What advances were made in sustainability, ESG integration, and purpose-driven banking during the year?**

Sustainability is part of APS Bank's DNA, and that's not a cliché that matches our (green) corporate colour! We integrate ESG into risk, product design, and governance - moving from principles to practices. This includes strengthening climate and social risk assessment, supporting more sustainable lending, and reporting with greater clarity. Our support of the country's green agenda and presence in promoting and managing a number of schemes, such as Equity Sharing, Social Loans, New Hope, speak for themselves. Also, 2025 was again another year where community support was pervasive on our agenda, just to mention that we seek to accommodate around 75% of well over 250 applications received for CSR funding. The goal is long-term resilience and relevance.

### **11. What were the breakthroughs in your technology strategy in 2025?**

As outlined above, the thrust was about 'driving transformation through innovation' – digitisation, hyper-automation and exploiting as best as possible the power of AI and RPA (more than 50 bots were in operation in 2025, leading to incremental efficiencies and cost savings). We focused on scalable platforms, data-led decisioning, and developing API-driven architecture, at the same time enhancing data governance and quality, and strengthening cybersecurity. Technology that leads transformation is much more than about channels, systems and products – it's a culture change about how the Bank operates.

### **12. How competitive is the banking landscape in Malta, and what shifts are to be expected in 2026?**

Competition has been intensifying in recent years, and not simply among core domestic banks that operate similar models in the same market. Beyond the incumbents, competitive pressures have intensified from fintech, such as Revolut, and other challengers, as well as specialist services providers, e.g. in payments. It's safe to say that the largest customer base is no longer with one of the domestic banks and this paints a clear picture of how the market is evolving. Customers will increasingly choose on the basis of trust, speed of execution, service quality, and responsible pricing. If we have grown our business base and market share, it's because we competed by being close to customers and smart at delivery.

### **13. How does APS position itself in an environment of changing interest rates and economic conditions?**

Recent history has been quite a test when it comes to economic episodes and interest rate movements. After years of low, zero or even negative interest rates, successive hikes in 2022 and 2023 took the ECB rate to a peak of 4.0% before starting a gradual easing cycle in 2024 to 2.0% in 2H2025. Rising interest rates do not benefit all banks the same, and size and customer elasticity play an important part in a bank's positioning. We manage interest-rate risk through disciplined asset-liability management and a diversified earnings approach, and during uncertain conditions we prioritise margin sustainability, liquidity strength and quality, and prudent credit selection.

### **14. So how would you describe the formula that helped APS navigate its challenges to deliver such a rebound in 2025?**

The higher interest rates in 2024 caused funding cost pressures which narrowed our NIM, especially as we pledged to remain competitive for our borrowing customers. Ironically, it would have paid us more to 'sit' on our deposits and lend less, as we would have enjoyed better margins, consumed less capital and lower credit risk (ECL)! That changed in 2025 as we strategically managed our CASA:FTD (demand vs term deposits) funding mix from 50:50 in 2024 to 68:32 by the end of 2025 – no mean feat, which made its way into our bottom-line margins. And this was helped by steady growth in non-interest income across transaction fees, investment, insurance and pensions services and active treasury management. But all this was only possible thanks to APS developing into a more universal, everyday banking proposition for its customers.

### **15. What new products, services, or capabilities are in the works?**

We always have a pipeline of new product ideas as well as refinements and updates to existing ones, as well as improvements to myAPS and web banking solution which are the backbone of our digital channels. Our focus is on convenience, simplicity, and value - improved digital journeys, better self-service, and targeted offerings at minimum cost. But you will now see us grow increasingly in private client and international banking services, in large part reflecting also the changing profiles, and habits / choices, of our customers. It's about tapping new, high-potential customers and also enlarging our share of wallet across the board.

### **16. How is APS preparing for new EU regulations and supervisory expectations?**

My mantra is that rules and regulations are there to protect customers, the system and, ultimately, the Bank itself. Our job is to invest to meet those expectations, to keep regulation as invisible as possible from the customer through a seamless experience, and to keep the Bank safe and strong. For 2026, the MFSA has established key supervisory priorities in financial crime compliance/AML/sanctions, consumer protection, digital finance (including AI) governance and cyber resilience, all areas which the Bank invests in seriously. Most importantly, we treat regulatory expectations as a driver of quality, to meet higher standards efficiently and be 'supervisor-ready' and operationally prepared.

### **17. Do you see scope for growth in the non-banking business segments?**

We definitely see opportunity in deepening relationships with existing customers, from large corporates, to SMEs, households, thanks also to an enlarged capital base. But we also see the need to grow our complimentary activities, including the products/services offered by our wholly-owned subsidiary ReAPS Asset Management, as well as those of our affiliate IVALIFE Insurance, and now also general insurance products through our TII enrolment with Atlas Insurance, for property, health and travel. I also believe that our broad-based, everyday banking growth obliges us to widen our services towards fee-based income that is more capital- and risk-efficient.

### **18. 2025 saw the Bank reinforcing its capital position and funding profile ....**

Our capital and funding approach is built on resilience: prudent capital buffers, stable and diversified deposit funding, as appropriate, and solid, prudent balance-sheet growth. Thanks to a highly successful Rights Issue we continued strengthening our CET1 and MREL, enjoying a nice headroom that provides good opportunity for growth, optimising risk-weighted assets and maintaining ample liquidity. Raising equity in the Maltese market is no small challenge and especially with the dilution journey of our largest shareholders who in their absolute majority allowed their rights to lapse in favour of new investors, in the process widening our shareholder base. Pertinent to remind that through our four appearances on the Malta Stock Exchange since late 2020, we raised over €210 million in new equity and debt – how's that for confidence?

### **19. What are your key strategic priorities for APS Bank for 2026 and the medium term?**

We have outlined six strategic priorities for 2026 and the medium term: 1) further evolution of our business model for stronger, resilient performance, 2) more discipline on capital allocation, pricing and profitability metrics, 3) deepening our engagement in high-potential customer segments, 4) expanding our share of wallet across the range of products and services, 5) continuing to (out)compete through digital and customer experience, and 6) looking for selective growth, including cross-border, through consolidation, partnerships and inorganic opportunities.

### **20. Again in one sentence: three years from now, where should APS Bank stand for in Malta and beyond?**

We should be standing for a superior customer experience, smarter use of technology, a bigger, strong, resilient Bank that everyone can trust – and, equally, a valuable investment for all our stakeholders, including our growing family of shareholders. How we get there is what makes it especially exciting, and where we hope to provide the best career opportunities to our staff, who make it all happen – and who I thank, profoundly.

**Marcel Cassar**

12 March 2026

## BOARD OF DIRECTORS

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### 1. Martin Scicluna

Chairman of the Board, Non-Executive Director

Appointed to the Board in November 2013 and as Chairman in September 2021.

**Committee Memberships:** Remuneration, Nominations & Governance Committee (Chair)

**Bio:** Martin is an Associate of the Chartered Institute of Bankers, holds a Diploma in Financial Studies and was elected Fellow of the Institute of Financial Services in 1999. Martin held a number of managerial appointments in Mid-Med Bank between 1976 and 1996, following which he joined Midland Bank plc which later became HSBC Bank Malta plc. Between 1996 and 2012, Martin held several senior executive roles in HSBC Malta including Group Head of Internal Audit, Deputy Head of Operations and Head of Wealth Management. From 2006 to 2012, he served on several boards for HSBC Malta regulated subsidiaries in Life Insurance, Asset Management and Financial Advisory and on its Audit Committee. Since 2012, he has held directorships in asset management and insurance companies licensed in Malta. Martin has contributed to various areas of voluntary work for 40 years, including Scouting, the preservation of the built and natural environment and financial services education. He has served on the Boards of Administration, in a voluntary capacity, of Non-Governmental Organisations such as Din I-Art Helwa (Malta's *National Trust*) and the HSBC Malta Foundation.

**Significant External Appointments:** Non-Executive Chairman - Accredited Insurance (Europe) Limited  
Non-Executive Director - Merck Capital Asset Management Limited  
Non-Executive Director, Member of Investment Committee - Thybo Malta Limited

### 2. Marcel Cassar

Chief Executive Officer, Executive Director

Appointed Chief Executive Officer in January 2016 and Director in January 2025.

**Committee Memberships:** Executive Committee (Chair)  
Management Credit Committee (Chair)  
Board Credit Committee  
Environmental, Social and Governance Committee  
Remuneration, Nominations & Governance Committee  
Risk Committee

**Bio:** Marcel started his career in 1987 with Price Waterhouse Malta followed by MIBA/MFSC, now the MFSA (1991-1996). He was General Manager at Lombard Bank Malta plc (1996-2004) and First Executive Vice President and CFO at FIMBank plc (2004-2015). He served as Chairman of the Malta Bankers' Association between 2018-2020 and 2022-2024, which tenures led to a seat on the board of the Brussels-based European Banking Federation (EBF). Marcel is a CPA, a fellow of the Malta Institute of Accountants, and holds an MBA in Bank Financial Management jointly from the University of Wales and Manchester Business School (1995). He has lectured and examined at both FEMA and the MA Financial Services course, University of Malta, and is a frequent writer and speaker on topics related to financial services and management.

**Significant External Appointments:** Chairman - ReAPS Asset Management Limited  
Non-Executive Director – IVALIFE Insurance Limited

### 3. Laragh Cassar

Senior Independent Non-Executive Director

Appointed to the Board in April 2016 and as Senior Independent Non-Executive Director in October 2021.

**Committee Memberships:** Remuneration, Nominations & Governance Committee

**Bio:** Laragh held the role of partner at Camilleri Preziosi between 2009 and 2015, after which she founded the firm Camilleri Cassar Advocates where she now heads the corporate and commercial practice group. Throughout her career, Laragh has gained extensive experience in many areas of practice, with a particular focus on mergers and acquisitions, banking, asset management, capital markets and corporate law restructuring. She has acted for a significant number of publicly listed companies, structuring the offering/issuance of equity and non-equity securities as well as subsequently advising on continuing obligations as listed entities, and is often appointed by the Faculty of Laws of the University of Malta as supervisor and examiner of MAdv dissertations.

Laragh obtained a degree in law from the University of Malta in 2002 and a Master of Law in Banking and Finance from the University of London in 2003.

## BOARD OF DIRECTORS

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### 3. Laragh Cassar (continued)

**Significant External Appointments:** Partner - Camilleri Cassar Advocates  
Non-Executive Director - Hili Properties plc  
Non-Executive Director, Company Secretary - MedservRegis plc

### 4. Joseph C Attard

Non-Executive Director

Appointed to the Board in July 2018.

**Committee Memberships:** Technology and Innovation Committee (Chair)  
Board Credit Committee  
Remuneration, Nominations & Governance Committee  
Risk Committee

**Bio:** Joseph has over 25 years of local and international experience in the information and communication technology (ICT) sector. Between 2007 and 2015, he was the Chief Technology Officer of Emirates International Telecommunications LLC and subsequently Chief Technical Officer of GO plc up till 2020. Since 2002, he has regularly lectured at University College London on ICT related topics.

He holds a BSc (Hons) in Electrical Engineering from the University of Malta, an MSc in Operational Telecommunications from the University of Coventry (UK) and a PhD in Telecommunications Engineering from University College London (UK).

**Significant External Appointments:** None

### 5. Juanito Camilleri

Non-Executive Director

Appointed to the Board in September 2021.

**Committee Membership:** Risk Committee  
Technology and Innovation Committee

**Bio:** Juanito was the founding Head of the Department of Computer Science and AI at the University of Malta in the mid-90s and directed the formulation of the first National Strategy for Information Technology at the time. He subsequently was the founding CEO of GO mobile and later the Group CEO of Melita Cable plc. He returned to academia in 2006 and served as Rector of the University of Malta for 10 years. Between September 2014 and January 2017, he served as Non-Executive Director of HSBC Bank Malta plc, and for a period was also Chairman of the Risk Committee. More recently he was the non-executive Chairman of Vodafone Malta and later of Epic Malta Ltd, Non-Executive Director on the board of ProHealth Ltd and its subsidiary Triomed Ltd, and of Malta University Innovation Portfolio Ltd. He has sat on the Board of Governors of St. Edward's College serving also as its Chair. Juanito is Chairman and resident Professor at the Centre for Entrepreneurship and Business Incubation at the University of Malta, and is the owner of Ta' Betta Wine Estates and St. Anne's Clinic.

He holds a B.Sc. (Hons) in Computer Science from the University of Kent at Canterbury and a PhD in Theoretical Computer Science from the University of Cambridge. He completed several Executive Training Programmes at London Business School (LBS) and at Massachusetts Institute of Technology (MIT).

**Significant External Appointments:** Non-Executive Director - Debono Group Holdings Company Ltd

### 6. Martin Czurda

Non-Executive Director

Appointed to the Board in August 2024.

**Committee Memberships:** Board Credit Committee (Chair)  
Audit Committee

### 6. Martin Czurda (continued)

**Bio:** Martin started his career in 1989 with Bank Austria, moving to Raiffeisen Zentralbank Vienna in 1994 as Senior Vice President Loan Syndications & Asset Sales, becoming Head Global Financial Institutions in 1998 and Head Global Markets in 2006. In 2009, Martin was appointed CEO of Amsterdam Trade Bank, and as from 2012 held C-suite, CEO and chair roles successively at Adria Bank, Anadi Bank and Valartis Bank. In 2017 he was selected by the European Finance Ministers to be appointed as the CEO of the Hellenic Financial Stability Fund (HFSF) in Athens, which position he held until early 2021. He is currently Non-Executive Director and Chairman of the Risk Committee of Finstella Ltd, a regulated credit acquiring company in Cyprus.

Martin is a graduate in Commercial Science and holds a Doctorate in Economics from the Vienna University of Economics and Business.

**Significant External Appointments:** Non-Executive Director, Chairman of the Risk Committee - Finstella Ltd

### 7. Noel Mizzi

Non-Executive Director

Appointed to the Board in May 2023.

**Committee Memberships:** Audit Committee (Chair)  
Environmental, Social and Governance Committee (Chair)

**Bio:** Noel graduated as an accountant from the University of Malta in 1988. He is a certified public accountant and a holder of a practicing certificate in auditing. Noel is a Fellow of the Malta Institute of Accountants. He commenced his extensive career in 1988. Upon graduation he joined KPMG Malta and dedicated a 35-year career with the said firm, working on auditing entities in the financial services industry, particularly banks and asset management companies. He retired as Partner of the firm in September 2022. Noel was crucial in the setting-up of a dedicated financial services audit team in the Malta KPMG office. Noel was a council member and an officer of the Malta Institute of Accountants up to 30 September 2023. Until retirement, he headed the operations side of the audit practice, which involves the auditing of a number of banks operating locally. He was a member of the firm's Executive Management Committee and the Audit Quality Panel up to the date of his retirement from the firm.

**Significant External Appointments:** Non-Executive Director - Computime Holdings plc

### 8. Michael Pace Ross

Non-Executive Director

Appointed to the Board in November 2015.

**Committee Memberships:** Audit Committee  
Environmental, Social and Governance Committee

**Bio:** Michael served as Director General of the National Statistics Office for six years, sitting on national and European committees, including the European Statistical Advisory Committee, prior to his current appointment as Administrative Secretary of the Archdiocese of Malta. In his official capacity, he sits on several diocesan decision-making bodies. He is a member on the board of trustees of the Richmond Foundation and on the board of governors of the Sacred Heart College. He is also an associate of the London College of Music. Michael holds a BA (Hons) in Economics and Management and an MBA from the University of Malta.

**Significant External Appointments:** Administrative Secretary - Archdiocese of Malta  
Non-Executive Director - Amalgamated Investments SICAV plc  
Non-Executive Director - Beacon Media Group Limited  
Company Secretary - AROM Holdings Limited

## BOARD OF DIRECTORS

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### 9. Leslie Stephenson

Non-Executive Director

Appointed to the Board in May 2024.

**Committee Memberships:** Risk Committee (Chair)  
Remuneration, Nominations & Governance Committee

**Bio:** Leslie has over 30 years of experience in the international banking and insurance sectors. Having spent more than 15 years at HSBC across Asia-Pacific, the Middle East, and the UK, she brings deep expertise in strategic regulatory and risk transformation, corporate governance and operations management in both emerging and mature markets. Prior to joining HSBC, Leslie held a range of senior leadership roles in Canada and the United States in distribution, operations, and new product development at Manulife Financial and London Life Insurance Company. She is also a fully qualified Non-Executive Director.

Leslie is actively engaged in the wider professional and public community. She currently serves as Vice Chair of the Naval and Military Club (the In & Out Club), Chair of the Western University UK Advisory Council, and is a Court Member of the Worshipful Company of International Bankers.

Leslie holds a BA and an MBA from the University of Western Ontario, and is a Chartered Life Underwriter (CLU).

**Significant External Appointments:** Non-Executive Director – Zarattini International Limited

### 10. Marisa Xuereb

Non-Executive Director

Appointed to the Board in May 2023.

**Committee Memberships:** Board Credit Committee  
Technology and Innovation Committee

**Bio:** Marisa commenced her career in 1997 and occupied various senior roles in the manufacturing industry including that of Managing Director. She carried out a brief stint at the Central Bank of Malta as an external researcher on Monetary Policy Transmission, and undertook contractual research assignments relating to economic, social and technological impact of ICT and eServices. In March 2015, Marisa was appointed Council Member of the Malta Chamber of Commerce, Enterprise and Industry progressing to President in 2021. By virtue of this appointment, she was nominated to sit on a number of Boards related to the industry which she relinquished following completion of her terms as President of the Malta Chamber in March 2023.

Marisa read for a Bachelor of Commerce (Hons) degree in Economics at the University of Malta, graduating in 2000. She proceeded to read for a Master of Arts in Economics degree from the same University, graduating in 2002.

**Significant External Appointments:** Chairperson - Epic Communications Limited  
Non-Executive Director - Atlas Insurance PCC

### 11. Graziella Bray

Company Secretary

Appointed as Company Secretary in 2018.

**Bio:** Graziella joined APS Bank in 2006. Over the years, she has performed duties in various areas of law, regulation, and compliance, including providing support to the Board, its subsidiaries and various committees. In 2021, she was elected fellow of the Chartered Governance Institute of UK & Ireland, as a Chartered Company Secretary and Governance Professional. She also sits on the Board of Directors of APS Funds SICAV plc. Graziella lectures in company law, regulation, and corporate governance as a freelance trainer.

Graziella graduated with a Doctor of Laws from the University of Malta in 2004.

## EXECUTIVE MANAGEMENT

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### 1. Chief Executive Officer - Marcel Cassar

**Committee Memberships:** Executive Committee (Chair)  
Management Credit Committee (Chair)  
Board Credit Committee  
Environmental, Social and Governance Committee  
Remuneration, Nominations & Governance Committee  
Risk Committee

**Bio:** Marcel started his career in 1987 with Price Waterhouse Malta followed by MIBA/MFSC, now the MFSA (1991-1996). He was General Manager at Lombard Bank Malta plc (1996-2004) and First Executive Vice President and CFO at FIMBank plc (2004-2015). He served as Chairman of the Malta Bankers' Association between 2018-2020 and 2022-2024, which tenures led to a seat on the board of the Brussels-based European Banking Federation (EBF). Marcel is a CPA, a fellow of the Malta Institute of Accountants, and holds an MBA in Bank Financial Management jointly from the University of Wales and Manchester Business School (1995). He has lectured and examined at both FEMA and the MA Financial Services course, University of Malta, and is a frequent writer and speaker on topics related to financial services and management. Marcel is also the Chairman of ReAPS Asset Management Limited, and a Non-Executive of IVALIFE Insurance Limited.

### 2. Chief Risk Officer – Giovanni Bartolotta

**Committee Memberships:** Compliance Committee (Chair)  
Board Credit Committee (Non-Voting)  
Risk Committee (Non-Voting)  
Assets & Liabilities Committee  
Executive Committee  
Management Credit Committee

**Bio:** Giovanni joined the Bank in 2018. He is responsible for leading and overseeing the second line of defence of the Bank, through the fostering of an appropriate risk culture within the institution and implementing effective risk management and compliance frameworks, within the boundaries of the risk appetite set by the Board. Prior to joining, he spent ten years in London working for major global investment banks, including Kleinwort Benson, JP Morgan Chase & Co and Bear Stearns International. He then moved to Malta where he spent 14 years at FIMBank plc, as Executive Vice President and Global Head of Risk. He holds a BA in Economics from SDA Bocconi, University of Milan and is currently a member of the Council of the Malta Association of Credit Management.

### 3. Chief People Officer – Raymond Bonnici

**Committee Memberships:** Executive Committee

**Bio:** Raymond joined the Bank in 2016 as Head of Human Capital and was appointed to his present role in June 2020. He is responsible for Human Capital, Career Development and Employer Branding & Succession Planning. He comes from a diverse and international private sector background, marked by a 10 year spell in the airline industry, where he worked for KLM, Swissair and Sabena in Malta and overseas in Sales and Operations. Following this period, he joined Hili Group in 1996 and was a key element in setting up their Group HR function. In 1999, he moved to Hilton Hotels International as Director of HR for Malta, re-joined Hili Group in 2008 as Director of HR, forming part of a team responsible for the acquisition and operation of the Development Licence for McDonalds in the Baltics, Greece and Romania. Raymond holds a BA in Youth and Community Studies from the University of Malta.

## EXECUTIVE MANAGEMENT

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### 4. Chief Banking Officer – Anthony Buttigieg

**Committee Memberships:** Board Credit Committee (Non-Voting)  
Risk Committee (Non-Voting)  
Compliance Committee  
Executive Committee  
Management Credit Committee

**Bio:** Anthony joined the Bank in 2016 as Head of Banking and was appointed to his present role in June 2019. His experience in the banking sector spans 48 years. His career started with Mid-Med Bank, which later became HSBC Bank (Malta) plc, where he held a number of Senior and Managerial roles. Anthony is responsible for the Bank's commercial business division, retail branches, contact centre and electronic channels. Anthony is an Associate of the Institute of Bankers.

### 5. Chief Operations Officer - Edward Calleja

**Committee Memberships:** Board Credit Committee  
Executive Committee

**Bio:** Edward joined the Bank in 1992 and was appointed to his present role in August 2021. He started his career with Mid-Med Bank in 1981. At APS Bank, he held senior managerial positions in lending, corporate strategy, and risk management. Edward was responsible for the setting up of the Bank's lending function and the centralisation of key operations through the implementation of the Loans Processing System in 2009. He oversees the efficient management of the Bank's operations, and of Support Services. He holds a BA (Hons) Accountancy from the University of Malta, a Diploma in Management and an MBA from Henley Management College, UK. He obtained his warrant as CPA and a Fellow member of the Malta Institute of Accountants.

### 6. Chief Technology Officer – Jonathan Caruana

**Committee Memberships:** Technology & Innovation Committee  
Executive Committee

**Bio:** Jonathan joined the Bank in 1999 and was appointed to his present role in November 2016. He held various senior managerial positions in the Bank, including retail banking, payments and clearing, and technology. He was appointed Information Systems Manager in 2008 and Head of Technology in 2015. Jonathan is responsible for the technology, project management and digital innovation domains of the Bank. He holds a BSc (Hons) in Computing from the University of Greenwich and an MSc in Software Engineering from the University of Hertfordshire.

### 7. Chief Strategy Officer – Liana DeBattista

**Committee Memberships:** Environmental, Social and Governance Committee (Non-Voting)  
Executive Committee

**Bio:** Liana joined the Bank in 2003 and was appointed to her current role in October 2021. Over the years, she held various managerial positions across key areas, including strategy, internal audit, and marketing, and was promoted to Head of Strategy & Propositions in 2020. Liana leads the Bank's business planning process and advises the Board of Directors, the CEO and Senior Management on corporate strategy formulation. In addition, her responsibilities span on a range of functions, including sustainability and CSR, brand and marketing, customer insight and performance management. She also oversees product oversight and governance, corporate culture, and customer experience, ensuring alignment with the Bank's strategic objectives. Liana holds a BSc in Business & Computing (2001) and a BCom (Hons) in Management (2002), both from the University of Malta, and a M.Sc. in Corporate Finance from the University of Liverpool (2015).

## EXECUTIVE MANAGEMENT

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### 8. Chief Investments Officer – Noel McCarthy

**Committee Memberships:** Environmental, Social and Governance Committee  
Executive Committee  
Management Credit Committee

**Bio:** Noel joined the Bank in 2000 and has successively served in a number of senior positions, including the role of Chief Financial Officer since 2016. He was appointed to his present role in 2020. Noel oversees the Investment Management and Investment Distribution units, the activities of the subsidiary and affiliated companies and the Bank's property portfolio. He also serves as a Director in ReAPS Asset Management Limited. Noel holds an MA in Financial Services from the University of Malta. He is a CPA and a Fellow member of the Malta Institute of Accountants.

### 9. Chief Financial Officer – Ronald Mizzi

**Committee Memberships:** Risk Committee (Non-Voting)  
Assets and Liabilities Committee  
Executive Committee  
Management Credit Committee

**Bio:** Ronald joined the Bank in 2020. He is responsible for leading and maintaining the effective governance and stewardship of the Bank's finance, asset-liability management, and capital management programme. He is also responsible for business process reengineering, operational effectiveness and data integrity initiatives at the Bank. Prior to joining the Bank, Ronald was Group Chief Financial Officer at FIMBank plc having spent his earlier career with PricewaterhouseCoopers in Malta, the Channel Islands and New York. He is a Council Member of the Malta Institute of Accountants and sits on the Institute's Banking Working Group. Ronald holds a BA (Hons) in Accountancy from the University of Malta and a Diploma in VAT Compliance from the institute of Indirect Taxation (UK). He is a warranted CPA and holds a Practising Certificate in Auditing, both issued by the Accountancy Board in Malta, and is a Fellow of the Malta Institute of Accountants.

## EXECUTIVE MANAGEMENT

### HEADS OF DEPARTMENTS

Charlton Aquilina	- Head of Service Management
Kenneth Azzopardi	- Head of Human Capital
Rachael Blackburn	- Head of Culture
Cynthia Borg	- Head of Financial Crime Compliance & MLRO; (CC)
Graziella Bray	- Company Secretary
Elaine Calleja	- Head of Career Development
Alexander Camilleri	- Head of Operations; (T) (NV)
Gilbert Caruana	- Head of Finance; (AL) (NV), (T) (NV)
Daniel Cassar	- Head of Project Delivery; (T)
Joseph Farrugia	- Head of Special Projects
Marvin Farrugia	- Head of Asset Liability Management; (AL) (CH); (MC) (NV)
Mario Gauci	- Head of Commercial; (B) (NV); (MC) (NV); (AL)
Kenneth Genovese	- Head of Investment Distribution; (AL)
Gordon Gilford	- Head of Electronic Channels; (T)
Dione Stephan Gravino	- Head of IT Infrastructure & Operations
Nives Grixti	- Head of Legal; (B) (NV); (CC) (NV); (MC) (NV)
Scott L Holloway	- Head of Customer Experience
Zoltan Horvath	- Head of Propositions; (T) (NV)
Marco Micallef	- Head of Risk; (R) (NV); (B) (NV); (MC) (NV)
Simon Micallef	- Head of Customer Profiling; (CC)
Aaron Mifsud	- Head of Retail; (AL); (MC)
Rodney Naudi	- Head of Operational Resilience; (R) (NV); (T)
Josef Portelli	- Head of Investment Management
Ronald Psaila	- Head of Development and Innovation; (T) (NV)
Richard Scerri	- Head of Internal Audit
Matthew Swain	- Head of Sustainability; (E); (MC)
Christine Tabone	- Head of Enterprise Risk Management; (AL) (NV)
Dorianne Tabone	- Head of Regulatory Compliance; (CC)

### LEGEND

#### Membership in Committees

Audit Committee – (A)	Executive Committee – (EX)	Technology and Innovation Committee – (T)
Risk Committee – (R)	ESG Committee – (E)	Chair – (CH) Non-Voting (NV)
Compliance Committee – (CC)	Board Credit Committee – (B)	
Assets-Liabilities Committee – (AL)	Management Credit Committee – (MC)	

## DIRECTORS' REPORT

### CONSTITUTION AND PRINCIPAL ACTIVITIES

APS Bank Group (the Group) comprises of APS Bank plc (the Bank) and its subsidiaries ReAPS Asset Management Limited (ReAPS) and the APS Diversified Bond Fund. The Group also has a significant investment in its associates IVALIFE Insurance Limited (IVALIFE), the APS Income Fund, the APS Ethical Cautious Fund, the APS Ethical Balanced Fund and the APS Ethical Adventurous Fund.

The Bank is a public limited company. It is licensed by the Malta Financial Services Authority (the MFSA) to carry out the business of banking and investment services in terms of the Banking Act (Cap. 371 of the Laws of Malta) and the Investment Services Act (Cap. 370 of the Laws of Malta). The Bank is also enrolled in the Tied Insurance Intermediaries List in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta).

ReAPS is a wholly owned subsidiary of the Bank incorporated in October 2016 as a private limited liability company. The company is a UCITS fund management company and is licenced by the MFSA to perform investment management services under the Investment Services Act. The company also holds a Registration Certificate pursuant to article 6 of the Retirement Pensions Act (Cap. 514) to carry out activities as an Investment Manager of retirement schemes.

APS Funds SICAV plc was incorporated in January 2008 and is licensed by the MFSA as a collective investment scheme under the Investment Services Act. The company operates under the Retail UCITS Scheme and has established five sub-funds.

IVALIFE was incorporated in December 2019 as a private limited liability company and is licenced by the MFSA to undertake insurance business activities in terms of the Insurance Business Act (Cap. 403 of the Laws of Malta).

### SHARE CAPITAL STRUCTURE AND MAJOR SHAREHOLDERS

The Bank's authorised share capital is of €250,000,000, divided into 1,000,000,000 shares with a nominal value of €0.25c each, with 485,642,086 ordinary shares in issue. The Bank's entire shareholding is listed on the Malta Stock Exchange, and all shares are freely transferable. The issued share capital includes the shares allotted to shareholders following the Rights Issue held in November 2025 (allotment of 104,066,181 shares) as well as the FY2024 final scrip dividend and the vesting of shares to employees in terms of the Executive Share Incentive Plan. The share capital consists of one class of ordinary shares, with equal voting rights. Further information on the Bank's authorised and issued share capital is disclosed in Note 36 to the financial statements.

AROM Holdings Limited and the Diocese of Gozo are the Bank's qualifying shareholders. Following the Rights Issue, the shareholding of AROM Holdings Limited was diluted to below 50%.

	No. of shares held as at 31 December 2025	% holding as at 31 December 2025
AROM Holdings Limited <i>(wholly owned by the Archdiocese of Malta)</i>	208,601,350	42.95%
Diocese of Gozo	50,050,000	10.31%
APS Bank plc Clients' Account	27,374,309	5.64%

The following table includes the number of shares held by Directors/Company Secretary as at 31 December 2025:

Director/Company Secretary	No. of shares
Martin Scicluna (Chairman)	62,841 *
Joseph C Attard	91,677
Laragh Cassar	16,524
Marcel Cassar	179,165
Michael Pace Ross	90,181
Graziella Bray	51,219

\*held jointly with spouse

## DIRECTORS' REPORT

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### SHARE CAPITAL STRUCTURE AND MAJOR SHAREHOLDERS (continued)

All of the ordinary shares in the Bank rank *pari passu* in all respects, including in terms of voting rights, participation in dividends and other distributions of profits of the Bank or otherwise.

In terms of Article 19 of the said Articles of Association, the Bank may acquire any of its own shares in line with the provisions of the Companies' Act (Cap 86), this being subject to general meeting approval.

There are no arrangements currently known to the Bank the operation of which may at a subsequent date result in a change of control in the Bank.

### DIRECTORS, THEIR APPOINTMENT AND POWERS

The Articles of Association specify that a shareholding of eight per cent (8%) of the Bank's shares having voting rights shall constitute a 'qualifying shareholding', and that a shareholder of the Bank that holds, or shareholders who among them hold (in the aggregate), a qualifying shareholding, shall be entitled to appoint one Director by letter in respect of each qualifying shareholding held, in every case subject to regulatory approval. At the last AGM held on 8 May 2025, AROM Holdings Limited held 54.95% shareholding in the Bank and appointed six Board Directors. The seventh Director was appointed jointly between AROM Holdings Limited and the Diocese of Gozo. The eighth and ninth Directors were re-appointed by the public float following a call for nominations issued via a Company Announcement. The CEO was appointed Executive Director in his capacity as CEO of the Bank. The provisions relating to the appointment of Directors are found in Articles 102 to 115 of the Bank's Articles of Association.

The Articles of Association also provide that the largest single shareholder of the Bank (holding at least twenty-five per cent (25%) of the ordinary issued share capital of the Bank) shall be entitled to appoint the Chairman of the Board from amongst the Directors appointed or elected to the Board. Martin Scicluna was re-appointed Chairman of the Board.

The Directors who served during the financial year were:

Martin Scicluna  
Joseph C Attard  
Juanito Camilleri  
Laragh Cassar  
Marcel Cassar  
Martin Czurda  
Noel Mizzi  
Michael Pace Ross  
Leslie Stephenson  
Marisa Xuereb

All the above Directors continue to serve at the date of approval of the Directors' Report. Bio notes on these Directors are found on pages 6 to 9.

The powers of Directors are provided in Articles 128-136 of the Bank's Articles of Association.

There are no agreements between the Bank and the Non-Executive Directors providing for compensation on resignation or termination of directorship.

### NON-FINANCIAL DISCLOSURES

Directive 2014/95/EU - also referred to as the Non-Financial Reporting Directive (NFRD) - lays down the rules on disclosure of non-financial and diversity information by certain large companies. The following are the disclosures hereby made pursuant to this Directive:

#### 1. THE BANK'S BUSINESS MODEL

The Bank is an established Maltese credit institution that provides a comprehensive range of banking and financial services to its personal and corporate customers. Ever since its foundation in 1910, the Bank has remained deeply connected to local communities, supporting customers in realising their financial and economic ambitions, whether purchasing their new family home, financing a new car, investing in renewable energy solutions, or planning for their retirement or other long-term goals.

The Bank provides a wide suite of products and services, ranging from basic deposit accounts, credit and lending facilities, as well as investment and retirement services. These offerings are delivered to customers through the Bank's branch network in Malta and Gozo, which the Bank is continuously investing in to ensure presence and accessibility in various locations.

In addition to its physical network, the Bank ensures that customers can seamlessly manage their finances through myAPS, a user-friendly digital banking platform available on desktop and mobile. This allows customers to view and open new accounts, perform transactions, and access banking services anytime, anywhere.

The Bank also participates in Syndicated Lending on an ongoing basis, securing participation in facilities arranged by renowned international financial institutions.

Staying true to its mission of serving the community, APS Bank places a strong emphasis on financial inclusion. It is committed to ensuring that all segments of society, including families in need or those requiring tailored assistance, can access essential banking services.

This is achieved through dedicated products and strategic collaboration with local and international entities, such as the Malta Development Bank, the Malta Housing Authority, and the European Investment Bank. The Bank's commitment to the improvement of the communities it serves also extends to its own core product offering, ensuring that customers receive responsible and impactful financial solutions that contribute to economic and social well-being.

Sustainability considerations are central to APS Bank's strategic agenda. In 2023, the Bank introduced its Responsible Lending Policy (RLP), a pioneering framework that reinforced its Sustainability Strategy. The policy formalised practices the Bank had already embedded over a number of years and established clear, transparent criteria for assessing lending proposals through environmental, social and governance (ESG), and broader sustainability perspectives.

The Bank's ESG and Executive Committees have approved the implementation and distribution of the RLP, which has been articulated in line with the European Banking Authority (EBA) Guidelines on Loan Origination and Monitoring, and sets out responsible lending standards consistent with European supervisory expectations.

The RLP is currently undergoing its first comprehensive review in order to further strengthen the management of ESG risk. The revision focuses on identifying high-impact sectors where the Bank's exposure and potential ESG risk are greater, and on developing sector-specific ESG assessment questionnaires for larger credit facilities. The updated RLP will also incorporate a structured framework to monitor ESG risks across the lending portfolio, supporting the Bank's sustainable finance targets and enabling more informed, forward-looking lending decisions. The revised policy is expected to be issued in 2026.

In parallel, the Bank launched an initiative in 2024 to measure financed emissions across its lending and own investments portfolios. This exercise follows the Partnership for Carbon Accounting Financials (PCAF) methodology, ensuring a rigorous and internationally recognised approach to carbon accounting. The results of this analysis are expected in 2026. Actions undertaken in Scope 3 Category 15 Reporting (PCAF-aligned):

- **Scoping and classification:** Defined the scope of the investment portfolio and established classification criteria for in-scope asset classes.
- **Data validation:** Conducted accuracy and completeness checks on investment listings.
- **Data requirements assessment:** Identified the necessary data points for emissions calculations and evaluated the use of appropriate proxies where data gaps exist.
- **Model deployment:** Implemented a model to compute Scope 3 financed greenhouse gas (GHG) emissions.

## DIRECTORS' REPORT

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### 1. THE BANK'S BUSINESS MODEL (continued)

Once the emissions have been determined, the Bank can then proceed to undertake a feasibility study on achieving carbon neutrality by 2050.

Furthermore, the Bank has continued to conduct surveys to understand the awareness, appetite, market trends and perceptions of ESG.

### 2. COMMUNICATING BRAND, PURPOSE AND CORPORATE CULTURE

The Bank adopts an innovative approach to strategic communication aimed at strengthening both internal and external communication, while reinforcing brand management. The Culture Department plays a pivotal role in aligning communication with the Bank's purpose and strategic priorities. It oversees key areas, namely brand and marketing, corporate culture change management, and corporate social responsibility.

#### Brand and Marketing

The APS Bank brand serves as a vital channel for conveying the Bank's vision, mission and values. In 2025, the Brand and Marketing function continued to elevate the Group's brand as part of its communication strategy, ensuring top-of-mind awareness while effectively complementing product-specific messaging.

This was achieved through the continuation of the brand campaign across integrated media channels, targeted product-specific campaigns, and a number of key brand initiatives. These included new everyday banking adverts featuring the use of sign language, communications related to the Rights Issue, and a collaboration with the Public Broadcasting Services highlighting the use of the Maltese language on national TV.

Throughout the year, the Bank also presented five livestreamed Market Briefing sessions, providing timely updates on important and material developments and following up on company announcements. These Market Briefings offered an additional platform for engagement with investors and the wider public.

Brand messaging was further reinforced with the Bank's fifth Christmas advert, which adopted a playful and light-hearted tone to deliver a consistent message: "the Bank is always here for its customers and the community alike". The campaign highlighted the Bank's support for customers' everyday banking needs as well as their bigger dreams.

#### Corporate Culture Change Management

The Corporate Culture Change Management Programme seeks to cultivate the Bank's corporate culture, as defined in the #APSlife Playbook, through various activities and strategic corporate culture communications. The programme is designed to embed the Bank's vision, mission and values in the mindset, behaviours and ways of working of employees, enhancing employee experience and driving organisational performance.

The 2025 programme focused on deepening cultural adoption by activating behaviours aligned with the Bank's values. Building on the foundations laid in previous years, the objective was to ensure that the Bank's culture is consistently experienced and demonstrated in day-to-day roles and interactions.

Culture Activator sessions were delivered Bank-wide, engaging all colleagues in team-based activities and discussions aligned with the #APSlife Playbook. In parallel, #APSlife – Live the Culture workshops were delivered to all colleagues, strengthening understanding of how the Bank's intended culture is applied in practice. Throughout the year, the #APSlife Toolkit supported regular peer discussions on selected culture themes, reinforcing shared reflection and supporting the consistent application of the Bank's culture.

The #APSlife Breakfasts remained a cornerstone of engagement. Quarterly #APSlife Executive Breakfasts continued to offer colleagues the opportunity to connect with senior leadership and align on strategy in an informal setting. Meanwhile, the quarterly #APSlife Diversity, Equity and Inclusion (DEI) Breakfast series celebrated diversity while sustaining constructive conversations on inclusion, challenging assumptions, and promoting greater cultural awareness across the Bank.

### 2. COMMUNICATING BRAND, PURPOSE AND CORPORATE CULTURE (continued)

#### Corporate Culture Change Management (continued)

In line with the Bank's DEI Strategy and Action Plan, and its commitment under the Malta Diversity & Inclusion Charter, the annual DEI Survey was conducted to gather employee insights and inform ongoing actions to strengthen inclusion across the Bank.

The Employee Listening Strategy continued to support the collection of employee feedback and foster a culture of continuous improvement. In parallel, the Internal Communication Strategy to support culture activation was implemented, streamlining internal communications and improving the consistency and quality of messaging across the Bank.

The Bank also delivered the #APSlife Connect series across the branch network and offsite locations, providing informal opportunities for colleagues to share experiences and strengthen connections across teams.

External recognition followed, with APS Bank shortlisted in multiple categories at the 2025 Business Culture Awards, acknowledging its progress in culture-building, diversity and inclusion, and internal communication efforts.

#### Corporate Social Responsibility

CSR is a critical driver in the successful delivery of the Bank's business strategy and a vehicle to communicate its brand, purpose and corporate values. The annual CSR Programme is made up of curated events and activities, in addition to donations and sponsorships, which are selected in alignment with three CSR pillars to supporting art, lifelong learning and sustainability.

The programme encompasses a wide range of activities with a broad appeal to reach different audiences. These include the sponsorship of diverse book publications, artistic exhibitions and performances, restoration projects, collaborations with educational institutions, and participation in professional conferences and events. Over 250 requests were received in response to the 2025 call for CSR funding proposals, reaffirming the Bank's proactive efforts to respond to the community's needs.

In 2025, four APS Talks and one APS Business Talk were delivered online by subject-matter experts with the objective of knowledge-sharing, building awareness and encouraging the interdisciplinary application of best practices. The Malta Sustainability Forum (MSF) also continued to raise more awareness and empower citizens to make conscious decisions towards a more sustainable life. Three MSF events were delivered in 2025: 'Malta's Climate Challenge', 'Waste: A Shared Responsibility' and 'Food Security: Feeding Today, Protecting Tomorrow'. All were recorded and promoted online for public consumption.

Some of the programme highlights included the APS Bank Holy Week Concert and Mumentu in aid of Hospice Malta. The Bank was once again proud to support the KampuSajf arts festival organised by the Malta College of Arts, Sciences and Technology, and the Landscapes, Seascapes & Imaginary-[e]scapes exhibition in aid of the Malta Community Chest Fund Foundation.

In recognition and celebration of Malta's artistic and cultural heritage, Fondazzjoni Patrimonju Malti continued to benefit from the provision of the Bank's former Head Office, APS House on St Paul's Street, Valletta to house the state-of-the-art Victor Pasmore Gallery.

### 3. EMBEDDING CUSTOMER CENTRICITY ACROSS THE BANK

The Bank's vision, mission and values are embedded within the Customer Experience (CX) and Voice of the Customer (VOC) function, which drives the implementation of the Customer Experience Strategy. The function ensures that customer voices are consistently heard, understood and acted upon across the organisation to deliver a high-quality customer experience.

The VOC Unit is responsible for directly assisting customers who provide feedback or raise complaints at any point in the customer journey. Each case is managed through to resolution, with a focus on achieving fair and balanced outcomes for all parties involved.

The Bank's CX Strategy, initially launched in 2023, introduced a structured approach to enhancing service delivery and customer engagement. Key initiatives include customer journey mapping, dedicated senior management CX offsite sessions, and CX activation workshops designed to cascade the strategy and embed customer-centric thinking across the Bank.

### 3. EMBEDDING CUSTOMER CENTRICITY ACROSS THE BANK (continued)

To further optimise customer experience, the CX department ensures the Bank maintains a clear and comprehensive understanding of customer needs and expectations. The CX department coordinates a range of research initiatives on an annual basis, ensuring that customer insights inform decision making and drive meaningful improvements. These initiatives include mystery shopping programmes, regular customer satisfaction (CSAT) surveys and focus groups.

In addition, the Bank operates multiple ongoing listening posts to capture customer sentiment at key touchpoints. These include customer feedback touchpads installed across the branch network, which provide real-time sentiment data, with monthly results displayed on the in-branch digital screens to promote transparency and accountability. The function also monitors SMS surveys deployed to customers following interactions with the Bank's Contact Centre.

In the spirit of continuous improvement, the VOC team consolidates and shares customer feedback with senior management, ensuring that insights are translated into tangible service and process enhancements. The function also designs and delivers ongoing coaching and training for frontline and operational teams, equipping employees with the skills and knowledge to deliver an exceptional customer experience.

### 4. DEVELOPING AN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STRATEGY

APS Bank is committed to embedding sustainability and ESG principles at the core of its business model and long-term strategy. The Sustainability Strategy, led by the Chief Strategy Officer and executed by a dedicated Sustainability Department, provides a structured and coordinated approach to ESG integration across the organisation.

Oversight of the strategy is exercised by the ESG Committee together with the Executive Committee. The approach is a multi-dimensional which encompasses several key initiatives, notably:

- Facilitating an increase in social and green lending referred to as sustainable finance across both retail and commercial portfolios
- Expanding or enhancing the Bank's ESG suite of products
- Broadening the Bank's ESG-linked investment offerings
- Enhancing the Bank's sustainability reporting and meeting ESG regulatory reporting requirements
- Integrating ESG considerations across some of the Bank's activities and decision-making processes
- Rolling out dedicated thematic training across the group from Board/executive level for frontline functions

The activities collectively contribute to the Bank's three Sustainability and ESG Public commitments.

The Bank's ambitions are to expand to a wider sustainability strategy, encompassing the UN Sustainable Development Goals (SDGs) as well as overall responsibility for emissions accounting and ESG reporting.

#### Public Sustainability Commitments

The Bank has adopted three measurable Sustainability & ESG public commitments reflecting its long-term vision for responsible banking:

- (i) **Facilitating EUR250 million of sustainable finance by 2030.** The Bank is committed to financing activities and projects that incorporate ESG principles, supporting initiatives that drive environmental and social progress. In addition, APS Bank aspires to be the go-to partner when it comes to sustainable financing opportunities and options. Sustainable finance is becoming increasingly important to investors and customers who are looking to invest in environmentally and socially responsible undertakings. The Bank reached this target within the reporting period.
- (ii) **Reducing the impact of the Bank's operational emissions by 30% by 2030.** The Bank recognises its role in mitigating climate change and takes responsibility to take action to reduce its carbon footprint, through enhanced energy efficiency and operational improvements. Lowering operational emissions not only supports global climate goals but also improves cost efficiency by reducing energy consumption.
- (iii) **Establishing a baseline for APS Bank's financed emissions, to align the Bank's lending, and complete a feasibility study with a view to reaching carbon neutrality by 2050.** The Bank is committed to measuring, managing, and reducing the carbon footprint of its lending portfolio, ensuring a science-based approach to achieving net zero emissions.

### 4. DEVELOPING AN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STRATEGY (continued)

#### Governance and Implementation

The Sustainability Department is responsible for formulating and executing the Bank's Sustainability Strategy across all its functions. The role encompasses formulating an ESG and sustainability-led growth business strategy, mapping the delivery of regulatory ESG reporting as well as leading on ESG and sustainability engagement with both internal and external stakeholders of the Bank.

Oversight of the sustainability strategy is provided by the ESG Committee. Membership within the Committee is split between Executive Management and Non-Executive Directors of the Bank. The role and remit of the Committee is clearly defined, with the members overseeing and approving the implementation of the Bank's ESG and Sustainability strategy, as well as the Bank's publicly announced commitments and objectives. On an ongoing basis, the Committee is responsible for overseeing the emergent and existing ESG risks that the Group may be exposed to.

The Strategy and Propositions teams play a critical role in integrating ESG and sustainability-related factors into the Bank's suite of products and services, and in also enhancing the Bank's green and social product offerings.

#### Industry Collaboration and Alliances

The Sustainability Department coordinates the Bank's participation and membership in key sustainability alliances, including:

- **Malta ESG Alliance (MESGA):** APS Bank is a founding member of MESGA, an initiative launched in July 2022 by 13 leading Maltese companies across various sectors. The Alliance fosters collaborative action to advance national ESG goals. In 2025, APS Bank's Head of Sustainability was re-elected to the Board of MESGA.
- **Sustainable Banking Coalition (SBC):** The Bank is an active participant of this Brussels-based network, bringing together banks committed to environmental and social sustainability. Through its involvement, the Bank aspires to exert influence in European Public Affairs and steer actions that aim to create a just, equitable, diverse, inclusive and climate- and environment-friendly banking system.
- **Federation of Ethical and Alternative Banks and Financiers (FEBEA):** Membership supports collaboration with values-based financial institutions across Europe.
- **Malta Bankers' Association (MBA) Standing Committee on ESG, Sustainability and Economic Growth:** APS Bank participates in this committee, which provides a space for Maltese banks to collaborate on ESG strategies, exchange regulatory updates, align with national priorities, and promote collective efforts to address climate and social issues.

#### Sustainability Reporting

The Bank acknowledges the publication of Legal Notice 39 of 2026, issued on 13 February 2026 by the Maltese Government, which transposes the EU Corporate Sustainability Reporting Directive (CSRD). Its enforcement remains pending the ministerial commencement date. The Bank also notes the issuance of the EU's 'Omnibus I' on 26 February 2026, which introduced revised qualifying reporting thresholds. These EU and local developments are currently being assessed within the context of the Bank's CSRD reporting obligations.

The Bank is preparing its first sustainability report in accordance with the European Sustainability Reporting Standard for SMEs (VSME), which is planned to be published as a standalone document in 2026.

During the reporting period, APS carried out its first Double Materiality Assessment (DMA) to identify material sustainability-related impacts, risks and opportunities, and to determine the material environmental, social and governance matter to be reported in its sustainability statements.

While reporting will follow the VSME standard, the DMA methodology was designed and performed in accordance with the requirements set out in the European Sustainability Reporting Standards (ESRS), as mandated under the Corporate Sustainability Reporting Directive (CSRD). This approach ensures alignment with EU sustainability reporting principles and supports future regulatory readiness should the Bank's reporting obligations evolve.

The concept of double materiality considers two complementary perspectives when identifying relevant sustainability matters:

- Impact materiality assesses the actual and potential impacts of the Bank's activities on environmental, social and governance factors.

### 4. DEVELOPING AN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) STRATEGY (continued)

#### Sustainability Reporting (continued)

- Financial materiality focuses on sustainability-related risks and opportunities that may affect the Bank's financial performance, position or future prospects.

Whilst the identification of material sustainability matters was conducted in line with ESRS requirements, the associated disclosures addressing these material topics will be prepared in accordance with the relevant disclosure requirements set out in the VSME standards.

#### Capacity Building and Training

The Sustainability Department provides bespoke training to employees at all levels, from Board members to frontline employees, to raise awareness of ESG and sustainability topics. This ensures that the Bank's people are conversant with these vital topics, and that they are also well-versed when it comes to proposing APS Bank's Green Products to current and future customers.

### 5. CLIMATE CHANGE AND ESG-RELATED RISKS

The transition towards a low-carbon and circular economy entails both risks and opportunities for the economy at large and for financial institutions operating in it. Meanwhile, the physical and economic consequences of climate change and environmental degradation continue to pose significant challenges to both the real economy and the financial system. Throughout the years, the focus on sustainability has been growing, resulting in the need for businesses to act and be part of the solution to pressing environmental and social issues.

The Group recognises the pace of such trends and the need for a sustainable and responsible banking strategy in line with its vision and mission, which is that of being the community bank in Malta. This brings with it a responsibility towards the environment and society beyond legal and regulatory requirements. The Group is committed to continue to support business and economic growth, but mindful of the fact that existential issues such as climate change need to be prioritised if we are to make meaningful inroads into the sustainability of the environment we live in, for our lives and that of our descendants. The Group is aware of its exposure to the ESG risks and follows closely regulatory guidelines, developments, and supervisory expectations. As such, measures to mitigate its exposure to these risks form an integral part of the Group's risk management framework.

The Group's internal governance arrangements ensure the involvement of the Board and Senior Management in establishing a risk culture, setting the risk appetite and managing ESG risks, whilst having clear allocation of responsibilities and reporting lines to ensure the incorporation of ESG risks into the business strategy, business processes and risk management. The Board is aware that risks stemming from environmental and social factors evolve over time given changes in technology, policy framework, business environment, stakeholder preferences and changes in the physical environment itself.

#### Integration of ESG into the Bank's Risk Framework

Climate and environmental risk drivers can result – in terms of monetary and other impacts – into traditional financial risk categories, rather than representing a new type of risk, thereby climate-related financial risk is integrated into the Group's risk management framework through the management of the various risk types, including credit risk, market risk, liquidity risk, operational risk and reputational risk. Climate risk drivers can affect:

- **credit risk** through its counterparties,
- **market risk** through the value of financial assets, and
- **liquidity risk** through its deposits, funding costs and withdrawal of credit or liquidity lines.

#### ESG Risk Identification and Assessment

The Group is committed to incorporate environmental and social risk considerations into all financing activities. It is also committed to identify its customers, exposures, relationships, business, and other activities that may expose it to such risk. While it establishes environmental and social requirements for customers to comply with national laws, regulations, and best practice standards, it also communicates environmental and social expectations to staff, customers, and other external

### 5. CLIMATE CHANGE AND ESG-RELATED RISKS (continued)

#### ESG Risk Identification and Assessment (continued)

stakeholders. The Group is dedicated to improving the overall environmental and social performance of its portfolio through enhanced risk management and to continually building the ability of staff to identify environmental and social risks.

As part of the Bank's journey in mitigating and reducing environmental, social and governance risks, a Responsible Lending Policy was approved in 2022. This is applicable to all requests for new or additional borrowing deriving from corporate customers, or group of connected customers, subject to selected qualitative and quantitative thresholds.

The RLP sets out, in a clear and transparent manner, the assessment criteria to be used when evaluating lending proposals from an ESG perspective. In line with the mentioned Policy, the evaluation of proposals using ESG assessment criteria has the ultimate objective of grading a borrower and its financing proposal against pre-determined environmental, social and governance sustainability criteria and metrics. Each of these criteria is assessed during the loan proposal stage, before a report of this grading is passed on to the Credit Risk Management function, for an independent review in line with the Bank's policies, risk appetite, and other credit-related procedures. Environment criteria include climate change considerations, such as pollution and impact on biodiversity. For social sustainability, factors such as health and safety and diversity policies are considered, whereas governance criteria consider board and management composition and governance policies.

The Syndications and Trade Finance book – consisting of syndicated loans and risk participation transactions involving acquisitions, project finance, financial institutions, sovereign risks, commodities, shipment financing and other trade finance products – is also subject to ESG review. When a potential opportunity is identified, the Syndications and Trade Finance Unit analyses whether the opportunity meets the Bank's risk appetite and, if in the affirmative, the Unit carries out research and analysis on ESG-related aspects by referring to reports published by external credit rating agencies.

#### Market and Liquidity Risk Considerations

New information about future economic conditions can alter the current value of real or financial assets resulting in price shocks and market volatility in traded assets. The effectiveness of hedges can be reduced and undermine the Bank's ability to manage its market risk. The potential for unexpected price movements may be reduced where factors related to climate risk are taken into consideration. Markets that price in climate risk may be less sensitive to abrupt climate-related price shifts in the future following severe weather events or a rapid transition to a less carbon-intensive economy, however, this is hampered by the lack of consistent methodologies, standardised metrics and comparable disclosures.

Natural disasters hampering the functioning of banking markets could impact the Bank's ability to fund increases in its assets and meet obligations as they come due without incurring unacceptable losses. Furthermore, corporates and households may demand high liquidity after a severe natural disaster, leading to higher outflows of liquidity.

The Treasury bond book is mainly composed of high-quality government and supranational bonds and to a lesser extent investment grade corporate bonds. Before bonds are purchased, the Treasury Unit reviews research reports published by external credit rating agencies to get a better understanding not only on the financial aspect of the government or company but also with respect to their ESG criteria. In line with the Bank's risk appetite and Treasury & Market Risk Policy, the Treasury Unit takes a conservative stance with respect to the Treasury bond book, hence market and liquidity risk are mitigated as the exposure to issuers with a low ESG score is heavily curtailed.

The investment guidelines in the Treasury & Market Risk Policy are structured in such a way to permit a more generous investment towards those bonds which have a high credit rating while limiting the investment exposure towards those bonds which have a lower credit rating. The Policy prohibits any investments made below a specified credit rating. Once a bond is shortlisted for purchase by the Treasury Unit, the bond details are presented to the Management Credit Committee for approval. The Treasury & Market Risk Policy was last approved in 2024 and includes a dedicated section on ESG.

#### Investment Services and Advisory Activities

The Group adopted a Sustainability Risk Policy for investment services which builds on the Bank's values and Business Plan and spells out the integration of sustainability risks in investment decision-making. The Group integrates sustainability risks in investment decision making by taking stock of ESG factors (e.g. climate change, health protection, sustainability

### 5. CLIMATE CHANGE AND ESG-RELATED RISKS (continued)

#### Investment Services and Advisory Activities (continued)

management by the Board) and identifies sustainability risks emanating from ESG. Furthermore, the Group has policies in place to screen investments in sectors and industries which are involved in the production of controversial items.

The Bank, as Advisor of financial products, takes into account the information which manufacturers of these products are required to disclose. This includes, how they integrate ESG risks into their investment decision-making processes and the likely impact on the financial products' returns. The Bank's Investment Distribution Unit engages with manufacturers of financial products to comprehend how they undertake the integration of the above. Furthermore, information provided by these manufacturers, as defined - environmental, social and employee matters, respect for human rights, anti-corruption matters, and anti-bribery, are integrated in the financial advice provided.

In terms of market risk, given that on a portfolio basis, exposure to companies with a low ESG score is minimal, if any at all, the market risk of the Treasury portfolio, include ESG considerations, is deemed minimal. In terms of liquidity risk, this is assessed as the possibility of incurring material withdrawals of Bank deposits due to the reputational damage sustained in view of a material exposure to bonds that are negatively impacted by events linked to ESG criteria. In view of the conservativeness of the portfolio this risk is considered minimal.

#### Operational and Reputational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group's operations could be impacted by a natural disaster. Thus, the Group, may be exposed to legal and regulatory compliance risk as well as litigation and liability costs associated with climate-sensitive investments and businesses. The Group could be affected from indirect reputational risks when providing financing to businesses or activities that are held responsible for negative climate impacts (e.g. high pollution).

The Bank has in place an Environmental & Social Management Systems (ESMS) Policy. The ESMS Policy aims to ensure compliance with relevant regulatory requirements, including best practice Exclusion Lists and Standards to actualise environmental and social directives, laws and regulations. While it incorporates environmental factors into business decisions, it also increases employee awareness and training.

The Group has developed an environmental and social risk categorisation system which assigns a risk rating for customers who apply for its services. This rating is applied as part of the application process and is reviewed from time to time consistent with the Group's Policy.

The Group's operational risk management framework and governance are fully integrated into the Group's Operational Resilience Framework. The Policy sets forth a framework for the identification, management, monitoring and reporting on the Group's exposure to this risk. This Policy was reviewed in 2023, with ESG-related matters being one of the eight reputational risk dimensions applied to quantify reputation risk under the Operational Resilience Framework.

As highlighted above, ESG is one of the reputational dimensions considered in the Reputational Risk Management Matrix as part of the Reputational Risk Policy. Integrated ESG strategy is an integral part of the Group's annual Business Planning process. The Group defines clear objectives and key actions that will get it to net zero over the long-term while continuously developing further its suite of ESG products and services through appropriate customers and market research, and intelligence on regulatory and governmental framework.

#### Capital Adequacy, Stress Testing and Risk Assessment

As part of its ICAAP, the Bank implemented a materiality assessment to enhance its identification and measurement of climate and other environmental risks. This assessment complements the other identification, measurement and reporting measures (explained in this section) and assesses the potential impact of physical risk on the Bank through its credit risk models, given that credit risk is its largest exposure, and operational risk.

Going forward, this assessment will include liquidity risk and market risk. The assessment aims to analyse the potential impact on the Bank over different time horizons, namely the short-, medium- and long-term. The output of this assessment leads to the determination of the adequate capital to cover the nature and level of climate and other environmental risks. A similar assessment will be carried out on transition risk in the future.

### 5. CLIMATE CHANGE AND ESG-RELATED RISKS (continued)

#### ESG Risk Monitoring and Reporting

The Risk Department monitors and reports the Bank's sectorial exposure periodically and benchmarks this to ESG-related ratings issued by external credit rating agencies. Local exposures within the lending portfolio are categorised according to the CO<sub>2</sub> emitted by each sector of economic activity in producing one unit of Gross Value Added (GVA).

The Sustainability Department compiles a report on an annual basis which includes several of the Group's ESG metrics, as defined within the Platform framework provided by the Ministry for the Environment, Energy and Enterprise. The Malta ESG Platform helps illustrate the ESG credentials of companies listed on the Malta Stock Exchange, and in turn allows investors to incorporate these credentials into their investment decision-making. This reporting is updated annually and provides a means for the Group to track its progress over time, and to help identify areas for enhanced focus and improvement.

The Bank performs an internal adequacy assessment on the Bank's capital and liquidity positions, with the results being reported in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) documents. These processes include an assessment of the Bank's exposure to ESG risk and the management thereof, to ensure that the risk is managed within the Bank's risk appetite and that the Bank's capital adequately covers its exposure to such risk. As part of the ICAAP and ILAAP document, the Bank includes a tailored and in-depth review of the potential vulnerabilities resulting from transition risk through stress testing, as mandated by ECB Guidelines<sup>1</sup>. Through this stress scenario the Bank understands and monitors its resilience in the context of stressed macro-economic and financial conditions. The assessment is performed in line with the climate-related adverse scenario published by the Central Bank of Malta<sup>2</sup>. This scenario is tailored to the characteristics of Malta as a small open economy being subject to transition risks because of the assumed international efforts to phase-out fossil fuel. It is developed based on both quantitative and qualitative analysis and consideration is also given to the changing external and internal conditions and supervisory expectations. The Bank assesses the potential impact of the climate-related shocks on its capital, liquidity, profitability, asset quality and interest rate risk metrics. The Bank is mainly impacted through its capital and profitability ratios; however, the capital ratios remain above the Total SREP Capital Requirement. Moreover, the results of the Bank compare well with those of other core domestic banks, as per the CBM's own estimates.

### 6. SOCIAL MATTERS

#### Trade Unions

The Bank recognises the Malta Union of Bank Employees (MUBE) as the sole and exclusive bargaining agency for the managerial, clerical and non-clerical categories of employees. The Bank's relationship with the MUBE has been productive throughout the years, with ongoing communication between both parties on various topical matters. The Bank has a current Collective Agreement which covers a period of three years 2023 – 2025. Negotiations are in an advanced stage for Collective Agreement 2026 – 2028.

#### Consumer Relationships

The provision of the Bank's products and services through both its physical and digital channels, together with the ongoing refinement and modernisation of its internal processes contributes to the Bank's ultimate objective of delivering excellent levels of customer experience and service, with clients benefiting from a consistent look and feel across all service delivery channels.

The Bank continues to devote increasing attention and resources towards ensuring that its customers feel comfortable and confident in engaging with the Bank through several physical and virtual interactive spaces.

Significant investment has been made to upgrade the Bank's network of retail branches, making them more modern in design and experience for its customers and colleagues alike. Branches have been equipped with improved office spaces and furniture, modern waiting and meeting areas, as well as interactive digital display monitors available for customers' use. This programme has been completed across all branches, apart from Paola, where the Bank is currently negotiating the purchase of a new property to replace the existing branch, with completion targeted by end-2027.

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<sup>1</sup><https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf>

<sup>2</sup> FSR-2021.pdf (centralbankmalta.org)

### 6. SOCIAL MATTERS (continued)

#### Sustainable Premises and Facilities

The Bank continued to make a positive difference when it comes to sustainability, through the choices that were made when the project of branch and offices transformation was ongoing. This regeneration of the Bank's premises has, as a matter of fact, been planned to contribute towards lowering its carbon footprint. Energy efficient lighting and heating and cooling systems have been installed in several of its locations. Many branches have already passed through this transformation, with the few remaining renovations planned to follow in short order.

The Bank's flagship branch and head office premises in Swatar incorporate rain and wastewater recycling systems and generate renewable energy through several photovoltaic panels. In addition, photovoltaic installations are in place at other Bank facilities/property, including Qormi, Marsa, and Blata l-Bajda. The Bank has also invested in charging bays on every floor of its latest underground staff and customer parking area, aimed at encouraging its staff to invest in Plug-in hybrid and electric cars, which are less harmful to the environment.

### 7. EMPLOYEE MATTERS

The Bank's people strategy is centred on maintaining its position as an 'Employer of Choice' by sustaining a clear and compelling Employee Value Proposition (EVP). The EVP reflects a distinctive combination of rewards, benefits and values offered in return for the skills, capabilities and experience of its people, and underpins the Bank's strong Employer Brand. A well-defined EVP remains central to the Bank's ability to attract, engage, and retain talent.

During FY2025, the Bank continued to attract and retain the best talent, with employee churn rate declining to 9.5% compared to 10.5% in the previous year. This level remained well within an average of 11% experienced over the last five years. Throughout the year, vacant positions continued to attract a strong pool of suitably qualified candidates with the skills, competencies and experience required to support the Bank's operational and strategic objectives, underscoring the strength and credibility of the Bank's Employer Brand among current and prospective employees.

A strong EVP supports the attraction of high-quality talent while fostering sustained employee engagement and motivation. The objective of being the 'Employer of Choice' is underpinned by enabling employees to achieve their full potential through a competitive and well-structured remuneration framework, comprising both fixed and variable elements. The remuneration package includes participation in an occupational pension scheme, with fixed monthly contributions made by the Bank for employees with more than two years of service. The Bank's position as an 'Employer of Choice' is reinforced through a comprehensive policy framework, supported by ongoing investment in the development of employees' skills, knowledge and competencies required both current and future business needs. This sustained investment in development is coupled with clear opportunities for career progression and professional growth.

#### Engagement and Workplace Environment

The People Policy Framework comprises a comprehensive suite of policies covering diversity, equity and inclusion, health and wellbeing, preventative medical care, subsidised sport activities, and a zero-tolerance to bullying, harassment and discrimination. The framework further addresses performance development, succession planning, work-life balance, flexible and remote working arrangements, as well as employee screening processes.

By integrating these policies and practices, the Bank continues to strengthen its EVP and sustain its position as an attractive employer with a highly engaged workforce. As at end of Q1 2025, employee engagement survey results indicated strong levels of advocacy and pride, with 87% of respondents citing that they would strongly recommend APS Bank plc as a great place to work, whilst 89% reported feeling proud to be employed by the Bank. The survey achieved a participation rate of 82% of the total workforce.

#### Diversity, Equity and Inclusion Policy

The Diversity, Equity and Inclusion (DEI) Policy continued to support the Bank in fostering, embedding and sustaining a culture of diversity, equity and inclusion across the Bank. The policy is designed to promote an inclusive working environment that upholds the dignity and respects the diversity of all employees, in line with the Bank's Values. Across the entire employee life cycle – including attraction, recruitment, onboarding, development, retention and separation – the Bank seeks to ensure that all individuals are provided with equitable opportunities to grow, develop and thrive. The Bank's employee complement and

### 7. EMPLOYEE MATTERS (continued)

#### Diversity, Equity and Inclusion Policy (continued)

teams continue to reflect an increasingly diverse mix of backgrounds, cultures, ages, genders and professional experiences, spanning a broad range of disciplines, specialisations and roles, while maintaining a health gender balance.

Fostering a diverse and inclusive workplace – where employees feel respected, valued and able to contribute fully – supports higher levels of employee engagement and innovation. In Q4 2025, the results of a DEI survey indicated strong positive sentiment, with 88% of employees agreeing that the Bank values diversity and 83% agreeing that the Bank actively builds diverse teams.

#### Health and Wellbeing

During 2025, the Bank continued to support the mental, physical and social wellness of its employees. Employee wellbeing remains a strategic priority and is promoted through a range of initiatives aimed at fostering a healthy work-life balance and a supportive and inclusive working environment. The Bank provides a health insurance scheme to all employees and provides access to regular preventive health checkups. Additionally, wellbeing initiatives include an on-premises gym, together with active sport and social committee that encourage physical activity, social interaction and employee engagement. Reflecting the strength of the Bank's people-centred culture, 94% of employees agree and strongly agree that their manager genuinely cares about their wellbeing.

To further support mental wellbeing, the Bank maintains an Employee Assistance Programme (EAP), which is continually enhanced to support the mental wellbeing of its employees. The programme provides confidential counselling, guidance and professional support to assist employees in addressing work-related, personal and family-related challenges.

In addition, the Bank operates a Provident Fund, with contributions made by both the Bank and its employees. The Fund is intended to provide support in circumstances that may adversely affect employees' living conditions or wellbeing, including those of close dependents. Specifically, the Fund aims to offer assistance:

- in cases of long-term illness or condition that may significantly impact an employee's quality of life;
- following the demise of the staff member or a close dependant;
- through financial assistance in situations that may create challenges in an employee's wellbeing; and
- in any other situation or circumstance which the Committee may feel is deserved of assistance in accordance with the values of the Bank and the scope of the Fund.

#### Preventative Care and Lifestyle Support

The Bank supports employee health and wellbeing through a range of preventive and lifestyle-focused initiatives. Every three years, employees are offered the opportunity to undergo a preventive medical examination, aligned to their age profile, reinforcing the Bank's commitment to early detection and long-term health. This initiative complements a broader wellbeing framework designed to promote physical, mental, and social wellbeing, enabling employees to perform at their best and maintain a healthy and active lifestyle. In addition, the Bank subsidises participation in sports activities and provides access to on-site fitness facilities, encouraging regular physical activity and healthy living.

The Bank also provides access to the EAP, as previously described, which offers confidential and professional support services to employees. The programme forms part of the Bank's wider wellbeing framework and is designed to promote mental health, emotional resilience, and overall employee wellbeing by supporting employees in addressing personal and work-related challenges.

#### Respectful Workplace

The Bank is committed to maintaining a respectful and inclusive workplace. It maintains zero-tolerance to cases of bullying, harassment and unlawful discrimination and supports a workplace that promotes a dignified working environment and harmonious relations among its employees based on respect, understanding and appreciation. As in FY2024, there were no reported cases of bullying, harassment or discrimination in FY2025.

### 7. EMPLOYEE MATTERS (continued)

#### Performance Development

The Bank maintains a clear distinction between fixed and variable remuneration. Variable remuneration is performance-based and determined by a balanced assessment of both qualitative and quantitative criteria. The assessment considers the performance of the Bank, the achievement of departmental, team and individual objectives aligned with Key Performance Indicators (KPIs), the consistent demonstration of the Bank's values, and the ongoing development of skills, knowledge and competency required for each role.

All employees have clear performance objectives and engage in continuous performance and development discussions to support the achievement of high levels of performance across the Bank. Establishing well-defined performance expectations, aligned objectives and regular feedback mechanisms enable employees to clearly understand their roles, responsibilities and contribution, while supporting continuous performance improvement.

#### Succession Planning

The Bank has a Succession Planning Policy in place which outlines its structured approach to identifying, developing and sustaining talent to ensure the effective succession of leadership and business-critical roles over the short, medium and long term. Succession planning forms an integral part of a wider strategic framework that encompasses the Bank's business strategy and plans, business continuity management, workforce and resource planning, the identification of required skills and competencies, career development pathways, as well as the systematic assessment of employee performance and potential.

#### Remote Working and Flexibility

As part of its commitment to employee wellbeing and sustainable workforce practices, the Bank offers flexible working arrangements, including flexible hours, reduced working schedules, and remote working options. These initiatives are supported by ongoing investments in digital systems and enabling technologies, which facilitate effective remote collaboration, enhance workforce resilience, and broaden access to a wider and more diverse talent pool.

#### Employee Screening and Conduct

By incorporating thorough screening processes, the Bank makes informed hiring decisions to create a safer, more productive work environment. Employee screening presents a critical opportunity to ensure prospective and existing employees are aligned with its desired corporate culture, embrace its values and are 'fit and proper' to discharge their duties and responsibilities.

The Bank uses various tools for screening its employees as part of its due diligence process. Employees are also expected to abide with other policies including its Code of Ethics and other regulatory policies and guidelines.

#### Training and Career Development

The Bank is committed to foster a culture of continuous learning and development for all its employees. A substantial budget is approved for investment in training annually, offering a comprehensive range of training and career development opportunities, that supports the continuous development of skills and competencies. This has a positive impact on employees' morale and motivation, employees' knowledge, performance and career development, ultimately leading to the Bank's growth.

These programmes include various inhouse training initiatives, coaching and mentoring, management development, international travelling, business travelling, conferences and seminars, professional training grants schemes, an effective employee onboarding programme, future banker programme, eLearning courses and external training courses.

A Competency framework has also been developed, outlining the required competencies for all job positions across the Bank. This framework will enhance the recruitment process and the identification of individual personalised training needs, improving performance management by clearly defining expectations across all roles. Having this framework in place will ensure employees are skilled in their current roles and prepare them for future career advancement.

### 7. EMPLOYEE MATTERS (continued)

#### Training and Career Development (continued)

With our continued focus on the future of work and customer experience, we have introduced initiatives such as the Bank's Future Banker Programme. This is a strategic talent development initiative designed to prepare a selected group of high-potential employees to lead the Bank into the future. The objective of this programme is to equip employees with the skills, knowledge and expertise necessary to develop a mindset capable of navigating the rapidly changing financial sector, fostering responsible innovation, and delivering greater value for customers and stakeholders, all within a robust regulatory environment.

Additionally, the Customer Service Academy demonstrates our commitment to further developing our employees, enabling them to continue providing an enhanced customer experience. These programmes ensure that as a Bank will continue to remain relevant to our time and that we engage with our communities in a meaningful way.

### 8. IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS

The Bank's Board of Directors retains ultimate responsibility for all the Bank's identified risks. The Board Risk Committee ensures implementation of the Bank's risk management and compliance strategy, systems and policies that ensure adherence to the Bank's Risk Appetite Statement.

#### Credit Risk

Credit Risk is the potential risk that a borrower or counterparty fails to meet the respective obligations in accordance with or performing according to, agreed terms. Alternatively, losses may result from reduction in assets value arising from actual or perceived deterioration in credit quality.

Lending is considered to be one of APS Bank's main business activities and, as such, assessment of credit risk plays a pivotal part in the execution of the Bank's strategy. The Bank's exposure to credit risk is diversified by maximum single exposure, by sector, by geography, by tenor and by product, through its engagement in Retail Lending, Commercial Lending, Trade Finance and participations in Syndicated Lending. The appetite (and tolerance levels) for credit risk which is deemed acceptable by the Bank at any point in time is defined and evaluated in the Risk Appetite Statement (RAS), which is approved by the Board and reviewed on an annual basis.

Credit Risk is managed and controlled in various ways, including the regular four-eye approach/risk-based review of:

- credit risk, credit administration and recoveries policies, including the policies relating to forbearance and non-performing loans;
- lending procedures of the first line of defence;
- new lending products and/or the review/ revamp of existing lending products;
- internal credit scoring systems;
- internal credit risk grading system based on days past due and other non-financial/ qualitative factors, including cure/ probation periods;
- daily excesses/loan arrears exceeding the encroachment tolerance limits of the branch/commercial managers and/or the 30 days past due/IFRS9 Stage 1 (Significant Increase in Credit Risk (SICR));
- non-performing credit exposures graded 'Doubtful' and/or 'Classified' (IFRS9 Stage 3), including monitoring of the Bank's NPL ratio;
- fresh and/or renewal of business and retail credit limits exceeding €750,000 and/or fresh retail credit facilities below the €750,000 threshold with parameters exceeding established delegated criteria, e.g. DSCR/DSTI-O, LTV-Os, etc.;
- six monthly sample of credit facilities below the €750,000 threshold sanctioned by the first line of defence;
- forward-looking expected loss model for quantifying provisions (Expected Credit Losses ('ECL')) compliant with the IFRS 9 accounting regime, including putting forward recommendations for ECL Management overlays;
- stress testing relating to credit risk; and
- internal limits relating to single-name and sectoral concentration risk.

### 8. IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS (continued)

#### Financial Crime Compliance Risk

The Group is committed towards combatting financial crime and complying with all applicable laws and regulations relating to financial crime to protect the Group, its customers and its employees from financial crime related risks, namely:

- money laundering and funding of terrorism;
- breach of International & Local Sanctions;
- bribery & Corruption; and
- internal and External Fraud.

The Group has therefore implemented the highest standard of financial crime risk management practices to ensure full compliance with applicable anti financial crime laws and regulation.

The Group is deeply committed to remain relevant and up to date by consistently applying industry best practices. In this regard, the Bank has undertaken number of initiatives to strengthen its internal systems.

The Financial Crime Compliance Function is responsible for the design and implementation of a Financial Crime Compliance (FCC) Framework within APS. The FCC Framework is to ensure consistent management of the above-mentioned risks across Group entities. The programme seeks to identify, assess, monitor and manage FCC risks in line with the Group's risk appetite and statutory obligations.

The Head of FCC holds a key leadership role within the Bank and is a voting member of the Compliance Committee, ensuring that financial crime risks are consistently addressed at the highest levels of governance. Additionally, the Head of FCC provides regular updates to the Board Risk Committee on a quarterly basis. These updates provide an overview of the Group's financial crime compliance activities, including key risk indicators, identification of emerging risks, and assessments of the effectiveness of the Group's risk management strategies in addressing financial crime threats.

To ensure an effective approach to financial crime compliance, the Financial Crime Compliance function within the Bank is structured into a number of distinct units, each focusing on specific areas of financial crime risk management. The units and their respective responsibilities are as follows:

- (i) **Financial Crime Compliance – Anti-Money Laundering (AML)/Fraud Investigations:** Responsible for analysing, investigating, and escalating unusual or suspicious transactional activities related to financial crime. Specifically, it focuses on Anti-Money Laundering (AML) and fraud-related matters. The team conducts thorough investigations into suspicious transactions to identify potential risks of money laundering, terrorist financing, or fraud. The unit ensures that suspicious behaviour is reported to the respective authorities in a timely manner;
- (ii) **Financial Crime Compliance – Transaction Monitoring:** The Transaction Monitoring team plays a critical role in continuously calibrating and optimising of the transaction monitoring solution to detect suspicious activity. It is responsible for developing new monitoring scenarios, analysing transactional alerts, and ensuring that the system effectively flags potential risks. The unit constantly assesses the efficacy of the monitoring solution, updating it as necessary to reflect emerging financial crime trends and regulatory changes, thereby maintaining a proactive stance in risk detection;
- (iii) **Financial Crime Compliance – AML Operations:** This unit serves as the primary point of contact between the Group and external regulatory bodies such as the Financial Intelligence Analysis Unit (FIAU), the Malta Police, the Asset Recovery Bureau, and other relevant authorities. It is responsible for ensuring the Group's adherence to regulatory reporting requirements under the Prevention of Money Laundering and Funding of Terrorism (PMLFT) regulations. The unit ensures that all regulatory reports are submitted accurately and on time, while maintaining effective communication with authorities to address any inquiries or developments;
- (iv) **Financial Crime Compliance – Advisory Services:** Acting as subject matter experts in financial crime, this unit provides guidance and insights to the Group on managing and mitigating financial crime risks. It advises Senior Management and relevant departments on best practices, regulatory requirements, and emerging risks within the financial crime landscape. Additionally, the unit is responsible for developing and delivering comprehensive training programs to ensure that employees at all levels are equipped to identify, prevent, and report financial crime risks. This includes addressing the risks of sanctions evasion and other forms of financial crime;
- (v) **Financial Crime Compliance – Monitoring & Testing:** Tasked with the ongoing evaluation of financial crime risks and testing the effectiveness of customer due diligence (CDD) measures and other controls implemented by the Bank to mitigate these risks. It conducts regular assessments and tests to ensure that financial crime controls are functioning effectively and in compliance with regulatory standards. The unit plays a critical role in identifying any gaps in the Group's financial crime framework and recommends corrective actions to enhance the overall control environment; and

### 8. IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS (continued)

#### Financial Crime Compliance Risk (continued)

- (vi) **Financial Crime Compliance – Regulatory Project and AML Solutions:** This role is crucial in ensuring that the Group remains responsive to changing regulatory requirements. This role involves the provision of ongoing guidance and support to drive regulatory projects associated with financial crime, particularly those related to AML compliance.

Together, these units within the FCC function ensure a holistic and coordinated approach to managing financial crime risks across APS. They provide a strong framework for detecting, investigating, preventing, and mitigating risks associated with financial crime.

#### Operational Risk

Operational Risk is a subset of the overarching Operational Resilience Framework at the Group.

The Group defines Operational Risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events” in line with the Basel Committee’s definition. This definition includes legal risk but excludes strategic and reputational risk. Operational Risk Management fits within this Framework by focusing on the specific risks that could disrupt critical operations, such as failed processes, systems, people, or external events. While operational resilience takes a wider view of how the Group can continue operating during disruptions, operational risk is about managing the underlying risks that might cause these disruptions, therefore supporting operational resilience.

Operational risk is inherent in the Group’s products, services and activities. The Group’s operational risk management framework is fully integrated into its overall risk management framework. The Operational Risk Management Policy is part of the overarching Operational Resilience Framework. The Group aims to ensure sound operational risk governance practices with the involvement of the following functions:

- Management Body, including Board of Directors, Board Committees and Executive Management;
- Operational Resilience Department, as the second line;
- Business Units, including the Risk and Control Function, as the first line;
- Internal Audit, as the Third Line; and
- Regulatory Framework and Industry Guidelines.

The operational risk management process is intended to maintain an overall operational risk level that meets the Group’s operational risk appetite. Risk identification considers internal and external factors and is paramount for the subsequent development of a viable operational risk monitoring and control system.

Through ongoing awareness (such as training sessions and working with Business Owners), the Operational Resilience Department continues to promote a culture of risk identification by encouraging employees from all levels to report any identified operational risks and incidents in a timely manner. Following the identification of operational risks, these are measured by quantifying, where possible, the potential losses from each identified risk and allocation of an adequate amount of capital to cover the Bank’s exposure to this risk.

The Group maintains a database to regularly quantify and record operational losses and near miss events, reported electronically by staff throughout the Group, and co-ordinated and analysed by the Operational Resilience Department, in order to promote a culture of cooperation, communication and continuous improvement where lessons are learnt from incidents and near misses.

The Operational Resilience Department carries out planned and ad-hoc operational risk assessments throughout the year to allow for a more thorough identification, assessment and measurement of operational risk. Controls and process improvements are then suggested and developed and implemented by the business owners as necessary to further mitigate the inherent identified risks to residual risk levels that are within the risk appetite. The Business Risk and Control function’s role within the first line in liaison with the Operational Resilience Department, strengthen this process. The Group also ensures that procedures and processes are documented in the Bank’s handbooks and reviewed from an Operational Risk perspective.

### 8. IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS (continued)

#### Operational Risk (continued)

APS Bank has a Business Continuity Plan where five main disruption scenarios are contemplated:

- unavailability of the Bank's main premises;
- staff unavailability;
- supply-Chain disruptions;
- cyber Attack; and
- IT Failure.

The Bank also maintains an Operational Losses Database, which uses risk categories that are aligned with the ORX taxonomy whilst also considering the taxonomy risk developed by the EBA and expected to be applicable as from 2027. The Bank does regular monitoring of operational risks to quickly detect and correct deficiencies in the Bank's policies, processes and procedures. Finally, appropriate reporting mechanisms are in place to support proactive management of operational risk at Board, Executive and business line levels.

#### Capital Management

The Group continuously aims at building and sustaining a strong capital base and at applying it efficiently throughout its activities to attain its strategic objectives, optimise shareholder value whilst ensuring the sustainability of the Bank's business model and risk profile. A strong and prudent capital base is one of the pillars of the Group's business model and maintaining adequate capital ratios will continue being key to enable the Group to steer through currently challenging economic conditions.

The Bank performs an ICAAP in compliance with the Pillar II requirements of Banking Rule BR/12 – The Supervisory Review Process of Credit Institutions Authorised Under the Banking Act 1994 and the CRR. This key decision-making tool is of utmost importance for keeping the Board of Directors informed about the Bank's ongoing risk assessment, the mitigation measures adopted and their impact on the capital requirements. The ICAAP includes an assessment of both Pillar I and Pillar II risks. The latter includes concentration risk, ESG risk, IRRBB risk, IT and cyber risk, reputation risk and other key risks.

The Bank's stress testing framework forms an integral part of the ICAAP. A number of severe but plausible scenarios are developed which test the resilience of the Bank's business model and risk profile.

#### Liquidity Risk

Liquidity risk is the risk that the Bank cannot meet its financial obligations as they fall due in the short term and medium term, either at all or without incurring unacceptable losses. Funding risk is the risk that the Bank cannot meet its financial obligations as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably.

Funding risk can also be seen as the risk that its assets are not stably funded in the medium and long term.

The Bank manages this risk by seeking to match the maturities of assets and liabilities in its balance sheet. The management of liquidity and funding is governed by a detailed Liquidity and Funding Risk Policy. This Policy establishes clear lines of responsibility, limits and guidance on the measurement and monitoring of the Bank's net funding requirements. The ALM Department is responsible for implementing the Policy; whereas Assets-Liabilities Committee (ALCO) is responsible for monitoring and ensuring the implementation of and adherence with the Policy, as well as ensuring consistency with the Bank's Risk Appetite. It also ensures that adequate liquidity is held to meet both expected and unexpected commitments. This Policy includes a detailed Liquidity Contingency Plan, which addresses the strategy for handling liquidity crises and includes procedures for covering cash flow shortfalls in emergency situations.

### 8. IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS (continued)

#### Market Risk

Market risk is the risk of losses in on-and off-balance sheet positions arising from movements in market prices. The Bank's exposure to market risk is limited since its trading portfolio is minimal. This is consistent with the Bank's Risk Appetite. In accordance with Article 94 of the CRR, the Bank is exempted from the trading book capital requirements.

The Bank's exposure to market risk is mainly related to:

- **Interest rate risk:** the risk that the Group's financial position and cash flow are exposed to unfavourable movements in interest rates;
- **Foreign exchange risk:** the risk that the Group's financial position and cash flow are exposed to unfavourable movements in foreign exchange rates; and
- **Other price risk:** the risk of a decline in the value of a security or an investment portfolio which is marked-to-market.

#### Interest Rate Risk

The Bank has an Interest Rate Risk Policy approved by the Board, which sets out a comprehensive risk management process that identifies, measures, monitors and controls interest rate risk exposures, whilst also ensuring appropriate oversight by Senior Management, Board-appointed committees and ultimately the Board, to confirm that this risk is consistent with the Bank's risk appetite. Market developments and interest rate movements are monitored constantly by Management and corrective action is taken by realigning the maturities and re-pricing of assets and liabilities.

Interest rate risk is measured from two perspectives – the Economic Value of Equity (EVE) and the earnings-based approach (NII). The Bank also monitors its exposure to Credit Spread Risk in the Banking Book (CSRBB), although such exposure is minimal.

The Bank's exposure to interest rate risk is monitored on a monthly basis by the Enterprise Risk Management Department (ERM) and verified by Asset Liability Management Department (ALM), and is reported to Executive Committee, ALCO, Risk Committee and the Board on a quarterly basis.

#### Regulatory Compliance Risk

The performance of banking/financial activities exposes the Bank to regulatory risk. The Basel Committee on Banking Supervision (BCBS) has described Compliance Risk as:

'The risk of legal or regulatory sanctions, material financial loss, or loss of reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory standards, and codes of conduct applicable to its banking activities.'

Regulatory Compliance Risks have been identified as:

- **Risk to reputation:** Risk of damage to the Bank's integrity or reputation as a result of negative publicity, whether founded or not, failure to act in accordance with policies and procedures, or non-compliance with applicable laws, rules, regulations and guidance; and
- **Regulatory risk:** This risk may arise from non-compliance with the applicable laws, rules, regulations and guidelines, including as a result of regulatory developments. There is also a risk that activities may be carried out on the basis of regulatory interpretation or documents that are subsequently found to be inaccurate, inadequate or outdated.

The identification, monitoring and management of these risks will prevent:

- the financial loss or other consequences of disputes between the Group and a client, counterparty or third party (litigation risk);
- the risk of losses due to unsuitable internal processes, or failures due to human error or external events;
- the financial consequences of ineffective controls in place; and
- fines and other administrative measures being imposed on the Group because of failure to comply with any current regulatory provision or decision it is required to implement.

### 8. IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS (continued)

#### Regulatory Compliance Risk (continued)

The Group is committed to a corporate culture which promotes high standards of honesty and integrity whilst conducting licensable activities/business activities through serving its customer base. Effective compliance risk management is a key control towards ensuring that the Bank continues to operate within the remit of its operating licenses. Compliance failure is not tolerated within the Bank's operating model and risk appetite.

To mitigate regulatory compliance risk, the Group has established a Regulatory Compliance Department (RC). RC is an integral part of good governance. The Department's purpose is to support the Bank in remaining compliant with the applicable rules, regulations, and guidelines. As a second line of defence function, RC's role is to identify, evaluate, and address regulatory risks.

The key areas within scope of RC's remit as a second line of defence are the following:

- conduct of business and treating customers fairly (TCF);
- conflicts of Interest;
- market Abuse;
- marketing and Promotions;
- Product Oversight Governance (POG); and
- GDPR.

In performing its responsibilities, the RC Department, to the extent applicable, follows the practices indicated in ESMA Guidance on MiFID II Compliance Function, the EBA Guideline on Internal Governance (transposed locally through BR/24/2022 – Internal Governance of Credit Institutions Authorised Under the Banking Act) and the BCBS Guidance for the Compliance function of Banks.

RC is headed by the Head of RC and Compliance Officer of the Bank, who reports to the Chief Risk Officer. The Head of RC is also the Bank's official Compliance Officer as approved by the MFSA and is a voting member of the Compliance Committee. The Head of RC/Compliance Officer reports on the activities of the Regulatory Compliance Function to the Risk Committee on a quarterly basis, semi-annually to the Board and to other Bank Committees as necessary.

The Department is divided into Regulatory Development, Regulatory Reporting and Regulatory Oversight:

- **Regulatory Development Unit** is in charge of researching and tracking of rules and regulations which impact the Bank's licensed activities and notifies relevant Departments/Units as necessary of regulatory developments. Notification takes place by highlighting the changes to an existing regulation or outlining the requirements of a new regulation. The Units/Departments are expected to undertake the necessary actions/adjustments to comply. Follow-ups are undertaken to ensure that the implementation is concluded in a timely manner and that any policies and procedures adopted are in line with the new provisions.
- **Regulatory Oversight Unit** oversees conducting oversight monitoring on the various functions within the Bank to ensure that the operational procedures are in line with the regulatory requirements. Monitoring is done through an annually set Compliance Monitoring Programme (CMP) and ad-hoc Reviews. This Section also provides assistance, advice and the necessary approvals in relation to Bank Projects, Product Launches, Complaints Management and Marketing Material.
- **Regulatory Reporting Unit** oversees the compilation and submission of the Regulators' Returns and Tax Authorities' Reports. It is responsible for the implementation of new regulatory reporting requirements, and the maintenance of policies and procedures to ensure compliance with the Bank's reporting obligations.

All the Units are interdependent and provide support to each other on an ongoing basis. In addition to the above, the GDPR function currently falls within the remit of RC, and this is represented by the Data Protection Officer (DPO). The Unit provides training to Bank Officials through a Compliance Education and Training Programme (annually planned), with the aim to foster a Compliance Culture within the Bank.

#### Reputational Risk

Reputation is one of the Group's most important intangible assets, founded on trust from its internal and external stakeholders. It has a direct impact on the Group's value, which falls under the scrutiny of the Board of Directors, employees, existing and prospective customers, business partners, investors, regulators and legislators.

### 8. IDENTIFICATION AND MANAGEMENT OF PRINCIPAL RISKS (continued)

#### Reputational Risk (continued)

The Group established an appropriate reputational risk environment by defining the governance framework and pertinent responsibilities for managing reputational risk. The framework is established to provide consistent standards for the identification, assessment, management and monitoring of reputational risk issues, especially direct reputational risk.

The Operational Resilience Department (ORD) has developed a framework for the second line of defence monitoring of Reputational Risk. The framework sets out a risk dashboard which presents metrics that capture the reputational risk dimensions defined by the Reputational Risk Policy:

- Corporate Governance;
- Strategy and Leadership;
- Financial Performance and Profitability;
- Products and Services;
- Image, Brand, Communications, and Marketing;
- Customer Relations;
- Sustainability, Ethical, and CSR;
- Innovation, Opportunities and Technology; and
- Employee and Corporate Culture.

This risk dashboard is compiled on a quarterly basis and aims to provide quantitative measurement of reputational risk as well as providing insight and identifying potential issues or gaps that can lead to reputational damage. Reputational risks which may arise from a failure with another risk type, control or process (indirect reputational risk) are addressed separately via the associated risk type framework.

In addition to the above, other mitigating factors that the Group adopts to manage reputational risk are the following:

- prompt and effective communication with all categories of stakeholders;
- strong and consistent enforcement of controls on governance, business, legal and compliance;
- establishment and continual updating of the Business Continuity Plan and Crisis Management Plan, and the team required to support them;
- continuous monitoring of threats to reputation;
- clear core corporate values setting out expected standards of behaviour;
- a strong corporate culture that is open, trusting and supportive;
- a robust and dynamic risk management framework which provides continuous monitoring of threats to reputational and early warning of developing issues; and
- organisational learning leading to corrective action where necessary.

The Group has zero appetite for any form of reputational risk, as articulated in the Bank's Risk Appetite Statement.

The Bank's Risk Register is an essential component of the Bank's risk management and internal control system. It is developed throughout all stages of the risk management process outlined in the Bank's Enterprise Risk Management Policy.

The Risk Register, which is driven by the Enterprise Risk Management Department, includes a record of the:

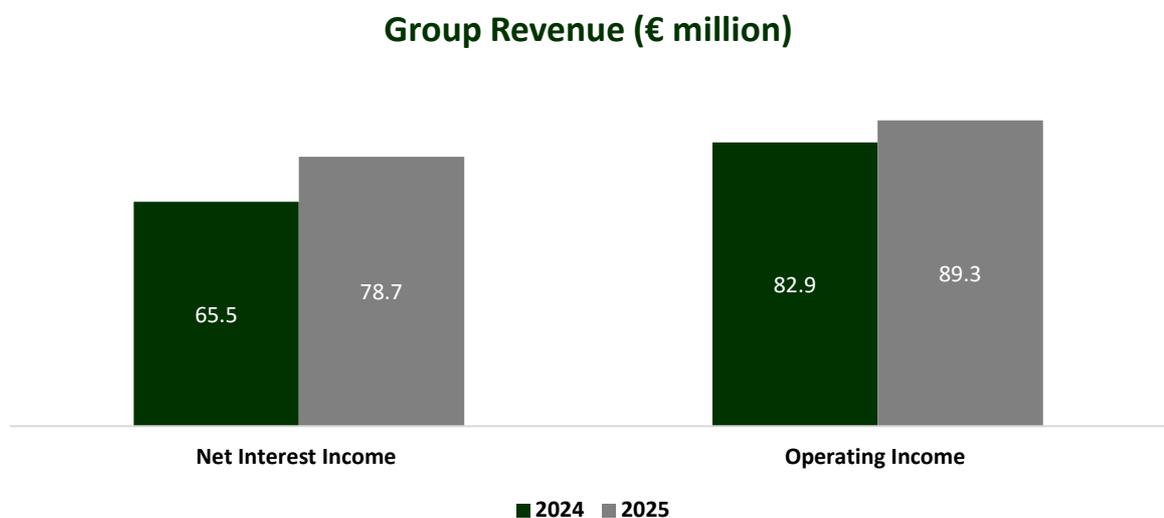
- details of all inherent risks identified together with their analysis;
- controls currently in place to manage these risks;
- additional controls that are required to mitigate further these risks;
- the quantification of the residual risk and whether this is within the Bank's corresponding risk appetite; and
- responsibility for risk and control activities.

### FINANCIAL OVERVIEW

#### INCOME STATEMENT

For the year ended 31 December 2025, APS Bank plc recorded a pre-tax profit of €26.5 million at Group level (2024: €23.8 million) and €26.9 million at Bank level (2024: €22.5 million). As anticipated, measures implemented by the Bank contributed to improved profitability compared to the previous year, primarily driven by higher volumes across all business areas and reduced cost of funding.

- a) Net interest income for the year amounted to €78.7 million (2024: €65.5 million), reflecting an increase of 20.1% over the corresponding year. This growth was supported by an increase in interest receivable to €123.1 million, reflecting higher average interest-earning assets and improved asset yields. Interest payable decreased significantly to €44.4 million, reflecting a lower cost of funding, driven primarily by a strategic, tactical shift in the mix from fixed term to overnight deposits and lower pricing reflecting the current interest rate environment. Cost of funds improved from an average of 140bps in 2024 to 111bps in 2025. The combined impact of higher interest receivable and reduced funding costs resulted in an improved net interest margin of 186bps compared to 175bps in the prior year.
- b) Net fee and commission income increased by 4.7% to €9.3 million (2024: €8.9 million). This growth reflects the continued expansion in the Group's business activity, with higher income generated primarily from general banking operations, investment services and card-related transactions.
- c) Other income at Bank level amounted to €4.2 million, down from 2024 which year had enjoyed a one-off uplift of €4.8 million in the fair value of investment properties. During 2025, the Bank partially divested of shares in a sub-fund of the APS Funds SICAV plc, resulting in the recognition of a gain of €0.7 million. At Group level, these positive contributions were in part offset by adverse foreign exchange movements amid continued volatility in international markets.
- d) Net impairment losses decreased significantly to €0.7 million from €3.0 million in the prior year. The decline primarily results from lower ECL charges in the local commercial book and syndicated loan portfolio, highlighting the robust credit quality and disciplined underwriting standards maintained across an expanding lending portfolio. The NPL ratio closed the year at 1.4%, representing a year-on-year decrease and here too reflecting the strength of the Bank's loan portfolio.
- e) Operating expenses for the year under review amounted to €63.1 million, up by €6.2 million on the previous year. The increase was primarily driven by continued investment in human resources and certain one-off items, such as advisory and due-diligence costs and higher contributions to the Depositor Compensation Scheme. The cost-to-income ratio for the year stood at 70.7%, representing an increase of 2.0% compared to the prior year.



## DIRECTORS' REPORT

### FINANCIAL OVERVIEW (continued)

#### INCOME STATEMENT (continued)

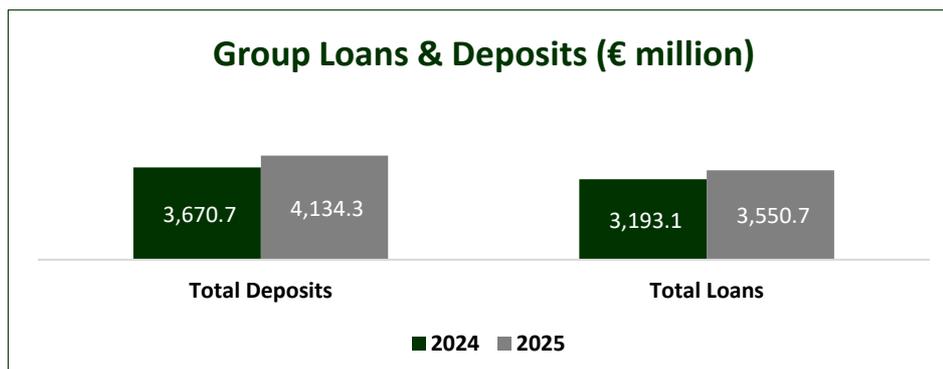
Group profitability, after stripping out one-off items of income and expenditure in both reporting periods is as follows:

	2025	2024
	€m	€m
Profit after tax, as reported	16.3	18.2
One-off costs	1.5	0.6
Revaluation of properties	-	(5.7)*
Tax effect of above	-	0.5
<b>Profit after tax, excluding above items</b>	<b>17.8</b>	<b>13.6</b>

\*Made up of €4.8 million FV movement on Investment Properties and €0.9 million reversal of impairment on PPE, disclosed in Other Operating Income

#### FINANCIAL POSITION

- f) Group total assets at December 2025 grew to €4.6 billion, an increase of €483.9 million on the corresponding previous year-end. This growth was driven by the following key factors:
- Loans to customers expanded substantially to reach €3.6 billion, an increase of €357.6 million over the corresponding period.
  - This growth was further supported by higher liquidity stock in the form of loans to banks (up by €29.0 million compared to the previous year) and increased holdings of debt securities, up by €76.0 million on the corresponding period.
  - These movements evidence not only strategic portfolio growth and enhanced yield opportunities, but also an active, yet prudent, risk appetite which has propelled the Bank as the second largest lender to the Maltese economy.
- g) Group total liabilities at December 2025 reached €4.3 billion, an increase of €431.6 million on 31 December 2024.
- Customer deposits totalled €4.1 billion, reflecting an increase of €463.6 million relative to the corresponding period.
  - As already noted above and consistent with the broader strategy, 2025 saw a significant shift in the funding mix from fixed term towards overnight deposits enhancing the efficiency of operating balances and supporting a sustained reduction in the overall cost of funding.
- h) Total equity as at 31 December 2025 increased by 16.9% to €362.3million, compared with €309.9 million at the prior year-end, with the movement primarily driven by:
- The profit for the year of €16.3 million.
  - A cumulative increase of €46.3 million in equity capital and share premium, mainly due to the successful capital raising from the rights issue.
- i) The Bank's CET1 ratio stood at 17.6% (2024:14.3%) and the Capital Adequacy Ratio at 23.2% (2024: 19.6%), permitting adequate headroom for further business and volume growth for the foreseeable future. Moreover, the Bank maintained a strong liquidity position throughout the year, with a Liquidity Coverage Ratio (LCR) of 178.1%, well above the regulatory minimum requirement, reflecting prudent liquidity management.



## DIRECTORS' REPORT

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### FINANCIAL OVERVIEW (continued)

#### DIVIDENDS

The Directors are recommending a final gross dividend of €11.4 million (net dividend of €7.4 million), representing gross dividend of €0.023 (net dividend of €0.015) per ordinary share to be paid to ordinary shareholders in the form of scrip. That is, each shareholder will have the option to receive the dividend in cash or as new ordinary shares at an attribution price to be determined and announced. Taken together with the interim gross dividend of €2.8 million (net dividend of €1.8 million) paid in September 2025, the total gross dividend distribution for 2025 will be of €14.2 million (total net dividend of €9.2 million), or a total gross dividend per share of €0.029 (total net dividend per share of €0.019).

This final dividend, which has been acknowledged by the Malta Financial Services Authority, remains subject to final regulatory approval as well as approval by shareholders at the Annual General Meeting. Accordingly, the dividend has not been recognised as a liability in these financial statements.

#### OUTLOOK

The global economy has been exhibiting remarkable resilience, notwithstanding persistent signs of strain in global trade and the enduring challenges posed by mounting geopolitical uncertainty which continue to test the established international order. These vulnerabilities are further accentuated by latest developments at the time of drafting this Report which have raised the threat of wide-ranging military conflicts to levels not seen for decades. Against the backdrop of such uncertainties that have the potential to unsettle the global economic landscape, it is pertinent to remind that global economic expansion was being projected at approximately 2.7% for 2026 and expected to edge higher to 2.8% in 2027 as inflationary pressures gradually subside and financial conditions normalize.

Closer to home, economic activity in Malta remained resilient throughout 2025 and into early 2026 despite the uncertain external environment. All else being equal, real GDP growth is expected to moderate from 4.0% in 2025 to around 3.8% in 2026, continuing to ease gradually over the medium term to reach 3.0% by 2028. Domestic demand is projected to remain the main driver of growth, supported primarily by private consumption, with investment on a recovery path. Tourism should continue to contribute positively to economic activity, although creating further strain on the country's carrying capacity. Inflation is projected to remain contained, easing further to around 2.1% in 2026 and stabilising at close to 2.0% in 2027, largely reflecting moderating food and energy prices alongside easing supply-side pressures.

In these testing times, APS Bank's performance remains solid, underpinned by strong capital and liquidity stocks, and robust asset quality, supported by prudent underwriting standards. Following the peak in funding costs in 2024, financing conditions continued to improve through 2025 leading to a significant rebound in net interest income also thanks to the efficient management of liquidity which kicked off late in 1H2025. Barring unexpected geoeconomic shocks, those conditions are expected to remain largely stable in 2026. This environment is expected to support a further recovery in profitability and efficiency, as the Bank also continues to invest in people, systems and resources, with a focus on enhancing product offerings and accelerating digital transformation.

APS Bank's Business Plan 2026-2028 is probably our boldest to-date, with strategic initiatives to deepen engagement in high-potential customer segments, further enhance the customer experience, expand share of wallet and looking for further growth, including through inorganic opportunities. We remain firmly in execution mode — focused on delivering sustainable returns and shareholder value over the short, medium and long term.

#### GOING CONCERN

The financial statements are prepared on a going concern basis. The Group prepared financial plans for the next three years addressing the Group's strategic objectives, operating performance, risks, capital and liquidity. As required by the Companies Act (Cap 386) and the Capital Markets Rule 5.62, the Directors having considered the financial performance and position of the Company and its future outlook deem that the Group is able to continue operating as a going concern for the foreseeable future.

## DIRECTORS' REPORT

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### STATEMENT OF RESPONSIBILITY

This Statement of Responsibility is required in terms of the Companies Act (Cap 386) and the Capital Markets Rule 5.55.2 and set out in the form required by Capital Markets Rules 5.67 to 5.69.

The Companies' Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Bank at end of each financial year and of its profit or loss for that financial year in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time, the financial position of the Group and the Bank and which enable them to ensure that the financial statements comply with the Companies Act and the Banking Act. The Directors are also responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgments and estimates;
- the financial statements are prepared on a going concern basis; and
- account has been taken of income and charges relating to the accounting period, irrespective of the date of receipt or payment.

The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, through oversight of Management, are responsible to ensure that the Group establishes and maintains internal controls to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Additionally, the Directors are responsible for:

- the preparation and publication of the Annual Financial Report, including the consolidated financial statements and the relevant tagging requirements therein, as required by Capital Markets Rule 5.56A, in accordance with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the ESEF RTS);
- designing, implementing, and maintaining internal controls relevant to the preparation of the Annual Financial Report that is free from material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error; and
- consequently, for ensuring the accurate transfer of the information in the Annual Financial Report into a single electronic reporting format.

### DISCLOSURE IN TERMS OF THE SIXTH SCHEDULE TO THE COMPANIES' ACT

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

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

### STANDARD LICENCE CONDITIONS

In accordance with Standard Licence Condition 7.28 and R1-2.1.3 of the Investment Services Guidelines issued by the MFSA, licence holders are required to disclose any regulatory breaches of the Standard Licence Conditions in their annual report.

During the year under review, there were no such regulatory breaches nor were any regulatory sanctions imposed on the Group by the MFSA.

## DIRECTORS' REPORT

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### AUDITORS

The re-appointment of Deloitte Audit Limited as the Bank's external auditors will be proposed at the 2026 Annual General Meeting.

In terms of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public interest entities (the "Statutory Audit Regulation"), the engagement of external auditors is subject to a maximum engagement period of ten years, although such period may be extended for a further ten year period where a public tendering process for the audit is conducted in accordance with the Statutory Audit Regulation. Since upon the completion of the Financial Year ending 2026 audit, Deloitte Audit Limited as external auditors would have been in office for a period of ten years, APS Bank plc issued a tender for the engagement of external auditors, in its name and on behalf of its Group entities. The tender process was overseen by the Audit Committee and resulted in a recommendation to re-appoint Deloitte Audit Limited as the external auditors of the said entities, which recommendation was endorsed by the Board of APS Bank plc and communicated to the Board of the Group entities. Subject to the approval of the shareholders, Deloitte Audit Limited will undertake the audit of APS Bank plc for the year ending 31 December 2026.

The Directors' report was signed on behalf of the Board of Directors on the 12 March 2026 by Martin Scicluna (Chairman) and Noel Mizzi (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

**Martin Scicluna**

Chairman

**Noel Mizzi**

Director

### STATEMENT OF COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board of Directors (the "Board") of APS Bank plc (the "Bank") presents this Statement of Compliance in conformity with the requirements of the Capital Markets Rules 5.94 et seq. of the Malta Financial Services Authority (MFSA) and the principles outlined in the "Code of Principles for Good Corporate Governance" (the "Code"), in Appendix 5.1 of the Capital Markets Rules. This Statement covers the Bank and its subsidiary undertakings (the "Group") as noted in the Directors' Report.

The Board is committed to the long-term well-being of the Bank by instilling robust corporate governance principles, sound management and general supervision of its affairs. The Board acknowledges that the Code recommends principles for the Board and the Bank's management to pursue objectives that are in the interest of the Bank and its shareholders and undertakes to comply fully with it to the extent that this is considered consistent with the size, nature, and operations of the Bank. As at the date of this Statement, the Bank has fully applied the principles of good governance and has been compliant with the provisions contained in the Code. The Board remains dedicated to open and transparent reporting, and the following Statement provides an overview of this application.

The full wording of the Code of Principles for Good Corporate Governance is available on the MFSA's website.

### COMPLIANCE WITH THE CODE

#### Principle 1: The Board

The Board plays a salient role in setting the strategy of the Bank by providing leadership, integrity and judgement, upholding the highest standards of corporate governance. In terms of the Companies Act, Directors are required to promote the success of the Bank for the benefit of all shareholders, taking into account other key stakeholders. So as to enshrine the strategy adopted, and achieve long-term sustainable success, the Board must consider all relevant stakeholders in their decisions and ensure that any decision upholds the Bank's culture of 'collaboration, inclusivity, and purpose-driven strategy'. The values are central to the business operations and are closely aligned with the considerations the Directors must make as part of their fiduciary duties.

As at the date of this Statement, the Board is composed of nine Non-Executive Directors, including the Chairman, and one Executive Director, this being the CEO in his ex officio capacity. There is a strong, value-adding Board, with diverse range of skills, experiences, background and competencies, ensuring effective and efficient decision making. Their bio notes are provided on pages 6 to 9. Furthermore, the Board delegates specific responsibilities to various Board and Management Committees, as illustrated by the governance structure chart on page 46. Supplementary information on delegated authorities and responsibilities is provided in Principle 4. Each Director is expected to be an active participant to ensure that the Board functions effectively as a whole, and they are all committed to high standards of conduct, ethics and governance practices.

The Board is fully supported by a Company Secretary, whose role is separate and independent from other management bodies. All Directors have unrestricted access to the Company Secretary. The Company Secretary works closely with the Chairman to ensure effective functioning of the Board and appropriate information flows between the Board and its Committees. The Company Secretary also facilitates Board induction and Directors' professional development. The responsibilities of the Company Secretary also cover Corporate Governance and Investor Relations.

#### Principle 2: Chairman and CEO

The Bank's organisational structure incorporates the positions of a Chairman and a Chief Executive Officer, which are separate and distinct positions, occupied by different individuals, having clear division of responsibilities.

The Chairman is appointed from amongst the Directors by the largest shareholder, holding at least twenty-five per cent of the ordinary issued share capital of the Bank. The Chairman is responsible for leading the Board and setting its agenda for meetings, ensuring that the Directors receive precise, timely and objective information so that they can properly discharge their duties, while encouraging their active engagement at meetings and on issues of a complex or contentious nature.

### COMPLIANCE WITH THE CODE (continued)

#### Principle 2: Chairman and CEO (continued)

The Chief Executive Officer is responsible for the running of the Bank's business and to lead the management team, establishing the required fora to communicate, review and agree on issues and actions of Group-wide significance, with the exception of those matters reserved for the Board or specifically delegated by the Board to its Committees. The Chief Executive Officer is also responsible for the recruitment and appointment of senior management, after consultation with the Remuneration, Nominations & Governance Committee (RNG).

To allow the respective responsibilities to be discharged effectively and yet ensure an effective flow of information, the Chairman and the Chief Executive officer maintain regular dialogue outside the Boardroom.

#### Principle 3: Composition of the Board

Non-Executive Directors hold office from the close of the Annual General Meeting at which they are appointed until the end of the subsequent General Meeting, at which they become eligible for re-election. The Bank's Articles of Association, with their detailed provisions, govern the appointment in office, and the retirement and/or resignations of Board Directors.

The Board's composition and effectiveness are regularly reviewed by the RNG Committee, which considers the balance of skills, tenure, experience, and independence, in accordance with the Board Diversity Policy Statement, updated in September 2025 to take into account the provisions of the recently adopted Women on Board Directive (2022/2381) as transposed in Chapter 13 of the Capital Markets Rules. New Board appointments are made through a formal, rigorous, and transparent process overseen by the said Committee, with final decisions reserved for the Board. The RNG Committee Report, sheds further light on this.

#### Diversity

Amongst the Board Directors, the Bank has three female Directors, a majority of independent members, and two foreign nationals. This diversity helps the Board effectively understand business risks and key performance indicators that impact the Bank's ability to achieve its objectives. This diversity is further heightened by a mix of longer serving and recently appointed Directors ensuring a balance of institutional memory and fresh perspectives. Additionally, there is an ongoing evaluation of the skills, competencies, knowledge, experience, tenure, and independence required to fulfil boardroom responsibilities. Consequently, the Bank's Board is in line with the requirements of the Women on Boards Directive wherein the Bank holds the minimum number of Directors of the underrepresented sex necessary to meet the objective of 33 % (Article 5(1), point (b)) (i.e. 3 female members out of 10). The attributes adopted for a Director's profile are mapped out in a skills matrix, which is valuable for Board succession planning when the RNG Committee deliberates on this.

**COMPLIANCE WITH THE CODE (continued)**

**Principle 3: Composition of the Board (continued)**

**Diversity (continued)**

The below infographic gives an illustrative overview of the key factors pertaining to the Bank's Board composition:

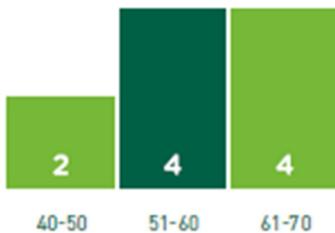
**BOARD ROLES**



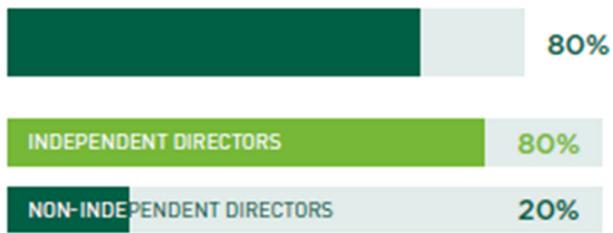
**GENDER REPRESENTATION AS AT MARCH 2026**



**BOARD AGE DIVERSITY**



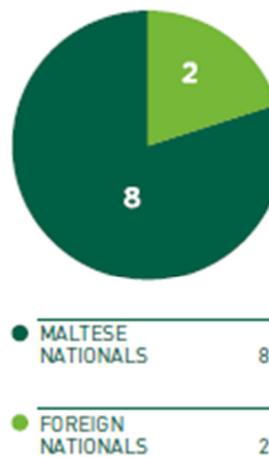
**BOARD INDEPENDENCE AS AT MARCH 2026**



**NON-EXECUTIVE TENURE AS AT MARCH 2026 (IN YEARS)**



**BOARD GEOGRAPHIC DIVERSITY**



### COMPLIANCE WITH THE CODE (continued)

#### Principle 3: Composition of the Board (continued)

In accordance with the Code Provision 3.2, the independent non-executive Directors of the Bank as at 31 December 2025 were:

Martin Scicluna (Chairman)  
Joseph C Attard  
Laragh Cassar  
Juanito Camilleri  
Martin Czurda  
Noel Mizzi  
Leslie Stephenson  
Marisa Xuereb

In determining the independence or otherwise of its Directors, the Board has considered the principles emanating from the Code, the Joint EBA and ESMA “Guidelines on the Assessment of the Suitability of Members of the Management Body” (2021), as well as general principles of good practice.

The RNG Committee have assessed the criteria on independence with respect to the Chairman given that in 2025 he completed his twelfth year in office. The Committee concluded, and this was confirmed by the Board, that notwithstanding this tenure, this does not hinder him from maintaining independence of free judgement and character; as he demonstrably makes his own objective, sound and independent decisions and judgements when performing Board duties. The Board considers Michael Pace Ross, who holds the role of Administrative Secretary of the Archdiocese of Malta, to be non-independent from the Bank.

#### Principle 4: The Responsibilities of the Board

The Board ensures effective execution of its functions through clear articulation of the Bank’s purpose and strategy, exercising stewardship and oversight of the institution. In doing so, the Board works closely with the senior management team, led by the Chief Executive Officer, and together establish a balance between oversight and strategy execution.

The Board actively oversees the affairs of the Bank by formulating policy in alignment with relevant laws, regulations, and code of practice. The Board is responsible to approve major projects, budgets, and financing, and oversees the adequacy of its corporate governance, transformation strategy, internal control systems, and risk management, as well as people management. This is articulated in the bespoke Matters Reserved for the Board which forms part of the Board Charter and is reviewed on a regular basis, last of which in 2025. It sets out the matters reserved solely for the decision-making power of the Board. These matters include material decisions relating to strategy, risk appetite, medium term plans, capital and liquidity plans, risk management and controls frameworks, the approval of financial statements, dividends, amongst others.

The Board ensures that the Bank has appropriate policies and procedures in place to lead its employees in accordance with the highest standards of corporate conduct and to comply at all times with applicable laws, regulations, business and ethical standards. Further information on the Board’s responsibilities on internal controls and risk management is found on page 52.

As detailed in Principle 1 above, the Board delegates its authority to various Board and Management Committees which operate under their respective Terms of Reference, setting out the Committee’s mandate, scope and working procedure. The Committee structure is reviewed continuously and changes applied where required. During the period under review an exercise on the review of the Term of Reference of all Board and Management Committees was conducted to ensure that the Committees are aligned on their purpose, reflect the Bank’s growth and are future-proof. No circumstances have arisen mandating changes in Committee membership composition.

Responsibility for the Group’s business on a day-to-day basis has been delegated by the Board to the Chief Executive Officer, supported by EXCO, to make and implement strategy and operational decisions.

**COMPLIANCE WITH THE CODE (continued)**

**Principle 4: The Responsibilities of the Board (continued)**

The below is an infographic on the Bank’s governance framework.

<p><b>The Board</b></p> <p>The main role of the Board of Directors is to perform the duties of strategic planning and oversight.                  Roles and responsibilities: Board Charter &amp; Matters Reserved to the Board                  Bio Notes: See pages 6 to 9</p>					
<p><b>The Board Committees</b></p> <p>The Board has the following six Board Committees to which it delegates certain responsibilities.</p>					
<p><b>Audit Committee</b></p> <p>Assists the Board in monitoring the integrity of the financial reporting process, including the audit of the annual accounts and review of any interim reporting, and ensuring an effective system of internal controls and the effectiveness of the Internal and External Auditors.</p>	<p><b>Risk Committee</b></p> <p>Has a wide mandate for risk oversight, including credit risk, market risk, reputational risk, operational risk, technology/ cyber risk, concentration risk, liquidity risk as well as compliance and reputational matters, and reviews the Bank’s risk management framework accordingly.</p>	<p><b>Remuneration, Nominations and Governance Committee</b></p> <p>Keeps the Board composition under review and carries out the process for Board appointments and assists the Board on senior management appointment and succession planning. Recommends the compensation framework of Board and senior executives. Ensures the Bank is in line with corporate governance practices.</p>	<p><b>Board Credit Committee</b></p> <p>Provides oversight of the Bank’s credit risk management and lending strategies and objectives; which includes: a review of the quality and performance of the Bank’s credit portfolio; the establishment of portfolio limits; the approval of loans at thresholds determined by the Bank’s Credit Policy as approved by the Board; and the appraisal and approval of credit limits in Treasury products.</p>	<p><b>Environmental, Social and Governance Committee</b></p> <p>Considers the material environmental, social &amp; governance issues and policies relevant to the Bank’s business activities and promotes initiatives to raise ESG performance. Oversees the implementation of social sustainability initiatives and commitments, including performance, challenges and opportunities, to ensure their effectiveness in delivering social impact.</p>	<p><b>Technology &amp; Innovation Committee</b></p> <p>Oversees management with regard to IT-related risks, security and business continuity plans. Provides strategic leadership through a steady flow of innovative ideas that will serve as a catalyst for innovation at the Bank as well as monitoring IT project implementation.</p>
<p><b>The Chief Executive Officer</b></p> <p>The CEO is responsible for the development and implementation of the Group’s strategy and overall commercial objectives. In ensuring that this role is carried out effectively, the Board has set-up the following Management Committees.</p>					
<p><b>Executive Committee (EXCO)</b></p> <p>Acts as consultative body and advisor to the CEO on matters such as strategy, operations and business. Focuses on the four Ps, namely Performance, Products, Projects and People, and these four broad areas describe</p>	<p><b>Assets-Liabilities Committee (ALCO)</b></p> <p>Generally responsible for the asset liability management (ALM) strategy, policy, surveying of market developments, including the Bank’s Base Rate and funding strategy. Focuses on liquidity management and</p>	<p><b>Management Credit Committee (MCC)</b></p> <p>Receives and reviews credit applications and approves credit limits for customers and transactions, within the parameters set by the Board in terms of the credit policy and procedures. Refers and recommends to the BCC limit applications where these exceed its MCC limits.</p>	<p><b>Compliance Committee (COMPCO)</b></p> <p>Ensures that prescribed regulations, rules, policies, guidelines and procedures are being followed and also anticipated in advance. Acts as a decision point for business acceptance, on-boarding and dismissal</p>	<p><b>Weekly Management Meeting (WMM)</b></p> <p>Reports into the EXCO, with which it also works very closely. The Meeting brings together the senior levels of management – Chiefs and Heads, in a weekly forum where all members share updates about their respective areas of</p>	

## CORPORATE GOVERNANCE REPORT

adequately the coverage of this Committee.	contingency planning, determines the liquidity strategy.		of customers, in line with the Bank's on-boarding and exit policies. The Compliance Committee reports to the Risk Committee.	responsibility, work plans as well as matters or items of significant interest.
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A full list of the Committee members is found on the Bank's website and on page 46.

### Principle 5: Board Meetings

The Board meets regularly to discharge its duties effectively, typically monthly. Board meetings take place in person, with videoconferencing facilities in place to accommodate uninterrupted attendance, where necessary. Absences from meetings are pre-authorised and most of the time Directors appoint an alternate Director in their stead for that particular meeting.

Board agendas and packs are circulated in advance via a specialised Board portal application, to permit Board Directors prepare themselves for the discussions that take place during the meetings. Board meetings cover a comprehensive schedule and have a forward agenda to ensure effective and constructive meetings. Over a twelve-month period, Board Agendas cover the following topics, Create Long-Term Value, Responsibility Towards Stakeholders, Instil Values and Shape Culture, Scrutinise Performance, Exercise Accountability and Set Strategy, and ensure that sufficient time is allocated to focus on evolving and developing matters. Furthermore, a CEO Report detailing the main updates from the various Departments and concluding with the CEO's vision, and structured reporting from the Committees, Subsidiaries and Associates are standard agenda items at each Board Meeting.

Throughout 2025, the Board engaged in critical deliberations that impacted the Bank's business direction. Guided by market dynamics and economic conditions, the Board's discussions centred on strategic decisions to shape the Bank's future. They assessed the Bank's performance and outlook, approving significant financial and operational actions. Among these were planning for growth via the potential acquisition of appropriate banking, asset management and insurance distribution entities, the approval of dividend payments, and the approval of the budget and business plans for 2026-2028. Priority was also laid on culture management and how the Bank's values remain ingrained in line with the Bank's growth plans.

Senior management officials attend Board meetings as required, according to the nature of the discussion and their specific area of responsibility. This provides the Board with an opportunity to engage directly with senior management on key issues.

During the year under review, the Board met 14 times, with another 4 additional meetings held on an *ad hoc* basis. The average rate of attendance was 92.22%. Dr Cassar was excused for 10 meetings on compassionate grounds having informed the Board of this accordingly, who took cognisance of this. She appointed the Chairman as her alternate Director throughout her period of absence.

In addition to its scheduled meetings, the Board also met with the Management Team in May for a dedicated Board session to discuss the Bank's purpose and strategy; July for the Annual Business Planning brainstorming days; and November for the Business Planning Wrap-up Workshop, looking into the Bank's main priorities for the updated 2026-2028 Plan and strategic initiatives for the same period.

All Directors are required to attend all meetings of the Board, the meetings of those Committees on which they serve, and the Annual General Meeting (AGM). All Directors are expected to devote sufficient time to the Bank's affairs to enable them to fulfil their duties as Directors, always exercising independent judgement.

The below table provides the attendance of Board members at Board and key Board Committee meetings as at 31 December 2025:

Director	Board Attendance
Martin Scicluna	18/18
Marcel Cassar	18/18
Joseph C Attard	18/18
Juanito Camilleri	17/18
Laragh Cassar	08/18
Martin Czurda	18/18
Noel Mizzi	18/18
Michael Pace Ross	15/18
Leslie Stephenson	18/18
Marisa Xuereb	18/18

COMPLIANCE WITH THE CODE (continued)

Principle 5: Board Meetings (continued)

Membership of Board and Management Committees as at the date of this report

		Board Committees						Management Committees			
		Audit	Risk	ESG	RNG	BCC	TAIC	EXCO	Compliance	ALCO	MCC
Directors	Martin Scicluna				C						
	Joseph C. Attard						C				
	Juanito Camilleri										
	Laragh Cassar										
	Martin Czurda					C					
	Noel Mizzi	C		C							
	Michael Pace Ross										
	Leslie J. Stephenson		C								
Marisa Xuereb											
Management	Marcel Cassar							C			C
	Giovanni Bartolotta		NV			NV			C		
	Raymond Bonnici										
	Anthony Buttigieg		NV			NV					
	Edward Calleja										
	Jonathan Caruana										
	Liana Debattista			NV							
	Noel McCarthy										
Ronald Mizzi		NV									
	Cynthia Borg										
	Alexander Camilleri										NV
	Gilbert Caruana									NV	
	Daniel Cassar										
	Marvin Farrugia									C	NV
	Mario Gauci					NV					NV
	Kenneth Genovese										
	Gordon Gilford										
	Nives Grixti					NV			NV		NV
	Zoltan Horvath										NV
	Marco Micallef		NV			NV					NV
	Simon Micallef										
	Aaron Mifsud										
	Rodney Naudi		NV								
	Ronald Psaila										NV
Matthew Swain											
Christine Tabone									NV		
Dorianne Tabone											
	Gevit Duca			NV							
	David Galea									NV	
	Lana Sant							NV			

Legend

<b>Audit</b>	Audit Committee
<b>Risk</b>	Risk Committee
<b>ESG</b>	ESG Committee
<b>RNG</b>	Remuneration, Nominations & Governance
<b>BCC</b>	Board Credit Committee
<b>TAIC</b>	Technology & Innovation Committee
<b>EXCO</b>	Executive Committee
<b>Compliance</b>	Compliance Committee
<b>ALCO</b>	Assets & Liabilities Committee
<b>MCC</b>	Management Credit Committee

<b>C</b>	Chair	<b>NV</b>	Non-Voting Member
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### COMPLIANCE WITH THE CODE (continued)

#### Principle 5: Board Meetings (continued)

After each Board Meeting, minutes are drawn up by the Company Secretary, faithfully recording the attendance of Directors at said Meetings, conflicts raised, matters discussed, considerations made, decisions taken, and action points agreed upon. Minutes are kept of all the business transacted in the course of Committee meetings. All Directors have ready access to Committee papers and Minutes, and have an open invitation to attend as observer to any Board or Management Committee meeting. Furthermore, Committee Chairs discuss matters of common interest to further improve co-ordination and communication.

#### Principle 6: Information and Professional Development

Directors have access to a wide range of briefing and training sessions and other professional development opportunities to help them keep abreast of the environment that the Bank operates in. Training discussions and updates are provided by professional advisors and external and internal subject-matter experts. These updates not only cover a range of pertinent strategic, legislative and regulatory issues but also those relating to the political and economic environment, sustainability and technological considerations. The Company Secretary also provides regular updates on corporate governance matters. Directors may also request individual in-depth briefings from time to time on areas of particular interest. Directors are kept abreast of other activities that were organised by local and international entities. A training and development log is maintained by the Human Capital Department, and a record of training sessions attended to by Directors voluntarily is also kept.

During the period under review, the Board was provided with bespoke training on key Board focus areas: strategy, risk and resilience. The training covered regulatory developments impinging the Bank over the short and mid-term, including obligations from the ECB, resolution and recovery, and AI within the banking world. The annual Business Plan & Budget Review Off-Site Workshops held in July and November, also served as a professional development opportunity for the Directors. Directors are also invited to visit key operational facilities and branches of the Bank.

Upon appointment, all Directors undertake a formal and tailored induction programme providing the required familiarisation with the Bank.

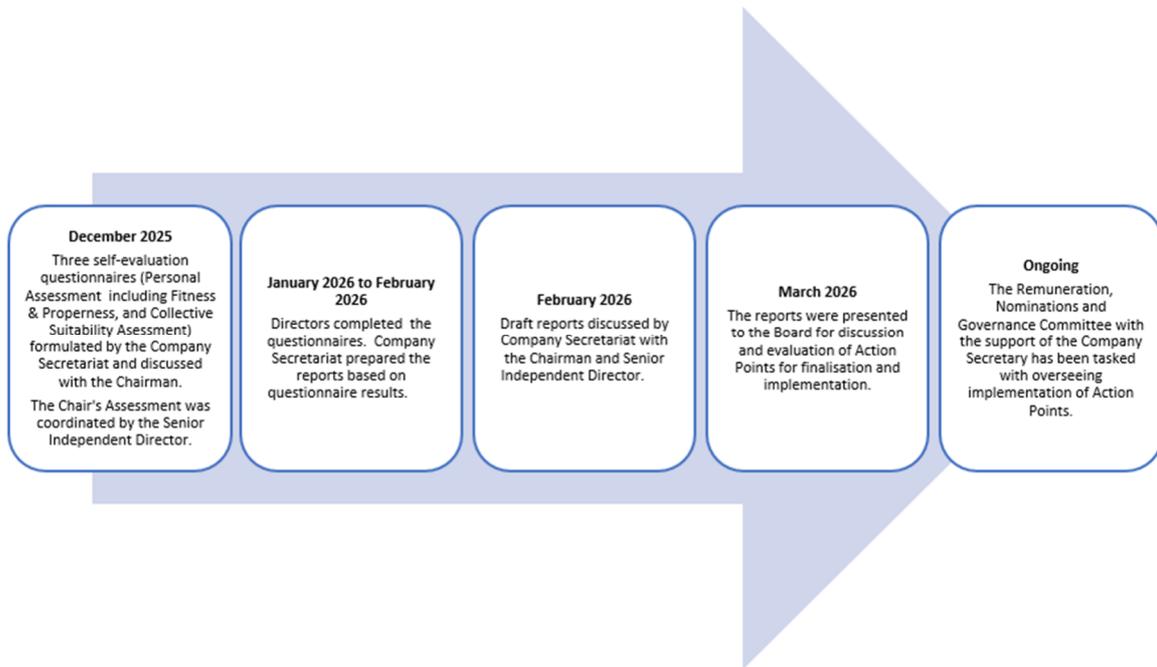
#### Principle 7: Evaluation of the Board's Performance

On an annual basis, the Board of Directors, both individually and collectively take part in a Board Evaluation exercise that focuses on their fit and proper requirements, skills, competencies, and experiences in addition to softer attributes such as strategic thought, communication, external awareness, ability to forge relationships and other important attributes that make an effective board room. The Board Evaluation process for 2025 was conducted in-house following the process detailed overleaf. Evaluations are carried out under the oversight of the RNG Committee, and facilitated by the Company Secretariat. Outcomes are discussed in detail with the Chairman of the Board.

**COMPLIANCE WITH THE CODE (continued)**

**Principle 7: Evaluation of the Board’s Performance (continued)**

The Internal Evaluation Process:



The Committee evaluation exercise for 2025 was conducted in-house. It is positive to note the satisfactory outcome of the evaluation, where no changes in the governance and the organisation have resulted from the Board evaluation. The evaluation confirms that the Bank’s Committees are performing effectively, with strong leadership, proactive participation of members, and a clear understanding of their roles in supporting the Board. There is a collective commitment to continuous improvement in governance, meeting efficiency, and strategic oversight, positioning the Committees to drive long-term organisational growth.

Outputs of the Board Evaluation processes are actioned via training programmes and/or sharing of feedback at the appropriate forum.

**Principle 8: Committees**

The Board places significant reliance on its Committees and therefore it remains crucial that there are effective linkages between Committees and the Board. There is constant attention to ensure there are no gaps or unnecessary duplications and continuous efforts are done to avoid this happening. References to Board and Management Committees is made throughout this Annual Report.

Further information on the Audit Committee and Risk Committee, is found in the Section below “Internal Control and Risk Management System”. The function of the RNG Committee is covered under Principle 4, when reviewing all the other Bank Committees, and in the RNG Report, which also includes the Remuneration Statement in terms of Code Provision 8.A.4 and the Nominations Report in terms of Code Provision 8.B.7.

**COMPLIANCE WITH THE CODE (continued)**

**Principles 9 and 10: Relations with Shareholders and with the Market and Institutional Investors**

The Board recognises that stakeholder engagement is essential to understand what matters most to the Bank’s stakeholders and the likely impact of any key decisions. As a Community Bank, the Bank has a long history of engaging with all its stakeholders and the Board continues to highly value the feedback that this engagement provides.

November 2025 marked an important milestone for the Bank wherein following the increase in the Bank’s share capital via a Rights Issue, the shareholding within the free float increased to 46.74% as a consequence of the largest shareholder’s (AROM Holdings Ltd) dilution now standing at 42.95%. This further heightens the Bank’s commitment for shareholder engagement.

The table below identifies the Bank’s key stakeholders and how both the Bank and the Board engaged with them throughout 2025. The Board seeks to understand the needs and the key areas of interest of each stakeholder group and consider them during deliberations and as part of the decision-making process.

Key stakeholders	Reason for engagement and key priorities for 2025
Shareholders, Bondholders and Institutional Investors	<p>The Board prioritises engagement with shareholders.</p> <p>The Board is provided with regular updates on share price movements, movements in the share register, engagements with investors. It also discusses shareholder issues and expectations as part of its decision-making.</p> <p>The Bank also successfully executed a Rights Issue raising c. €45m in additional capital. As the progression of this issue took place, roadshows were conducted with a number of institutional investors. In line with regulatory obligations encompassing these meetings, the senior management team had the opportunity to generate interest in the Bank’s performance and plans.</p> <p>Furthermore, the Board also engaged in:</p> <ul style="list-style-type: none"> <li>- Meetings with the two single largest shareholders organised by the Chairman.</li> <li>- Meetings with the Malta Association of Small Shareholders.</li> <li>- Issuing Company Announcements, as necessary.</li> <li>- Keeping an open communication channel with the small shareholders for queries and concerns to be addressed to the Company Secretariat.</li> <li>- Organising Market Briefings with results presentations and updates to the market.</li> <li>- Keeping the Investor Relations webpage constantly updated.</li> <li>- Offering Attractive Investor Offers &amp; Benefits package (<a href="http://www.apsbank.com.mt/investor-offers-benefits/">www.apsbank.com.mt/investor-offers-benefits/</a>).</li> </ul>
Customers: including Retail customers, Business customers, Investment customers and potential new customers	<p>The Bank engages with new and potential customers to share the mission, vision and strategy of the Bank. Beyond customer communications and brand and marketing messaging, the Bank maintains a constant flow of information and updates through press releases, company announcements, and Market Briefing events held throughout the year.</p>

	<p>How it engages:</p> <ul style="list-style-type: none"> <li>- Regular updates provided on the Bank’s website and social media platforms</li> <li>- Press Releases</li> <li>- Well-manned customer support centre</li> <li>- APS Digest</li> <li>- Customer surveys</li> <li>- Clear complaint process</li> </ul> <p>The section “Communicating brand, purpose and corporate culture” and “Embedding customer centricity across the Bank” covers the Culture Department’s Brand and Marketing, Corporate Culture Change Management, Corporate Social Responsibility and Voice of the Customer contributions, and is found on pages 17 to 19.</p>
<p>Employees</p>	<p>The strategic approach taken towards community engagement and corporate communications, equally applies to employee engagement and internal communications. In addition to the ongoing Corporate Culture Change Management communication and activation activities, employees are also invited to various social gatherings organised by the Social Activities and Sports Committees. Opportunities to attend various Bank-sponsored CSR events are also regularly extended to employees.</p> <p>The Board promotes the talents of the workforce and commends their efforts and successes. When opportune, the Board visits various branches and offices to observe the Bank’s operations in action and reinforce their knowledge.</p> <p>The section “Employee Matters” provides more details on the Bank’s people strategy and is found on pages 25 to 28.</p>
<p>Regulators</p>	<p>The Bank maintains dialogue with its regulators by ensuring open and transparent communication, which is essential for compliance and effective governance. This ongoing interaction helps the Bank stay aligned with regulatory expectations and adapt to any changes in the regulatory environment. Of particular note are the Minimum Engagement Level Meetings organised by the MFSA wherein the regulator meets with various Bank stakeholders such as Board Directors and senior management, to discuss key issues and ensure compliance with regulatory requirements.</p>
<p>Relevant information provided to stakeholders</p>	<p><b>1. Annual Report and Financial reporting</b>  The Bank’s Annual Report and the Interim Financial Statements are available to shareholders and the public at large. The Bank aims to make the Annual Report and Interim Financial Statements as accessible as possible. Copies are available on the Bank’s website. A number of printed copies of the Annual Report are available at Branches. Interested parties may also contact the Company Secretariat to obtain a copy.</p> <p><b>2. Market Briefings</b>  From time to time the Bank organises Market Briefing events as an occasion to inform the market about</p>

	<p>important or material developments or to follow up on company announcements when considered necessary. These Market Briefings are notified to the public via a company announcement and registration to attend is promoted through the Bank's social media channels. Market Briefings are held either virtually or hybrid. Questions from investors and analysts are received during the event ensuring an open dialogue with the market.</p> <p>In 2025, five Market Briefings were held, four of which were in relation to the Bank's financial reports. Such events are recorded and made available on the Bank's website.</p> <p><b>3. Company Announcements</b> As a listed entity, the Bank is required to issue Company Announcements, in terms of the Capital Markets Rules to bring useful, relevant and material facts to the attention of the market.</p> <p><b>4. Press releases</b> The Bank issues press releases on a regular basis to inform its customers and other stakeholders about developments and news. The Bank's social media presence has increased the reach and speed of its communication.</p> <p><b>5. Corporate Website</b> The Bank's website (<a href="http://www.apsbank.com.mt">www.apsbank.com.mt</a>) is the primary source of information for interested parties. The website is consistently updated with financial reports, regulatory disclosures, investor presentations, press releases, product and service updates, security alerts, corporate social responsibility initiatives, career opportunities, and customer support resources to ensure transparency, compliance, and engagement with all stakeholders.</p>
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**Principle 11: Conflicts of Interest**

Each Director is expected to act to the highest standards of ethical behaviour and fiduciary duties. Directors are aware of their obligation to avoid conflicts of interest and their responsibility to act in the wider interest of the Bank and its shareholders, irrespective of which shareholder nominated him/her to the Board.

The Board Charter contains specific sections dealing with conflicts of interest, starting with the general precept that Directors should take all reasonable steps to avoid such situations. However, from time to time, actual or potential conflicts of interest may arise in which case it needs to be ensured that these are managed properly by the Board and the interested Director, as also provided in the amended Conflicts of Interest Policy. Directors are required to inform the Board or Committee of any matter that may result or has already resulted in a conflict of interest. A record of such declaration is entered into the meeting's minute book and the said Director is precluded from voting on any resolution concerning a matter in respect of which they have declared a direct or indirect interest or asked to absent themselves when the conflicting matter is discussed.

Board Directors hold external Directorships and other outside business interests and these are recognised as significant benefits that greater boardroom exposure provides for the Bank's Directors. However, Directors are expected to report the holding of new Directorships and significant commitments to ensure that any potential or actual conflicts of interest are mitigated, and additional appointments will not adversely impact their time commitment or their ability to continue to fulfil their role as Director. The conflicts of interest are recorded in a Conflicts of Interest Register.

Directors are informed and reminded of their obligations vis-a-vis dealing in the Bank's shares and bonds in line with prevailing legislation and in terms of the Capital Markets Rules. Clearance prior to dealing is obtained from the Chairman in line with the Bank's Personal Dealing Policy. These obligations are likewise applicable to further cohorts of the Bank's staff identified as insiders whereby strict protocols are adopted.

**COMPLIANCE WITH THE CODE (continued)**

**Principle 12: Corporate Social Responsibility**

The Board of Directors ensures that sound principles of corporate social responsibility are adhered to and integrated into the core ethos of the Bank and embedded into its day-to-day culture and operations. For these reasons also, the Bank is a prominent supporter of various Corporate Social Responsibility (CSR) initiatives at both national and community level aimed at contributing to economic, societal, environmental, and cultural development.

Further details on the Banks’ CSR outreach are disclosed separately on page 18.

**INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM**

**Board responsibility**

The Board, supported by the Risk Committee and Audit Committee, oversees the system of internal controls, corporate governance and risk management frameworks, ensuring they are in line with applicable rules, regulations and guidelines, and assumes responsibility for establishing the purpose and risk appetite of the Bank, setting its strategy, establishing its culture and determining the values to be observed in achieving that strategy. The Directors and senior management are committed to maintaining a robust control framework as the foundation for the delivery of effective risk management. The Directors acknowledge their responsibilities in relation to the Bank’s risk management and internal control systems and for reviewing their effectiveness.

In establishing and reviewing the risk management and internal control systems on an ongoing basis, the Directors carry out a robust assessment of the most significant and emerging risks facing the Bank, including those that would threaten its business model, future performance, capital base or liquidity and reputation; the likelihood of a risk event occurring; and the costs of control. The process for identification, evaluation and management of the risk events faced by the Bank is integrated into the Bank’s overall framework for risk governance. The risk identification, evaluation and management process also cover an assessment of whether the controls in place result in an acceptable level of residual risk. The Risk Appetite Statement and Risk Appetite Dashboard are presented to and reviewed and debated regularly by the Risk Committee and the Board, in the presence of the Chief Risk Officer, to ensure that the Board is satisfied with the overall risk profile, risk accountabilities and mitigating actions. Dashboards offer an overview of the Bank’s risk profile, key risks, management actions, performance against risk appetite, and emerging risks that may impact the Bank’s strategy.

**Control effectiveness review**

The Bank’s control effectiveness is carried out following the “Three Lines Model” with an aim to evaluate the effectiveness of the Bank’s control framework in its widest sense, with regard to its material risks, and to ensure management actions are in place to address key gaps or weaknesses in the control framework. The second line, manifesting itself in reporting to the Risk Committee, is responsible for the design and implementation of the risk management framework and for risk reporting to senior management and the Board.

The table below delineates the attendance of Risk Committee members at the Risk Committee meetings held in 2025:

<b>Risk Committee Membership</b>	<b>2025 Attendance</b>
Leslie J Stephenson	9/9
Juanito Camilleri	9/9
Joseph C Attard	9/9

As the third line, the Internal Audit function provides independent assurance to senior management and the Board that the Group’s control framework and the risk management process are operating effectively. The Audit Committee receives reports from the Bank’s statutory auditors, Deloitte Audit Ltd (which would include details of any significant internal control matters identified), and it has discussions with the statutory auditors at least four times a year, to ensure that there are no unresolved issues of concern. In the last half of 2025, the Audit Committee mandated a Request for Proposal for the selection of external auditors for APS Bank’s Audit and Assurance Services. This was driven by regulatory requirements under Regulation (EU) No. 537/2014, which requires that a public tendering process for the statutory audit is to be conducted, the outcome of which would take effect upon the expiry of the maximum duration of 10 years from the appointment of a statutory auditor. In this respect, by the end of 2025, Deloitte Audit Ltd had completed nine consecutive years as external auditors, prompting the

**INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM (continued)**

**Control effectiveness review (continued)**

Committee to initiate the process to ensure compliance and continuity of service. The appointment of the external auditor will be recommended for approval by the shareholders at the forthcoming Annual General Meeting.

It also regularly receives audit reports on the Group’s control framework from the Bank’s Group Internal Auditor. The Internal Auditor is a permanent invitee to the Audit Committee and Risk Committee meetings to support the proceedings. In the second half of 2025 the Internal Audit function was subject to a Third-Party Assurance review, which confirmed that the function conforms to the International Professional Practices Framework (IPPF) (the Internal Audit Standards). As regards the maturity assessment which formed part of this review, the Internal Audit function was deemed to be aligned with leading practices in 13 out of the 15 components across the three pillars examined – ‘Positioning’, ‘People’ and ‘Process’, and aligned to baseline expectations in the remaining two.

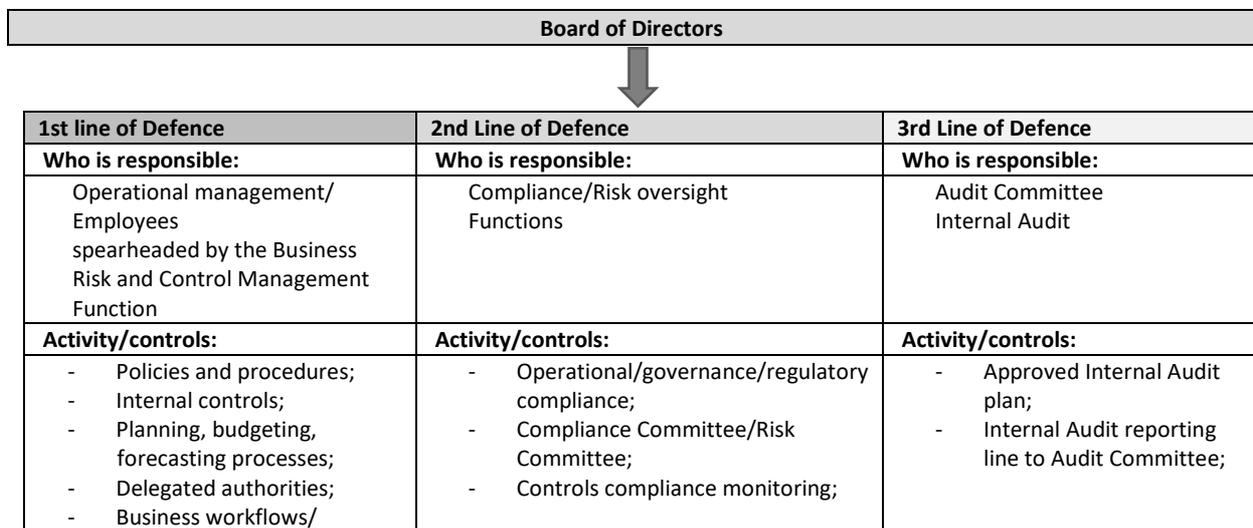
In terms of Capital Markets Rules 5.117, 5.118 and 5.118A, the Audit Committee is composed of three Non-Executive Directors. The majority of the Audit Committee members are considered as independent of the Bank, since they are free from any business, family or other relationship with the Bank or its management that may create a conflict of interest such as to impair their judgement (see also Principle 3 above). Michael Pace Ross, as the Director representing the Qualifying Shareholder, is nonetheless considered to be independent of mind. Noel Mizzi is the member who the Board considers as competent in accounting. In view of the diverse skills and professional experience of each of the Audit Committee Members, the Bank considers the Audit Committee as a whole to have the adequate competence and meet the independence criteria as required by Capital Markets Rule 5.118.

The table below delineates the attendance of Audit Committee members at the Audit Committee meetings held in 2025:

<b>Audit Committee Membership</b>	<b>2025 Attendance</b>
Noel Mizzi	9/9
Martin Czurda	8/9
Michael Pace Ross	9/9

The Bank’s risk management and internal control systems are regularly reviewed by the Board and are consistent with applicable guidance issued by the competent authorities and compliant with the requirements of CRD VI. More detail on the review of internal controls is found in the Pillar 3 Disclosures Report found on the Bank’s website.

The below infographic summarises the Bank’s internal control framework:



## CORPORATE GOVERNANCE REPORT

<ul style="list-style-type: none"> <li>- IT system controls; Personal objectives and incentives.</li> </ul>	<ul style="list-style-type: none"> <li>- Management/Board reporting and review of Key Risk Indicators (KRIs)</li> <li>- Financial performance/ Emerging risks;</li> <li>- Corporate policies/ Recovery; and</li> <li>- Resolution planning.</li> </ul>	<ul style="list-style-type: none"> <li>- Regular Internal Audit updates to the Audit Committee;</li> <li>- Financial Reporting process, External Auditor's selection &amp; appointment;</li> <li>- Remuneration, rotation of the External Auditors &amp; oversight of External Auditors' performance;</li> <li>- Approval and review of Related Party transactions; and</li> <li>- Selection and appointment of Internal Auditor.</li> </ul>
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### Capital Markets Rule 5.97.5

The information relating to the Shareholder register required by Capital Markets Rule is found in the Directors' Report.

### General Meetings

General Meetings are the Bank's highest decision-making body, at which the shareholders exercise their voting rights. The proceedings are conducted in terms of the Bank's Articles of Association. A general meeting of the Bank is duly convened by providing twenty-one days prior notice to the shareholders.

Ordinary business is transacted at the Bank's Annual General Meeting, that considers the accounts, balance sheets and the reports of the Directors and the auditors, the appointment or election of Directors, the appointment of auditors and the fixing of the remuneration of Directors and the auditors. All other business is deemed to be 'special', whether transacted at the Annual General Meeting or at an Extraordinary General Meeting.

The Articles relating to 'General Meetings' stipulate that shareholders registered in the Shareholders' Register on the Record Date, have the right to attend, participate and vote at the General Meeting, and those owning not less than five percent (5%) of the voting issued share capital of the Bank may request the Bank to include items on the agenda of a General Meeting, and table draft resolutions for items included in the agenda of a General Meeting, insofar as they are received at least forty-six days before the date set for the relative General Meeting.

A shareholder who is unable to participate in the General Meeting can appoint a proxy by written or electronic notification to the Bank. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the General Meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for that purpose.

During the period under review, the Bank held its Annual General Meeting on 8 May. Apart from the standing Annual General Meeting Agenda Items, which also included a declaration of a final scrip dividend, the shareholders considered a Special Business resolution for the Directors' authority to issue shares for the purpose of undertaking a rights issue. Furthermore, extraordinary resolutions were also tabled relating to the Directors' authority to issue shares limitedly for the purpose of implementing a decision to pay a scrip dividend, and to affect a capitalisation of profits, and the Directors' authority to issue debt securities up to €150,000,000. All resolutions were carried. Shareholders were requested to cast their voting preferences before the General Meeting. Shareholders were invited to submit any questions relating to the items on the Agenda prior to the meeting.

This Statement was authorised for issue by the Board of Directors on 12 March 2026 and signed on its behalf by:

**Martin Scicluna**  
Chairman

**Noel Mizzi**  
Director

## NOMINATIONS AND REMUNERATION REPORT

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### REMUNERATION REPORT

#### Group Remuneration Policy

The Remuneration Policy of the Bank and its subsidiaries (collectively the Group) aims to exercise a competent and independent judgement on its remuneration practices, and its incentives created for managing risk, capital and liquidity, and ensure that they are in line with applicable legislation, directives, regulations and guidelines.

The approval of the Group's Remuneration Policy is the responsibility of the Board of Directors and covers all categories of staff, including Senior Management (Executives and Heads of Department), material risk takers and staff engaged in control functions. Remuneration of the Board of Directors and of the CEO is covered by the Directors' and CEO's Remuneration Policy, approved by Ordinary Resolution at the 2024 AGM.

The application of the principles of Directive 2013/36/EU, the EBA Guidelines on sound remuneration policies and Banking Rule 21 (BR21/2022) – Remuneration Policies and Practices, considers the nature and scale of the Group and the complexity of its activities. A Collective Agreement with the Malta Union of Bank Employees, for the three years 2023 – 2025, covers all staff members, excluding Senior Management. References in this Report to types and modes of remuneration apply to all staff, but where these refer to staff covered by the Collective Agreement it shall be construed accordingly.

The Group Remuneration Policy is reviewed on a regular basis and was last updated and approved in 2023, by the Board of Directors, to cover clawback and malus provisions for variable remuneration of Identified Staff.

#### Fixed Remuneration

The base salary provides a predictable base level of income reflecting each staff member's level of responsibility, capabilities, skills and experience. Base salaries are reviewed annually, and increases are granted in line with performance and when a staff member assumes increased responsibilities or significantly deepens knowledge and expertise. Base salaries may also be reviewed when there is a material change in the remuneration levels of comparable roles in the respective market. Base salaries are set for a number of different levels within approved salary ranges. Fixed remuneration includes an occupational pension scheme for staff members with a fixed contribution in accordance with established eligibility criteria.

#### Variable Remuneration

Staff members may have a variable component to their remuneration in addition to their fixed remuneration. The variable portion is clearly connected to the work and performance of the staff member, the performance of their business unit and the overall performance of the Bank and its subsidiaries. The goals are based on factors that support the Group's long-term strategy and business objectives. Staff in Control Functions are adequately compensated in accordance with their own objectives and not directly tied to the results of any business unit. They are judged on their success in developing appropriate policies, developing effective risk management controls and procedures, monitoring risk and building control systems.

Bonuses related to individual performance are based on both quantitative and qualitative targets. Qualitative criteria consider (i) adherence to the applicable regulatory framework, (ii) treating customers fairly, and (iii) the on-going provision of a high-quality service to customers. Performance bonus promotes teamwork and encourages all staff members to perform to the best of their abilities, for their mutual benefit and the long-term sustainable success of the Group.

The Group ensures that bonuses are fair, transparent, easy to understand and based on the Bank's Business Plan and Annual Budgets. Any variable remuneration, be it monetary or non-monetary, outside the parameters of the Policy is referred to the RNG Committee for approval. APS Group does not offer buy out contracts or share options, nor does it grant guaranteed variable remuneration. Schemes relating to early termination are established within the Collective Agreement.

#### Executive Share Incentive Plan (ESIP)

During the 2022 AGM, the shareholders approved the establishment of an executive share incentive plan (ESIP) for the period 2022 – 2026. By virtue of the ESIP, the Board of Directors may grant shares to the CEO, and other eligible employees, subject to the rules of the ESIP. The purpose of the ESIP is to ensure that the Bank can continue to properly incentivise its key employees with a view to align their interests to those of the Bank's shareholders. The implementation of the rules governing the ESIP was delegated by the Board of Directors to the RNG Committee.

## NOMINATIONS AND REMUNERATION REPORT

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### REMUNERATION REPORT (continued)

#### Executive Share Incentive Plan (ESIP) (continued)

An eligible employee (including the CEO) will therefore be awarded share awards pursuant to the ESIP, subject to the attainment of stipulated performance criteria in a particular year. The ESIP contemplates loss of benefits to varying degrees depending on the circumstances, including to those eligible employees who do not remain in the employ of the Group. Share awards have a vesting period of three years following their award.

#### Link between Pay and Performance

The variable portion of remuneration is linked to the level of profit earned by the Bank during the relative financial period. The bonus pool allocated to the staff in the clerical, non-clerical and managerial grades is calculated as determined in the Collective Agreement and based on the profit achieved by the Bank. The bonus is distributed to employees according to the merit of performance achieved by the individual and reflecting the respective grade and level of responsibility. Annual bonus entitlements are also applicable to members of Senior Management in terms of their individual contracts.

#### Performance Management System

Key Performance Indicators (KPIs), by which employees' performance is measured, provide corporate, departmental, unit and team/individual targets aligned with the strategic objectives and business plan of the Group. Performance management also takes into consideration leadership competencies required by the individual positions as well as the Group's corporate values. Performance targets are reviewed periodically to ensure that these are aligned to specific strategic and operational objectives set out by the Board of Directors, covering not only business generation, but also other areas of importance such as compliance with prevalent regulation and internal policies and procedures, onboarding and customer due diligence, non-performing borrowing, quality of service and others.

#### Identified Staff

The target population defined as Identified Staff for the purposes of this disclosure represents 8% of total number of employees in the Group. Identified staff is determined in line with recommended EBA Regulatory Technical Standards<sup>3</sup> and includes:

- all members of the management body and senior management;
- staff members with managerial responsibility over the institution's control functions or material business units; and
- other employees who are members of Committees with collective authority to commit to risk exposures per transaction beyond 0.5% of CET1 Capital, and employees who, individually or as part of a committee take, approve or veto decisions on new products, material processes or material systems.

For the purposes of remuneration, Identified Staff have been split into business areas according to EBA guidelines<sup>4</sup>. The tables overleaf (REM 1, REM 3 & REM 5) show total fixed and variable remuneration for Identified Staff during the financial year 2025 broken down by business area, Senior Management and members of staff whose actions have a material impact on the risk profile of the institution. All fixed and variable remuneration were paid in cash apart from the Occupational Pension Scheme and Share Awards. In line with Annex XXXIII of the EBA Implementing Technical Standards on institutions' public disclosures of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013, the Bank is required to disclose information in respect of special payments made to Identified Staff. No severance payments or sign-on payments were made and no payments of €1 million and over were made. Therefore, the REM2 table and the REM4 table are not required for this Remuneration Report.

Standard contracts for all Identified staff would generally be indefinite following a period of definite employment with notice periods and retirement from the Bank in line with local legislation.

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<sup>3</sup> EBA Final Draft Regulatory Technical Standards EBA/RTS/2020/05 dated 18 June 2020

<sup>4</sup> EBA Guidelines on the remuneration benchmarking exercise EBA/GL/2014/08 dated 16 July 2014

## NOMINATIONS AND REMUNERATION REPORT

### REMUNERATION REPORT (continued)

#### Identified Staff (continued)

The Tables below present remuneration disclosures in respect of the Bank's Remuneration Policy.

REM 1		Management Body Supervisory function	Management Body Management function	Other Senior Management	Other Identified Staff
Fixed Remuneration	Number of identified staff	9	9	27	5
		€	€	€	€
	Total fixed remuneration of which:	634,000	1,815,282	2,842,710	227,989
	<i>Cash based</i>	634,000	1,770,832	2,719,643	222,473
	<i>Other forms</i>	-	44,450	123,067	5,516
Variable Remuneration	Number of identified staff	9	9	27	5
		€	€	€	€
	Total variable remuneration of which:	-	424,647	707,636	22,550
	<i>Cash based</i>	-	298,287	451,136	21,200
	<i>Shares or equivalent ownership interests</i>	-	126,360	256,500	1,350
<b>Total Remuneration</b>		<b>634,000</b>	<b>2,239,929</b>	<b>3,550,346</b>	<b>250,539</b>

REM 3	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years
Deferred and retained remuneration	€	€	€
Management Body Management Function	119,710	104,480	215,180
Other Senior Management	293,593	242,797	457,796
Other Identified staff	2,738	1,809	2,728
<b>Total amount</b>	<b>416,041</b>	<b>349,086</b>	<b>675,704</b>

REM 5	MB Supervisory function	MB Management function	Total MB	Investment Banking	Retail Banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
<b>Total number of identified staff</b>	9	9	18	2	3	6	14	7	3	53
<i>Of which:</i>										
<i>Other Senior Management</i>				2	3	1	14	7	-	
<i>Other identified staff</i>				-	-	5	-	-	-	
	€	€	€	€	€	€	€	€	€	€
<b>Total remuneration of identified staff</b>	634,000	2,239,929	2,873,929	320,233	418,157	396,243	1,712,257	952,644	37,917	6,711,380
<i>Of which:</i>										
<i>Variable remuneration</i>	-	424,647	424,647	63,156	86,518	50,806	333,998	194,357	-	1,153,482
<i>Fixed remuneration</i>	634,000	1,815,282	2,449,282	257,077	331,639	345,437	1,378,259	758,287	37,917	5,557,898

## NOMINATIONS AND REMUNERATION REPORT

### REMUNERATION REPORT (continued)

#### Identified Staff (continued)

##### Notes to the Table:

- Total fixed remuneration comprises benefits, specifically car allowances.
- Fixed occupational pension contribution is subject to eligibility criteria.
- Share awards are vested over the next three years, in line with the vesting periods declared at time of award.
- Variable remuneration for identified staff includes performance related bonuses and share awards.
- All other identified staff in REM 5 include ReAPS Directors.

The table below represents the annual change of remuneration, the performance of the Bank, and the average remuneration on a full-time equivalent (FTE) basis of employees of the Group/Bank other than Directors.

	The Group			The Bank		
	2025 €000	2024 €000	2023 €000	2025 €000	2024 €000	2023 €000
Profit before tax	<b>26,495</b>	23,762	30,241	<b>26,874</b>	22,512	27,805
<b>Average Remuneration</b>						
Wages and salaries	<b>42.1</b>	39.1	38.2	<b>40.9</b>	37.9	37.2
Social security costs	<b>2.4</b>	2.4	2.2	<b>2.4</b>	2.4	2.2
<b>Total</b>	<b>44.5</b>	41.5	40.4	<b>43.3</b>	40.3	39.4

The Group's/Bank's performance is measured using Profit before tax.

#### Remuneration Policy – Senior Management

The Board of Directors ("Board") determines the framework of the overall remuneration policy for Executives based on recommendations from the RNG Committee. The Committee, on the recommendations of the Chief Executive Officer, then establishes the individual remuneration arrangements of the Group's Senior Management, namely the Executives and Heads of Departments in accordance with the Group Remuneration Policy. The overriding principle of the Remuneration Policy is that individual performance is evaluated according to both quantitative/financial and qualitative/competency measures.

The Committee considers that the current remuneration packages for Executives are based upon the appropriate market equivalents and are adequate for the responsibilities involved to enable the Group to attract, retain and motivate executives having the appropriate skills and qualities, in order to ensure the proper management of the organisation.

For the purposes of this Remuneration Statement, references to "Executives" shall mean the eight members of the Executive Committee. Executives are in full employment with the Bank on indefinite contracts. They enjoy health insurance arrangements, death in service benefits, an occupational pension scheme, as all Bank employees, and participate in the Executive Share Incentive Plan.

Apart from the Occupational Pension Scheme and ESIP, no discretionary pensions or other supplementary pension benefits were payable to the Executives in 2025. Insofar as early retirement schemes are concerned, the Executives are subject to the schemes which are set out and defined in the Collective Agreement (for Managerial and Clerical Grades) as may be applicable to employees from time to time.

## NOMINATIONS AND REMUNERATION REPORT

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### REMUNERATION REPORT (continued)

#### Remuneration Policy – Senior Management (continued)

##### Variable Remuneration of Executives

The total Variable Remuneration of Executives including share awards is proposed by the CEO, reviewed by the RNG Committee, and confirmed by the Board. During 2025, the Executives and Heads of Department were awarded a performance bonus linked to the performance and achievement of their objectives, and vested share awards awarded in 2022, 2023 and 2024 (vesting over multiple years). In 2025, Executives were also awarded new share awards, which will vest over a period of three years 2026 – 2028.

The performance objectives were based partly on financial targets (financial ratios) and partly on qualitative performance review. Provided that any Variable Remuneration (including performance bonus) received and/or that is to be received by the employee from the Bank at any time, regardless of the method used for computation or payment, including deferral and/or retention arrangements, shall be subject to the malus and clawback provisions found in the APS Group Remuneration Policy, as may be amended from time to time, which allow for a reduction or reversal of any variable remuneration. These provisions may be enforced by the Bank against the employee within a period of time as established in the APS Group Remuneration Policy, and shall apply in cases where:

- The employee participated in or was responsible for conduct which resulted in significant losses to the Bank; and/or
- the employee failed to meet appropriate standards of fitness and propriety; and/or
- in any other cases as listed in the APS Group Remuneration Policy.

Total emoluments received by Executives during the financial year ended 31 December 2025 are reported in the Remuneration Report.

#### Remuneration Policy – Directors and the Chief Executive Officer

The Remuneration Policy for Directors and the Chief Executive Officer was approved by the shareholders at the 2024 AGM and effective from 9 May 2024, following being submitted to a vote at the general meeting to reflect the provisions under Chapter 12 of the Capital Markets Rules and is available in full on <http://www.apsbank.com.mt/investor-relations/>. The said Policy and its implementation are reviewed regularly by the RNG Committee. Any material amendments to the Policy shall be submitted to a vote by the General Meeting before their adoption and in any case at least every four years. There were no deviations from the procedure for the implementation of the Directors' and CEO's Remuneration Policy.

The aim of this Policy is to contribute to the business strategy, long-term interests, and sustainability of the Bank by ensuring that the Bank is able to attract and retain sufficiently qualified directors and a CEO who are crucial for the formulation and proper implementation of the Bank's strategic vision. The Policy applies to 'directors' as such term is defined in Chapter 12 and therefore in the case of the Bank it applies to any member of the Board of Directors (the "Directors") and to the CEO. The Policy is in addition to the remuneration policy of APS group (the "APS Group"), reference to which is made to in the Bank's Annual Report ("Group Remuneration Policy").

In order to avoid any conflict of interest, the Bank's remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In line with best practice, non-executive Directors' remuneration is reviewed on an annual basis by the RNG Committee, which in turn makes any recommendations for consideration by the Board. The remuneration of the CEO, including any variable remuneration is approved by the Board of Directors, upon a recommendation of the RNG Committee. In their recommendation to the Board, the RNG Committee shall be guided exclusively by the best interests of the Bank.

During the financial year under review, the Board comprised of 9 Non-Executive Directors and 1 Executive Director. The Executive Director is involved in the day-to-day management of the Bank and receives both fixed and, where applicable, variable remuneration.

#### Remuneration – Chief Executive Officer

Mr Marcel Cassar continued to serve in office as CEO and Executive Director in terms of the Articles of Association. The remuneration of the CEO takes into account the Bank's need to attract, retain and motivate an individual who possesses the

## NOMINATIONS AND REMUNERATION REPORT

### REMUNERATION REPORT (continued)

#### Remuneration Policy – Directors and the Chief Executive Officer (continued)

##### Remuneration – Chief Executive Officer (continued)

necessary experience, qualities and attributes for this key executive role within the Bank by offering terms of employment which are competitive within the market. The remuneration package offered to the CEO also considers the size and scope of the role, the experience of the individual, market realities, practices or standards for similar positions within regulated entities, group financial performance, salary levels and increases. The CEO is not paid separately for his role of Executive Director of the Bank.

In setting the CEO's remuneration, the RNG Committee is guided by the remuneration framework and reward policies and practices applicable to the rest of the Bank's employees. These policies and practices are relevant to today's labour market and reflect the added value of each position in line with expertise that supports the Bank's goals and which attracts and retains highly talented individuals in possession of the right skill sets, aptitude and knowledge to carry out complex and challenging roles. The Chief Executive Officer's remuneration is composed of fixed and variable remuneration.

The fixed (base) salary awarded to the CEO provides a predictable base level of income reflecting level of responsibility, capabilities, skills, experience and market conditions. The CEO's base salary is determined by the terms of the relevant employment contract. Fixed remuneration includes an occupational pension scheme through a fixed percentage contribution of the base salary.

Variable pay is clearly connected to the work and performance of the CEO, with objectives based on factors that support the Group's long-term strategy and business objectives. The variable component of the CEO's remuneration takes the form of (i) an annual performance bonus and (ii) share awards in terms of the ESIP.

The annual performance bonus is contingent on a performance assessment carried out by the RNG Committee and approved by the Board of Directors. The assessment evaluates the extent to which the CEO would have reached pre-set objectives and behaviours set by the Board of Directors, including business growth in line with the Bank's strategic plan, engagement with other key stakeholders and regulators, corporate social responsibility, ESG objectives and ensuring adherence to risk management and compliance measures. All of these objectives, which form the basis of the Board's assessment of the CEO's entitlement to an annual performance bonus, are aligned with the Bank's business strategy and long-term interests, and therefore ensure that the CEO's performance, and remuneration, is linked to the Bank's long-term success and sustainability. Clawback provisions apply in line with the Group Remuneration Policy.

Total remuneration, including all benefits, awarded in 2025 and 2024 to the CEO are shown in the table below.

	2025	2024
	€	€
Fixed Pay	380,272	370,590
Fringe Benefits (Car, Expenses and Pension Scheme)	45,872	40,316
Variable Pay (Performance Bonus and ESIP)	87,000	134,800
Aggregate	<b>513,144</b>	<b>545,706</b>
Number of shares awarded	50,000	40,000
Number of shares vested	32,500	20,000

In 2025, the variable remuneration awarded to the CEO stood at 20.6% and did not exceed 50% of the CEO's fixed remuneration established in the Remuneration Policy. The amounts above represents the remuneration package of the CEO, accruing for the financial year ending 31 December 2025.

The Chief Executive Officer is employed on a fixed-term contract. The performance assessment of the Chief Executive Officer involved the evaluation of the targets achieved against a number of pre-set objectives and behaviours, including business growth in line with the Bank's strategic plan, engagement with other key stakeholders and regulators, and ensuring adherence to risk management and compliance measures. The extent to which the Chief Executive Officer would have reached each objective is discussed and reviewed by the Board of Directors. These objectives are reviewed on a quarterly basis to ensure ongoing review and alignment with expected performance.

## NOMINATIONS AND REMUNERATION REPORT

### REMUNERATION REPORT (continued)

#### Remuneration Policy – Directors and the Chief Executive Officer (continued)

##### Remuneration – Chief Executive Officer (continued)

The CEO is entitled to benefits enjoyed by all employees of the Bank including health insurance, group life insurance, personal accident insurance, discounts on products or services and a mobile phone allowance. The CEO is also entitled to the use of a fuelled licenced insured and maintained company car and meeting expenses in respect of professional and club memberships, subscriptions and similar up to a maximum of Euro 4,000 per annum.

The CEO is not entitled to any form of payment on resignation or termination of employment apart from the entitlement at law governed by legal provisions applicable to the termination of definite employment contracts. Entitlement to a retirement gratuity is based on number of years' service, as is the case of all employees, and is equivalent to one time of the terminal monthly salary.

##### Remuneration – Non-Executive Directors

In 2025, the Board of Directors was composed of 9 Non-Executive Directors and 1 Executive Director. The remuneration of the Non-Executive Directors does not include a variable component and none of the Directors, in their capacity as Non-Executive Directors, are entitled to profit sharing, share awards or pension benefits. All Non-Executive Directors are non-employees and receive a fee for their services as Directors. Directors are entitled to be reimbursed all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board or any committee of the Board or general meetings of the Bank or in connection with the business of the Bank. Such expenses shall, subject always to all applicable laws and/or regulations, not be deemed to form part of the Directors' emoluments. Directors are entitled to avail themselves of the health insurance scheme offered by the Bank and to certain discounts on products and services of the Bank. This health insurance benefit, if availed of, continues to apply for the rest of the year after Directors' resignation from office and for the two calendar years that follow.

The Board proposes the maximum aggregate emoluments that may be paid to the Non-Executive Directors of the Bank in any financial year for approval by the shareholders. The remuneration of the Chairman and Non-Executive Directors of the Bank for 2025 was approved by the shareholders at the Annual General Meeting. The remuneration consists of fixed fees for being appointed as Board of Director as well as for membership in Board Committees. It is set at a level which broadly reflects:

- market practices and rates of compensation at comparable regulated firms;
- the competencies and contribution required; and
- the extent of responsibilities and the number of board meetings and committee membership/s.

The Directors are appointed at every Annual General Meeting following their resignation and resubmitting themselves for re-election. There are no severance payments upon termination of their respective directorship. Directors are entitled to certain benefits after the termination of their directorship, including discounts on products and services offered by the Group.

The maximum aggregate emoluments that may be paid to the directors was fixed at €700,000, as approved by shareholders at the 2025 AGM, and consistent with the amount established in the preceding year.

##### Non-Executive Directors' Fees

The Non-Executive Directors' fees are as follows:

	2025	2024
<b>Board Fees</b>	€	€
Chairman	120,000	98,478
All other Directors	370,000	299,989
<b>Board Committees Fees</b>		
Chairman of the Board	10,000	8,924
All other Directors	134,000	131,219

## NOMINATIONS AND REMUNERATION REPORT

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### REMUNERATION REPORT (continued)

#### Remuneration Policy – Directors and the Chief Executive Officer (continued)

#### Remuneration – Non-Executive Directors (continued)

The Bank's Directors' Fees for the year ended 2025 and 2024 are as follows:

	2025	2024
	€	€
Martin Scicluna – Chairman of the Board of Directors	130,000	107,402
Victor E Agius (retired AGM 2024)	-	13,630
Joseph C Attard	71,000	63,565
Juanito Camilleri	60,000	55,510
Laragh Cassar	62,500	58,513
Martin Czurda	64,500	25,250
Noel Mizzi	63,000	57,620
Michael Pace Ross	58,500	51,505
Joseph Rapa (not reappointed AGM 2024)	-	13,272
Leslie J Stephenson	64,500	40,234
Marisa Xuereb	60,000	52,109
<b>TOTAL</b>	<b>634,000</b>	<b>538,610</b>

This Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules is being put forward to an advisory vote of the 2025 AGM in accordance with the requirements of the Capital Markets Rule 12.26L.

In accordance with the requirements emanating from Appendix 12.1 of the Capital Markets Rules, the contents of the Directors' Remuneration Report within this Remuneration Report have been reviewed by the external auditor to ensure compliance with such requirements.

#### TERMS OF REFERENCE AND MEMBERSHIP OF THE REMUNERATION, NOMINATIONS AND GOVERNANCE COMMITTEE

From a remuneration and nominations perspective, the Committee has a two-pronged function: (i) ensuring that the Directors and senior management of the Bank have the appropriate mix of skills, qualifications, and experience necessary to fulfil their supervisory and management functions respectively; (ii) overseeing the development and implementation of the remuneration and related policies of the Group and to exercise a competent and independent judgement on its remuneration practices.

The current members of the Committee are Martin Scicluna as Chairman, Joseph C Attard, Laragh Cassar, Leslie J Stephenson and Marcel Cassar, the latter being an Executive Director. None of the members participate in the discussion regarding their own nomination, remuneration or performance. A senior member within the Human Capital Department acts as Secretary to the Committee.

Further detail on the Terms of Reference of the Committee is found in the "Statement of Compliance with the Code of Principles of Good Corporate Governance" under Principle 4, on pages 43 to 45.

#### MEETINGS

The Committee held 4 meetings during the period under review. The Chief People Officer and Company Secretary were invited to the meetings to contribute as necessary.

## NOMINATIONS AND REMUNERATION REPORT

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### NOMINATIONS

In line with the requirement of the Capital Markets Rule 8.B.7, the work carried out by the Committee relating to Nominations throughout 2025 is being presented under the following main headings:

#### Board Composition and Appointment

In the first half of 2025, the Committee ensured the smooth progression of the appointment of directors at the May 2025 Annual General Meeting. At that point in time the Qualifying Shareholders could appoint 7 Directors by letter. Two directors continued to be appointed by the float. Since there were no nominations received following the Bank's call for nominations, Noel Mizzi and Marisa Xuereb were automatically elected. In assessing the appointment of the Directors, the Committee took into consideration the outcome of the 2024 Board Evaluation exercise, also ensuring the fit and proper requirements in line with regulatory requirements.

#### Diversity

Throughout 2025, the Committee continued to enshrine the principles emanating from the Women on Board Directive, as transposed in Chapter 13 of the Capital Markets Rules. The Bank's Board Diversity Policy Statement was amended in 2025 to reflect this. The Bank is in line with the minimum amount of members of the underrepresented gender on its Board. However, beyond that, the Bank continues to lay focus on equality, diversity and inclusion continues at all levels of the organisation.

The Board's Diversity Policy Statement is based on four fundamental principles: (i) individual suitability based on high skills and competences in the ambit of diversity; (ii) collective suitability on the basis that all appointments are merited; and (iii) zero tolerance to discrimination and bias; (iv) long term social goals.

From this Policy Statement stems the Bank's Diversity, Equity and Inclusion Policy in fostering, cultivating, and preserving a culture of diversity, equity and inclusion amongst all its staff members.

#### Succession Planning

The Committee is conscious of the tenure applicable for non-executive directors to maintain their independence, and also of the fact that directors may not seek re-appointment at the next term or a contingent vacancy arising. In this regard, the Committee has succession plans in place to enhance the level of preparedness for an eventual vacancy arising out of planned or unplanned circumstances. The current plans are predominantly focused on the Chair and the CEO. The Nominations Pool and skills matrix are fundamental tools to facilitate discussions ensue at the Committee. Furthermore, they also assist in the Committee's ongoing succession planning.

Succession planning is also considered for Senior Management as well as the wider workforce. The Committee provides oversight and review of relevant policies development requirements which supports potential succession in the future. The Committee is assisted by the Human Capital and Strategy departments.

**STATEMENTS OF PROFIT OR LOSS**  
for the year ended 31 December 2025

	Note	The Group		The Bank	
		2025 €000	2024 €000	2025 €000	2024 €000
<b>Interest and similar income:</b>					
On loans and advances, balances with the Central Bank of Malta and treasury bills	(3)	114,304	107,682	114,304	107,682
On debt and other fixed income instruments	(3)	8,821	7,052	7,090	5,250
<b>Total interest and similar income</b>	(3)	<b>123,125</b>	114,734	<b>121,394</b>	112,932
Interest expense	(4)	(44,431)	(49,225)	(44,431)	(49,225)
<b>Net interest income</b>		<b>78,694</b>	65,509	<b>76,963</b>	63,707
Fee and commission income		13,504	11,605	11,942	10,443
Fee and commission expense		(4,180)	(2,696)	(4,016)	(2,647)
<b>Net fee and commission income</b>	(5)	<b>9,324</b>	8,909	<b>7,926</b>	7,796
Dividend income	(6)	290	124	1,723	1,639
Net (losses)/gains on foreign exchange	(7)	(165)	1,427	965	778
Net gains from derecognition of financial assets at amortised cost	(8)	-	596	-	596
Net gains on other financial instruments	(8)	672	260	1,099	434
Fair value movement on investment properties	(25)	-	4,786	-	4,786
Other operating income		447	1,239	447	1,239
<b>Operating income before net impairments</b>		<b>89,262</b>	82,850	<b>89,123</b>	80,975
Net impairment losses	(11)	(721)	(2,956)	(721)	(2,956)
<b>Net operating income</b>		<b>88,541</b>	79,894	<b>88,402</b>	78,019
Employee compensation and benefits	(9)	(33,346)	(29,859)	(32,494)	(29,043)
Other administrative expenses	(10)	(23,591)	(21,560)	(22,876)	(20,942)
Depreciation of property and equipment	(26)	(1,970)	(2,092)	(1,970)	(2,092)
Amortisation of intangible assets	(27)	(3,459)	(2,781)	(3,459)	(2,781)
Depreciation of right-of-use assets	(28)	(729)	(649)	(729)	(649)
<b>Operating expenses</b>		<b>(63,095)</b>	(56,941)	<b>(61,528)</b>	(55,507)
<b>Net operating profit before associates' results</b>		<b>25,446</b>	22,953	<b>26,874</b>	22,512
Share of results of associates, net of tax	(24)	1,049	809	-	-
<b>Profit before tax</b>		<b>26,495</b>	23,762	<b>26,874</b>	22,512
Income tax expense	(12)	(10,231)	(5,581)	(10,084)	(5,515)
<b>Profit for the year</b>		<b>16,264</b>	18,181	<b>16,790</b>	16,997
<b>Profit for the year attributable to:</b>					
Equity holders of the parent		16,183	17,599	16,790	16,997
Non-controlling interests		81	582	-	-
		<b>16,264</b>	18,181	<b>16,790</b>	16,997
<b>Basic and diluted earnings per share</b>	(13)	<b>4.1c</b>	4.6c	<b>4.3c</b>	4.5c

**STATEMENTS OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2025

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
<b>Profit for the year</b>	<b>16,264</b>	18,181	<b>16,790</b>	16,997
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Change in fair value on debt instruments measured at fair value through other comprehensive income (FVTOCI)	<b>453</b>	2,975	<b>453</b>	2,975
Fair value losses reclassified to profit or loss on disposal of debt instruments measured at FVTOCI	<b>(504)</b>	(172)	<b>(504)</b>	(172)
Deferred income tax relating to the components of other comprehensive income (OCI)	<b>(87)</b>	26	<b>(87)</b>	26
<i>Items that may not be reclassified subsequently to profit or loss:</i>				
Revaluation of land and buildings	-	10,011	-	10,011
Deferred income tax relating to the revaluation on land and buildings	-	(1,430)	-	(1,430)
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(138)</b>	11,410	<b>(138)</b>	11,410
<b>Total comprehensive income for the year, net of tax</b>	<b>16,126</b>	29,591	<b>16,652</b>	28,407
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	<b>16,045</b>	29,009	<b>16,652</b>	28,407
Non-controlling interests	<b>81</b>	582	-	-
	<b>16,126</b>	29,591	<b>16,652</b>	28,407

**STATEMENTS OF FINANCIAL POSITION**  
as at 31 December 2025

	Note	The Group		The Bank	
		2025 €000	2024 €000	2025 €000	2024 €000
<b>ASSETS</b>					
Cash and balances with Central Bank of Malta	(15)	401,094	379,653	401,094	379,653
Loans and advances to banks	(16)	53,062	24,057	51,860	22,027
Financial assets at fair value through profit or loss	(17)	43,161	45,441	-	-
Syndicated loans	(18)	172,716	180,097	172,716	180,097
Loans and advances to customers	(19)	3,377,945	3,013,014	3,377,945	3,013,014
Derivative assets held for risk management	(20)	1,968	2,607	1,968	2,422
Other debt and fixed income instruments	(21)	462,977	386,988	462,228	386,589
Equity and other non-fixed income instruments	(22)	6,342	6,190	6,342	6,190
Investment in subsidiaries	(23)	-	-	40,251	40,251
Investment in associates	(24)	14,798	16,204	14,299	15,749
Investment properties	(25)	13,227	13,227	13,227	13,227
Property and equipment	(26)	49,298	49,730	49,298	49,730
Intangible assets	(27)	21,731	20,742	21,731	20,742
Right-of-use assets	(28)	3,489	4,185	3,489	4,185
Other receivables	(29)	16,570	12,860	15,387	12,534
Current tax assets		6,699	5,700	6,699	5,457
Deferred tax assets	(30)	-	457	-	457
<b>TOTAL ASSETS</b>		<b>4,645,077</b>	<b>4,161,152</b>	<b>4,638,534</b>	<b>4,152,324</b>
<b>LIABILITIES</b>					
Derivative liabilities held for risk management	(20)	1,968	2,892	1,968	2,422
Amounts owed to banks	(31)	1,849	28,609	1,849	28,609
Amounts owed to customers	(32)	4,134,250	3,670,650	4,134,965	3,671,739
Lease liabilities	(28)	3,728	4,366	3,728	4,366
Accruals	(33)	17,492	22,433	17,587	22,611
Debt securities in issue	(34)	104,314	104,210	104,314	104,210
Other liabilities	(35)	18,933	18,068	18,881	18,047
Deferred tax liabilities	(30)	244	-	244	-
<b>TOTAL LIABILITIES</b>		<b>4,282,778</b>	<b>3,851,228</b>	<b>4,283,536</b>	<b>3,852,004</b>
<b>EQUITY</b>					
Share capital	(36)	121,411	94,902	121,411	94,902
Share premium	(36)	72,228	52,467	72,228	52,467
Revaluation reserve	(37)	19,177	19,315	19,177	19,315
Retained earnings	(38)	136,545	128,612	141,810	133,270
Other reserves		372	366	372	366
<b>Attributable to equity holders of the parent</b>		<b>349,733</b>	<b>295,662</b>	<b>354,998</b>	<b>300,320</b>
Non-controlling interests	(39)	12,566	14,262	-	-
<b>TOTAL EQUITY</b>		<b>362,299</b>	<b>309,924</b>	<b>354,998</b>	<b>300,320</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,645,077</b>	<b>4,161,152</b>	<b>4,638,534</b>	<b>4,152,324</b>
<b>MEMORANDUM ITEMS</b>					
Contingent liabilities	(40)	33,731	32,630	33,731	32,630
Commitments	(41)	1,316,013	1,184,054	1,316,013	1,184,054

The financial statements on pages 64 to 163 were approved and authorised for issue by the Board of Directors on 12 March 2026. The financial statements were signed on behalf of the Board of Directors as per the Directors' Declaration on ESEF Audit Financial Report submitted in conjunction with the Annual Financial Report and were signed by:

**Martin Scicluna**  
Chairman

**Noel Mizzi**  
Director

**Marcel Cassar**  
Chief Executive Officer

**Ronald Mizzi**  
Chief Financial Officer

**STATEMENTS OF CHANGES IN EQUITY**  
for the year ended 31 December 2025

The Group	Attributable to the equity holders of the parent					Total €000	Non- controlling interests €000	Total equity €000
	Share capital €000	Share premium €000	Revaluation reserve €000	Retained earnings €000	Other reserves €000			
<b>Financial Year Ended 31 December 2025</b>								
<b>Balance at 1 January 2025</b>	<b>94,902</b>	<b>52,467</b>	<b>19,315</b>	<b>128,612</b>	<b>366</b>	<b>295,662</b>	<b>14,262</b>	<b>309,924</b>
Profit for the year	-	-	-	16,183	-	16,183	81	16,264
Other comprehensive loss	-	-	(138)	-	-	(138)	-	(138)
<b>Total comprehensive (loss)/ income</b>	<b>-</b>	<b>-</b>	<b>(138)</b>	<b>16,183</b>	<b>-</b>	<b>16,045</b>	<b>81</b>	<b>16,126</b>
Rights issue of shares (Note 36)	26,017	19,773	-	-	-	45,790	-	45,790
Share issuance transaction costs (Note 36)	-	(660)	-	-	-	(660)	-	(660)
Allotment of shares upon vesting of share awards (Note 36)	180	249	-	-	(429)	-	-	-
Share incentive plan - Value of employee services	-	-	-	-	435	435	-	435
Dividends to equity holders (Note 14)	312	399	-	(8,250)	-	(7,539)	(300)	(7,839)
Net share capital redeemed by subsidiary company	-	-	-	-	-	-	(1,477)	(1,477)
<b>Total transactions with owners</b>	<b>26,509</b>	<b>19,761</b>	<b>-</b>	<b>(8,250)</b>	<b>6</b>	<b>38,026</b>	<b>(1,777)</b>	<b>36,249</b>
<b>Balance at 31 December 2025</b>	<b>121,411</b>	<b>72,228</b>	<b>19,177</b>	<b>136,545</b>	<b>372</b>	<b>349,733</b>	<b>12,566</b>	<b>362,299</b>
<b>Financial Year Ended 31 December 2024</b>								
<b>Balance at 1 January 2024</b>	<b>94,451</b>	<b>51,907</b>	<b>7,905</b>	<b>118,508</b>	<b>293</b>	<b>273,064</b>	<b>14,364</b>	<b>287,428</b>
Profit for the year	-	-	-	17,599	-	17,599	582	18,181
Other comprehensive income	-	-	11,410	-	-	11,410	-	11,410
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>11,410</b>	<b>17,599</b>	<b>-</b>	<b>29,009</b>	<b>582</b>	<b>29,591</b>
Share issuance transaction costs (Note 36)	-	(35)	-	-	-	(35)	-	(35)
Allotment of shares upon vesting of share awards (Note 36)	127	207	-	-	(334)	-	-	-
Share incentive plan - Value of employee services	-	-	-	-	407	407	-	407
Dividends to equity holders (Note 14)	324	388	-	(7,495)	-	(6,783)	(298)	(7,081)
Net share capital redeemed by subsidiary company	-	-	-	-	-	-	(386)	(386)
<b>Total transactions with owners</b>	<b>451</b>	<b>560</b>	<b>-</b>	<b>(7,495)</b>	<b>73</b>	<b>(6,411)</b>	<b>(684)</b>	<b>(7,095)</b>
<b>Balance at 31 December 2024</b>	<b>94,902</b>	<b>52,467</b>	<b>19,315</b>	<b>128,612</b>	<b>366</b>	<b>295,662</b>	<b>14,262</b>	<b>309,924</b>

**STATEMENTS OF CHANGES IN EQUITY  
for the year ended 31 December 2025**

The Bank	Share capital €000	Share premium €000	Revaluation reserve €000	Retained earnings €000	Other reserves €000	Total equity €000
<b>Financial Year Ended 31 December 2025</b>						
<b>Balance at 1 January 2025</b>	<b>94,902</b>	<b>52,467</b>	<b>19,315</b>	<b>133,270</b>	<b>366</b>	<b>300,320</b>
Profit for the year	-	-	-	16,790	-	16,790
Other comprehensive loss	-	-	(138)	-	-	(138)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>(138)</b>	<b>16,790</b>	<b>-</b>	<b>16,652</b>
Rights issue of shares (Note 36)	26,017	19,773	-	-	-	45,790
Share issuance transaction costs (Note 36)	-	(660)	-	-	-	(660)
Allotment of shares upon vesting of share awards (Note 36)	180	249	-	-	(429)	-
Share incentive plan - Value of employee services	-	-	-	-	435	435
Dividends to equity holders (Note 14)	312	399	-	(8,250)	-	(7,539)
<b>Total transactions with owners</b>	<b>26,509</b>	<b>19,761</b>	<b>-</b>	<b>(8,250)</b>	<b>6</b>	<b>38,026</b>
<b>Balance at 31 December 2025</b>	<b>121,411</b>	<b>72,228</b>	<b>19,177</b>	<b>141,810</b>	<b>372</b>	<b>354,998</b>
<b>Financial Year Ended 31 December 2024</b>						
<b>Balance at 1 January 2024</b>	<b>94,451</b>	<b>51,907</b>	<b>7,905</b>	<b>123,768</b>	<b>293</b>	<b>278,324</b>
Profit for the year	-	-	-	16,997	-	16,997
Other comprehensive income	-	-	11,410	-	-	11,410
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>11,410</b>	<b>16,997</b>	<b>-</b>	<b>28,407</b>
Share issuance transaction costs (Note 36)	-	(35)	-	-	-	(35)
Allotment of shares upon vesting of share awards (Note 36)	127	207	-	-	(334)	-
Share incentive plan - Value of employee services	-	-	-	-	407	407
Dividends to equity holders (Note 14)	324	388	-	(7,495)	-	(6,783)
<b>Total transactions with owners</b>	<b>451</b>	<b>560</b>	<b>-</b>	<b>(7,495)</b>	<b>73</b>	<b>(6,411)</b>
<b>Balance at 31 December 2024</b>	<b>94,902</b>	<b>52,467</b>	<b>19,315</b>	<b>133,270</b>	<b>366</b>	<b>300,320</b>

**STATEMENTS OF CASH FLOWS**  
for the year ended 31 December 2025

	Note	The Group		The Bank	
		2025 €000	2024 €000	2025 €000	2024 €000
<b>OPERATING ACTIVITIES</b>					
Interest and commission receipts		128,590	121,728	125,558	118,765
Interest and commission payments		(49,020)	(52,390)	(48,360)	(51,774)
Cash paid to employees and suppliers		(61,677)	(50,501)	(60,607)	(49,644)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>17,893</b>	<b>18,837</b>	<b>16,591</b>	<b>17,347</b>
<b>(Increase)/decrease in operating assets</b>					
Loans and advances to customers/syndicated loans		(358,167)	(317,811)	(358,167)	(317,811)
Reserve deposit with Central Bank of Malta		(5,567)	(4,359)	(5,567)	(4,359)
Other assets		475	749	-	-
<b>Increase/(decrease) in operating liabilities</b>					
Amounts owed to customers		463,600	532,812	463,226	532,526
Amounts owed to banks		(1,549)	(1,549)	(1,549)	(1,549)
Other liabilities		160	1,654	1,194	2,357
<b>Cash from operating activities before tax</b>		<b>116,845</b>	<b>230,333</b>	<b>115,728</b>	<b>228,511</b>
Income tax paid		(10,445)	(12,440)	(10,561)	(12,319)
<b>Net cash flows from operating activities</b>		<b>106,400</b>	<b>217,893</b>	<b>105,167</b>	<b>216,192</b>
<b>INVESTING ACTIVITIES</b>					
Dividends received		610	513	1,723	1,639
Interest income from debt securities		6,246	5,993	6,214	5,991
Purchase of financial assets measured at amortised cost		(106,297)	(399)	(105,796)	-
Proceeds on maturity/disposal of financial assets measured at amortised cost		181,099	56,319	180,949	56,319
Purchase of debt instruments measured at FVTOCI		(224,891)	(31,316)	(224,891)	(31,316)
Proceeds on disposal of debt instruments measured at FVTOCI		74,927	34,467	74,927	34,467
Purchase of financial assets at FVTPL		(35,991)	(31,446)	-	-
Proceeds on disposal of financial assets at FVTPL		37,139	33,435	-	-
Purchase of equity and other non-fixed income instruments		-	(47)	-	(47)
Additional investment in associate		(1,000)	(3,000)	(1,000)	(3,000)
Proceeds from disposal of investment in associate		3,136	1,814	3,136	1,814
Purchase of property, equipment and intangible assets		(6,346)	(11,713)	(6,346)	(11,713)
<b>Net cash flows (used in)/from investing activities</b>		<b>(71,368)</b>	<b>54,620</b>	<b>(71,084)</b>	<b>54,154</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from issue of shares, net of issue costs		45,130	-	45,130	-
Dividends paid		(7,839)	(7,081)	(7,539)	(6,783)
Amounts received on creation of shares in subsidiaries		445	2,064	-	-
Amounts paid on redemption of units in subsidiaries		(1,922)	(2,451)	-	-
Cash payment for security deposit on right of use asset		-	(24)	-	(24)
Cash payment for the principal portion of lease liability		(757)	(741)	(757)	(741)
<b>Net cash flows from/(used in) financing activities</b>		<b>35,057</b>	<b>(8,233)</b>	<b>36,834</b>	<b>(7,548)</b>
<b>Net increase in cash and cash equivalents</b>		<b>70,089</b>	<b>264,280</b>	<b>70,917</b>	<b>262,798</b>
<b>Cash and cash equivalents at 1 January</b>		<b>346,767</b>	<b>82,487</b>	<b>344,737</b>	<b>81,939</b>
<b>Cash and cash equivalents at 31 December</b>	(42)	<b>416,856</b>	<b>346,767</b>	<b>415,654</b>	<b>344,737</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

APS Group comprises APS Bank plc, ReAPS Asset Management Limited and APS Diversified Bond Fund (sub-fund of APS Funds SICAV plc, in which the Bank holds 99.99% of the founder shares). The Group also has a significant investment in its associates IVALIFE Insurance Limited and in the following sub-funds of APS Funds SICAV plc - APS Income Fund, APS Ethical Cautious Fund, APS Ethical Adventurous Fund and APS Ethical Balanced Fund. During 2024, the Group has affected a number of switches between funds and invested in the new sub-fund, APS Ethical Balanced Fund.

APS Bank plc is incorporated and domiciled in Malta as a public limited company under the Companies Act (Cap. 386 of the Laws of Malta). It is licensed by the MFSA to carry out the business of banking and investment services in terms of the Banking Act (Cap. 371 of the Laws of Malta) and the Investment Services Act (Cap. 370 of the Laws of Malta). The Bank is also enrolled in the Tied Insurance Intermediaries List in terms of the Insurance Intermediaries Act (Cap. 487 of the Laws of Malta).

The registered office of APS Bank plc is APS Centre, Tower Street, Birkirkara, BKR 4012 with corporate registration number C2192.

The principal activities of the Group are described in the Directors' report on page 14.

### 2. MATERIAL ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments, certain financial assets and investment property, which have been measured at fair value and land and buildings classified in the statements of financial position as property and equipment, which have been measured at their revalued amounts. Assets held for realisation are measured at fair value less costs to sell if lower than their cost. The consolidated and separate financial statements are presented in Euro (€), and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

The Group and the Bank present their statements of financial position in order of liquidity.

#### Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and comply with the provisions of the Banking Act, Cap. 371 and the Companies Act, Cap. 386 of the Laws of Malta.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of APS Bank plc and its subsidiaries, which together are referred to as the 'Group'. Subsidiaries are fully consolidated from the date on which the Group achieves control and continue to be consolidated until the date that such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, a majority of voting rights results in control to the extent that such substantive rights provide the investor with the current ability to direct the relevant activities of the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.1 BASIS OF PREPARATION (continued)

##### Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### 2.2 INTERNATIONAL FINANCIAL REPORTING STANDARDS EFFECTIVE IN THE CURRENT YEAR AND THOSE IN ISSUE BUT NOT YET EFFECTIVE

##### Standards, interpretations and amendments to published standards, which are effective in the current year

The following amendments are effective in the current year:

- Amendments to IAS 21 – The Effects of Change in Foreign Exchange Rates – lack of exchangeability (effective for financial periods beginning on or after 1 January 2025).

The Group assessed the impact of these amendments on the financial statements and determined that these did not have a material effect on the financial statements of the Group.

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

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting year and which have not been adopted early.

The following standards, interpretations and amendments have been issued by the IASB:

- Amendment to IAS 21 – Translation to a Hyperinflationary Presentation Currency (effective for financial periods on or after 1 January 2027);
- Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity (effective for financial periods beginning on or after 1 January 2026);
- Annual Improvements Volume 11 (effective for financial periods beginning on or after 1 January 2026);
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures (effective for financial periods beginning on or after 1 January 2027);
- IFRS 18 – Presentation and Disclosure in Financial Statements: which becomes effective (subject to endorsement by the EU) for financial periods beginning on or after 1 January 2027, will replace IAS 1 Presentation of Financial Statements. It nevertheless carries forward many of the requirements in IAS 1. The main changes brought about by IFRS 18 are the introduction of new requirements to:
  - a) present specified categories and defined subtotals in the statement of profit or loss, with special rules applicable to banks and similar entities whose main business activity is to invest in assets and/or provide financing to customers;
  - b) provide disclosures on management-defined performance measures in the notes to the financial statements, whereby information about any such alternative performance measures must be presented in a single note that must include, amongst others, reconciliations to the most directly comparable subtotal listed in IFRS 18; and
  - c) improve aggregation and disaggregation by including which characteristics to consider when assessing whether items have similar or dissimilar characteristics; and

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.2 INTERNATIONAL FINANCIAL REPORTING STANDARDS EFFECTIVE IN THE CURRENT YEAR AND THOSE IN ISSUE BUT NOT YET EFFECTIVE (continued)

##### Standards, interpretations and amendments to published standards that are not yet effective (continued)

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which become effective for financial years beginning on or after 1 January 2026:
  - a) permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met, including that the entity neither has the practical ability to access the cash or to withdraw, stop or cancel the payment instruction, nor has any significant settlement risk;
  - b) provide clarification on the assessment of whether the contractual cash flows on a financial asset represent solely payments of principal and interest, with additional examples now provided in IFRS 9, and additional guidance on assessing:
    - a. whether contractual terms are consistent with a basic lending arrangement;
    - b. assets with non-recourse features; and
    - c. contractually-linked instruments;
  - c) introduce additional disclosures for investments in equity instruments designated at fair value through other comprehensive income; and
  - d) introduce new disclosures in relation to contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs.

The amendments to IAS 21, IFRS 9 and IFRS 7 (Contracts Referencing Nature-dependent Electricity), the Annual Improvements Volume 11, the introduction of IFRS 19 and the amendments to the Classification and Measurement of Financial Instruments under IFRS 9 and IFRS 7 have been determined not to have a material effect.

During the year under review, the Group assessed the expected impact of the future adoption of IFRS 18 on its consolidated financial statements. IFRS 18 introduces new requirements for the structure and content of the statement of profit or loss, including mandatory categories for income and expenses (operating, investing and financing) and enhanced guidance on aggregation and disaggregation.

Based on the assessment performed to date, the Group expects the impact of adopting IFRS 18 to be limited primarily to presentation and classification changes within the statement of profit or loss. Total profit for the period and equity will not be affected.

The Group's current statement of profit or loss is largely aligned with its core banking activities. Accordingly, the majority of income and expense items are expected to continue to be presented within the operating category under IFRS 18. However, certain items will be reclassified to comply with the standard's prescribed categories. In particular, the following items are expected to be presented outside the operating category:

- Interest expense on lease liabilities – financing category
- Dividend income – investing category
- Rental income from investment property – investing category
- Share of results of associates – investing category
- Fair value changes on investment property – investing category

As a result of these reclassifications, the composition of operating profit will change upon adoption. However, there will be no impact on net profit or total comprehensive income.

The Group has reviewed its income and expense captions to ensure compliance with the enhanced aggregation and disaggregation principles introduced by IFRS 18. Certain line-item descriptions may be updated to align with IFRS 18 terminology. Other operating income may include ad hoc or non-recurring items; these will be assessed on a case-by-case basis to determine whether separate presentation or additional disaggregation is required.

The Group is currently implementing the necessary changes to internal reporting systems and processes to facilitate the required presentation changes and the restatement of comparative information upon initial application of IFRS 18.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

##### Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### Interest and similar income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' (EIR) is the rate that exactly discounts estimated future cash payments or receipts, excluding expected credit losses (ECLs), through the expected life of the financial instrument, or where appropriate, a shorter period, to that instrument's gross carrying amount on initial recognition.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR.

##### Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fees and commissions that are earned from services provided to customers are accrued for over that period. These fees include commission income, custody and other management and advisory fees. Other fee and commission income is recognised on completion of underlying transactions in the relevant period.

##### Dividend income

Dividend income from investments is recognised when the right to receive income is established, which is generally when shareholders approve the dividend.

##### Net gains on financial instruments

Net gains on financial instruments include realised gains and losses on disposal of financial instruments and unrealised gains and losses on financial assets at fair value through profit or loss (FVTPL). Realised gains and losses on disposal of financial assets at FVTPL represent the difference between an instrument's cost and disposal amount and are recognised on the trade date of transaction. Unrealised gains and losses on financial assets at FVTPL represent changes in fair value of financial instruments during the year and up to the reporting date. Net gains presented in the income statement on financial instruments also include the reclassification of cumulative fair value movements from OCI to profit or loss on the derecognition of debt instruments at FVTOCI.

##### Foreign currency translation

The consolidated financial statements are presented in Euro, which is the functional currency of the Bank and its subsidiaries. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of recognition.

Net gains or losses resulting from foreign exchange on financial assets and financial liabilities are recognised in Note 7.

##### Share incentive plan

During the year under review and the preceding years, the Group entered into equity-settled share-based payment transactions which were awarded to eligible employees as an addition to their remuneration. These share-based payments are recognised on a straight-line basis and charged under employee expenses with a corresponding increase in the related equity reserves. The Group is accounting for the equity-settled share-based payments under IFRS 2.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

##### Share incentive plan (continued)

The fair value of the awards is measured at the market price of the Group's shares, adjusted for market performance conditions. In order to assess and measure the cost of these share-based payments, the Group uses the Black-Scholes valuation model as the tool to determine the share fair value. Through using this option pricing model, the Group takes into account the spot price at grant date, vesting time, applicable strike price, volatility percentage, the expected dividend yield and the risk-free interest rate for the term of the options.

Share awards are dependent on the attainment of objectives set out in the Remuneration Policy. Satisfactory performance is at the Board's discretion. The Bank retains flexibility to have awards vesting on a number of years. Upon each anniversary, in accordance with the vesting schedule, the portion of the share awards which vests in the hands of the eligible employee for that year, shall become unconditionally due to the eligible employee unless they express a desire to postpone vesting by means of notice to the Bank not later than 30 days prior to the vesting anniversary. The Bank has no obligation to allot the shares before vesting date. If employment is terminated before the vesting date, the awards will lapse unless termination is due to a permissible cause such as retirement, serious illness, injury or incapacitation, or any other situation which the Board deems justifiable.

Share awards do not entitle eligible employees to any voting, dividend, transfer or other rights attaching to the Bank's shares until such shares are vested and listed in the register of members of the Bank. Any vested shares rank *pari passu* with all other issued shares. Except for the transmission of rights on death, share awards granted to eligible employees under a plan are not transferable and can only be exercised by the eligible employee to whom they were originally issued.

##### Financial assets and liabilities

###### Financial assets

###### *Classification and subsequent measurement*

The Group classifies its financial assets in the following principal categories:

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

Consequently, all recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value. Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the hybrid contract is classified and subsequently measured in its entirety at either amortised cost or fair value.

Classification and subsequent measurement of financial assets depend on:

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

###### *Business model assessment*

The business model reflects how the Group manages its financial assets in order to achieve a particular business objective. That is, whether the Group's objective is solely to hold assets to collect the contractual cash flows from assets or both to collect the contractual cash flows and to sell the assets. If neither of these is applicable i.e. financial assets are held for trading purposes or financial assets are managed and their performance is evaluated on a fair value basis, then the financial assets that meet the solely payment of principal and interest (SPPI) criterion are classified as part of 'other' business model and measured at FVTPL.

The Bank's business model does not depend on Management's intentions for an individual instrument therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis. Factors considered by the Group in determining the business model for a group of assets include;

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Financial assets and liabilities (continued)

##### Financial assets (continued)

##### *Business model assessment (continued)*

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

##### *Solely payment of principal and interest (SPPI)*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and to sell, the Group assesses whether the financial instruments' cash flows represent SPPI (the SPPI test). In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- features that modify consideration for the time value of money - e.g. periodic reset of interest rates.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset fails the SPPI test.

Financial assets with embedded derivatives are considered in their entirety, when determining whether their cash flows are SPPI. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes.

All of the Group's retail loans and certain fixed-rate corporate loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if:

- a financial asset is acquired or originated at a premium or discount to its contractual par amount;
- the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination); and
- the fair value of the prepayment feature is insignificant on initial recognition.

The Group reclassifies financial assets when and only when the 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Financial assets and liabilities (continued)

##### Financial assets (continued)

###### *Debt instruments*

###### *Amortised cost*

Debt financial assets which are held within a business model whose objective is to hold assets for collection of contractual cash flows where those cash flows give rise on specified dates to cash flows that are SPPI, and that are not designated at FVTPL, are measured at amortised cost.

Appropriate allowances for ECLs are recognised in profit or loss in accordance with the Bank's accounting policy on ECLs.

Interest income from debt financial assets is included in 'Interest and similar income' using the EIR method. Foreign exchange gains and losses are recognised in profit or loss. Financial assets classified in this category are principally as follows – Cash and bank balances, loans and advances to banks and customers, certain debt and fixed income instruments and syndicated loans.

###### *Fair value through other comprehensive income (FVTOCI)*

Debt financial assets that are held within a business model whose objective is achieved by both collection of contractual cash flows and sale of the assets, where those cash flows give rise on specified dates to cash flows that are SPPI, and that are not designated at FVTPL, are measured at FVTOCI.

Appropriate allowances for ECLs are recognised in profit or loss in accordance with the Bank's accounting policy on ECLs. Any movements in OCI are presented in the financial instruments at FVTOCI revaluation reserve (Note 38). 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 (losses)/gains on financial instruments'. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method. Foreign exchange gains and losses are recognised in profit or loss. Certain debt and other fixed income instruments are being classified in this category.

###### *Fair value through profit or loss (FVTPL)*

Debt financial assets that are not classified as measured at amortised cost or FVTOCI are measured at FVTPL. Certain debt and other fixed income instruments are being classified in this category.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as FVTPL if in doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group did not designate any of its debt financial assets in terms of this requirement.

A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented in the profit or loss statements within 'Net (losses)/gains on financial instruments' in the period in which it arises. Interest income from these financial assets is included in 'Interest and similar income' using the EIR method. Foreign exchange movements are recognised in Net gains on foreign exchange under Note 7.

###### *Equity instruments*

The Group subsequently measures all equity investments at FVTPL, except where the Group's Management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI unless the instrument is held for trading. The Group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Financial assets and liabilities (continued)

##### Financial assets (continued)

##### *Equity instruments (continued)*

Equity investments at FVTOCI are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The investments in subsidiaries and associates are held at cost in the Bank's financial statements.

##### *Impairment of financial assets*

IFRS 9 is based on a forward-looking ECL model. This requires considerable judgement over how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The Group assesses on a forward-looking basis the ECL associated with:

- debt financial assets carried at amortised cost and FVTOCI, comprising mainly debt and other fixed income securities, loans and advances to customers and banks, syndicated loans and balances with CBM; and
- irrevocable loan commitments and financial guarantee contracts issued.

The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

The Group recognises loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- financial assets, including debt investment securities that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the definition of 'investment-grade'; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

The credit risk note provides more detail of how the ECL allowance is measured. Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

##### *Modification of loans*

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether this modification results in derecognition. A modification results in derecognition when the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Financial assets and liabilities (continued)

##### Financial assets (continued)

##### *Modification of loans (continued)*

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at amortised cost and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

##### *Collateral valuation*

The Bank uses collateral to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, guarantees and real estate. The fair value is generally assessed at a minimum at inception date. However, some collateral, for example cash or securities, are valued monthly on an ongoing basis. To the extent possible, the Group uses active market data for valuing collateral. Non-financial collateral, such as real estate, is valued based on data provided by external valuers to the extent that the underlying loans continue to be recognised.

##### Financial liabilities

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

##### *Amounts owed to banks and to customers and debt securities in issue*

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Amounts owed to banks, Amounts owed to customers and Debt securities in issue are subsequently measured at amortised cost using the EIR method.

##### *Modification of financial liabilities*

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amounts is recognised in the statements of profit or loss.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid between the borrower and the lender net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Financial assets and liabilities (continued)

##### Financial liabilities (continued)

##### *Modification of financial liabilities (continued)*

costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

##### *Derivative instruments held for risk management*

Derivatives embedded in hybrid contracts that contain financial asset hosts are not separated; instead, the hybrid contract is classified and subsequently measured in its entirety at either amortised cost or fair value. Derivatives embedded in hybrid contracts that contain financial liability hosts are treated as separate derivatives and measured at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself measured at FVTPL.

##### Financial guarantee contracts and loan commitments

Financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of:

- (i) the amortised premium; and
- (ii) the amount of the loss allowance determined in accordance with IFRS 9 arising as a result of the financial guarantee.

Any increase in the liability relating to financial guarantees is taken to the statements of profit or loss.

Loan commitments provided by the Group are considered for loss allowance determined in accordance with IFRS 9. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECLs on the undrawn commitment component from those on the loan component, the ECLs on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, the ECLs are recognised as a provision.

##### Equity

Ordinary shares issued by the company are classified as equity instruments.

Share premium reserve account represents the excess price for issued shares above their nominal value. The reserve cannot be used for dividend distribution.

##### Property and equipment

The Group and the Bank account for subsequent measurement of land and buildings under the revaluation model.

Any movements in OCI that arise from revaluation of property and equipment are presented within the land and buildings revaluation reserve (Note 37).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Property and equipment (continued)

Depreciation on property and equipment is calculated using the straight-line method to write off the cost or revalued amount of each asset to its residual value over its estimated useful economic life. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The annual rates used for this purpose are:

	%
Building	1.0
Computer equipment	25.0
Other	5.0 – 20.0

Land is not depreciated.

Property and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. The asset's residual value, useful life and method is reviewed, and adjusted if appropriate, at each financial year end.

Right of use assets, that would be presented within property and equipment if they were owned, are presented separately in the statements of financial position and their accounting policy is included below.

##### Intangible assets

Intangible assets comprise computer software.

Amortisation is calculated using the straight-line method to write down the cost of computer software to its residual value over its estimated useful life of 4 – 8 years. The amortisation period and the amortisation method for an intangible asset is reviewed at least at each financial year end.

##### Impairment of non-financial assets and investments in subsidiaries and associates

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

##### Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses in the separate financial statements of the Bank.

##### Investment in associates

###### *The Group*

The Group's investment in its associates is accounted for using the "equity method".

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

###### *The Bank*

The investment in associates is stated in the separate financial statements of the Bank at cost less any accumulated impairment losses.

Income from the investments is recognised only to the extent of the distributions received by the Bank.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### **Dividends payable on ordinary shares**

Dividends payable on ordinary shares are recognised in the period in which they are declared.

##### **Retirement benefit costs**

The Group contributes towards the government pension defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of fixed contributions. These obligations are recognised as an expense in the statements of profit or loss as they accrue.

##### **Other liabilities**

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

##### **Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents also comprise:

- cash in hand and deposits repayable on call or short notice or with a contractual period to maturity of less than three months, with any bank or financial institution;
- short-term highly liquid investments which are readily convertible into known amounts of cash without notice, subject to an insignificant risk of changes in value and with a contractual period of maturity of less than three months; and
- advances to/from banks repayable within three months from the date of the advance.

##### **Leases**

The Group acts both as a lessor and as a lessee. The accounting policies herein address the accounting treatment of the Group in both instances.

##### *The Group as a lessee*

The Group has elected to apply the recognition exemptions for low value assets and to recognise the lease payments as an expense on a straight-line basis over the lease term.

The Group determines that the following leases qualify as leases of low-value assets on the basis of the Group's accounting policy for such items:

- (a) leases of IT equipment; and
- (b) leases of water dispensers.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Section entitled 'Impairment of non-financial assets and investments in subsidiaries and associates'.

The Group presents lease liabilities and right-of-use assets that are not investment property separately from other assets and liabilities in the statements of financial position. The Group presents interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. In the statements of cash flows, cash payments for the principal portion of the lease liability are presented within financing activities and cash payments for the interest portion of the lease liability are presented within operating activities. Short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability are presented within operating activities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### **Fair value measurement**

The Group measures certain financial instruments and certain non-financial assets at fair value at each reporting date as disclosed in the Basis of Preparation.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

External valuers are involved for valuation of non-financial assets. Selection criteria of valuer include market knowledge, reputation, independence and whether professional standards are maintained.

##### **Significant accounting judgements, estimates and assumptions**

In the process of applying its accounting policies, the Group is required to make judgements, estimates and assumptions that affect the amounts recognised or disclosed in the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

##### ***Accounting for investments in which the Group controls less than 20%***

As at 31 December 2025, the Group directly held 10.88% (2024: 9.90%) interest in APS Income Fund, 0.13% (2024: 0.11%) interest in APS Ethical Cautious Fund and 14.35% (2024: 31.70%) interest in APS Ethical Adventurous Fund.

The Group assessed whether it has significant influence over the investees and concluded that significant influence can be clearly established upon considering the following factors:

- Representation in the board of directors;
- Participation in policy-making processes;
- Material transaction between the investee and the Bank; and
- Provision of technical information and management services.

Therefore, the Group continues to account for the investment in APS Income Fund, APS Ethical Cautious Fund and APS Ethical Adventurous Fund as associates (Note 24).

##### ***Fair value of investment properties***

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statements of profit or loss. For the year ended 2024, the Group engaged an independent valuation specialist to assess fair value. For investment properties, the valuation specialist determines the most appropriate methodology (market or/income approach) depending on the nature of the property.

For the year ended 2025, the Group engaged the same independent valuation specialist to perform a desktop assessment. No material movements were identified in the fair value of the investment properties and, accordingly, no changes in fair value were recognised in the statements of profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Significant accounting judgements, estimates and assumptions (continued)

###### *Fair value of land and buildings included within property and equipment*

Land and buildings owned by the Group are carried at fair value, with changes in fair value being recognised in the OCI. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2024. The valuation specialist determines the most appropriate methodology (market or/income approach) depending on the nature of the property.

For the year ended 2025, the Group engaged the same independent valuation specialist to perform a desktop assessment. No material movements were identified in the fair value of land and buildings and, accordingly, no changes in fair value were recognised in the OCI.

###### *Impairment losses on loans and advances*

The Group reviews its loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The critical judgements and estimates are explained in Note 46.2 Credit Risk.

###### *Impairment of debt and other fixed income securities*

The Group reviews its debt investments measured at FVTOCI and its debt investments measured at amortised cost at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances (Note 11).

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. INTEREST AND SIMILAR INCOME

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
On loans and advances to banks	9,409	6,043	9,409	6,043
On loans and advances to customers	104,895	101,639	104,895	101,639
	<b>114,304</b>	<b>107,682</b>	<b>114,304</b>	<b>107,682</b>
On debt securities:				
Measured at amortised cost	3,369	3,502	3,337	3,500
Amortisation on premiums and discounts on debt securities measured at amortised cost	174	137	174	137
Measured at FVTPL	1,699	1,800	-	-
Measured at FVTOCI	2,862	2,441	2,862	2,441
Amortisation of premiums and discounts on other debt securities	717	(828)	717	(828)
	<b>8,821</b>	<b>7,052</b>	<b>7,090</b>	<b>5,250</b>
	<b>123,125</b>	<b>114,734</b>	<b>121,394</b>	<b>112,932</b>

4. INTEREST EXPENSE

	The Group/The Bank	
	2025	2024
	€000	€000
On amounts owed to banks	221	2,261
On amounts owed to customers	39,370	42,074
On lease liabilities	87	98
On debt securities in issue	4,753	4,792
	<b>44,431</b>	<b>49,225</b>

5. NET FEE AND COMMISSION INCOME

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
On loans and advances and other general banking activities	6,583	5,555	6,583	5,555
On insurance, investments and similar activities	5,400	4,725	3,838	3,563
On other activities	1,521	1,325	1,521	1,325
	<b>13,504</b>	<b>11,605</b>	<b>11,942</b>	<b>10,443</b>
Fee and commission expense	(4,180)	(2,696)	(4,016)	(2,647)
	<b>9,324</b>	<b>8,909</b>	<b>7,926</b>	<b>7,796</b>

6. DIVIDEND INCOME

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
From equity shares held in local and foreign entities and collective investment schemes	290	124	1,723	1,639

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. NET (LOSSES)/GAINS ON FOREIGN EXCHANGE**

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Net unrealised/realised (losses)/gains on foreign exchange	<b>(165)</b>	1,427	<b>965</b>	778

**8. NET GAINS ON FINANCIAL INSTRUMENTS**

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Realised gains on disposal of financial assets at amortised cost	-	596	-	596
Realised gains on disposal of shares in collective investment scheme held at cost	-	-	<b>686</b>	186
Realised gains on disposal of financial assets at FVTOCI	<b>413</b>	248	<b>413</b>	248
Fair value gains on financial assets at FVTPL	<b>259</b>	12	-	-
	<b>672</b>	260	<b>1,099</b>	434
	<b>672</b>	856	<b>1,099</b>	1,030

During 2024, the Group disposed of an amount of financial assets held at amortised cost, realising previously unrecognised gains. The sale of these assets is very infrequent and the Bank's business model for managing financial assets at amortised cost had not changed as a result of the disposals.

**9. EMPLOYEE COMPENSATION AND BENEFITS**

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Wages and salaries:				
- key management personnel other than Directors	<b>6,167</b>	6,032	<b>6,167</b>	6,032
- other staff	<b>24,111</b>	20,997	<b>24,111</b>	20,997
- wages recharged to subsidiary at cost	-	-	<b>(852)</b>	(816)
Social security contributions	<b>1,707</b>	1,643	<b>1,707</b>	1,643
Share based payments	<b>435</b>	407	<b>435</b>	407
Other staff costs	<b>926</b>	780	<b>926</b>	780
	<b>33,346</b>	29,859	<b>32,494</b>	29,043

The average number of persons employed during the year was as follows:

	The Group		The Bank	
	2025	2024	2025	2024
Senior Management	<b>37</b>	35	<b>37</b>	35
Managerial	<b>204</b>	198	<b>204</b>	198
Senior officers and officers	<b>390</b>	367	<b>390</b>	367
Others	<b>8</b>	7	<b>8</b>	7
	<b>639</b>	607	<b>639</b>	607

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. EMPLOYEE COMPENSATION AND BENEFITS (continued)**

**Executive Share Incentive Plan Awards**

As at 31 December 2025, the Group's share incentive plan had three tranches with outstanding share awards. All the awards in tranche 1 have been vested as at end of December 2025. In the second tranche, the Group granted 713,200 share awards with a grant date of 17 August 2023. In the third tranche, the Group granted 786,800 share awards with a grant date of 23 July 2024. In the fourth tranche, the Group granted 878,100 share awards with a grant date of 8 July 2025.

Following the 2025 Rights Issue, the unvested equity shares granted under the ESIP were adjusted to reflect the dilution impact, in accordance with IFRS 2 *Share-based Payment*. Eligible employees were entitled to receive an additional 49,162 shares. Based on the calculation, the adjustment did not result in any incremental fair value and, accordingly, no additional share-based payment expense was recognised. The outstanding awards with a grant date prior to 2025 were amended to reflect the effect of the adjustment following the dilution.

The tables below summarise outstanding share awards at the end of the year with the respective vesting period:

Grant Year	Vesting Date	2025	2024
2022	30 June 2025	-	153,400
2023	30 June 2025	-	177,100
2024	30 June 2025	-	393,400
		-	723,900
2023	30 June 2026	182,512	177,100
2024	30 June 2026	201,681	196,700
2025	30 June 2026	452,986	-
		837,179	373,800
2024	30 June 2027	201,681	196,700
2025	30 June 2027	226,501	-
		428,182	196,700
2025	30 June 2028	226,501	-
<b>Total outstanding share awards</b>		<b>1,491,862</b>	<b>1,294,400</b>

Share-based payment awards granted on 12 August 2022, had a staged vesting period of three years, ending June 2025. The estimated fair value of each share award granted is of €0.65 cents and was measured by applying the Black-Scholes valuation model. The model components inputs were the share price at grant date of €0.65 cents, no strike price, expected dividend yield of 3.3% and a contractual life of 3 years.

Similar to the share-based payment awards granted in 2022, another tranche was granted on 17 August 2023, with a staged vesting period of three years, ending June 2026. The estimated fair value of each share award granted is of €0.62 cents and was measured by applying the Black-Scholes valuation model. The model components inputs were the share price at grant date of €0.62 cents, no strike price, compounded risk-free interest rate of 3.9%, annualized volatility rate of 24.0% and a contractual life of 3 years.

During 2024, the third tranche was granted on 23 July 2024 with a staged vesting period of three years, ending June 2027. The estimated fair value of each share award granted is of €0.56 cents and was measured by applying the Black-Scholes valuation model. The model components inputs were the share price at grant date of €0.56 cents, no strike price, compounded risk-free interest rate of 3.5%, annualized volatility rate of 28.6% and a contractual life of 3 years.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. EMPLOYEE COMPENSATION AND BENEFITS (continued)**

**Executive Share Incentive Plan Awards (continued)**

During 2025, the fourth tranche was granted on 8 July 2025 with a staged vesting period of three years, ending June 2028. The estimated fair value of each share award granted is of €0.54 cents and was measured by applying the Black-Scholes valuation model. The model components inputs were the share price at grant date of €0.54 cents, no strike price, compounded risk-free interest rate of 3.5%, annualized volatility rate of 37.5% and a contractual life of 3 years.

After the vesting period, share awards are allotted to eligible employees for no consideration. Accordingly, all movements in the number of options, as well as options outstanding at the end of the reporting period, had an exercise price of nil.

All plans have no vesting conditions attached to the awards other than service conditions, and hence such awards become due as soon as the vesting term ends. If employment is terminated before any vesting date, the unvested awards will be forfeited unless in case of a permissible cause when termination is the result of retirement, serious illness, injury or incapacitation, or any other situation which the Board deems justifiable. All cases of permissible causes shall be communicated in writing by the Board to the eligible employee. During the year under review 6,450 (2024: 8,750) share awards were forfeited due to termination of employment of eligible employees.

During the year under review, the total expense arising from these share incentive plan awards amounted to €434,607 (2024: €407,247) and the weighted average remaining contractual life is 0.98 years (2024: 1.09 years). Furthermore, 25% of the first tranche amounting to 153,400, 25% of the second tranche amounting to 177,100 and 50% of the third tranche amounting to 392,850 were vested and allotted during the financial year. A summary of share incentive awards granted is being set out below:

	<b>The Group/The Bank</b>	
	<b>2025</b>	<b>2024</b>
	<b>€000</b>	<b>€000</b>
As at 1 January	<b>1,294,400</b>	1,024,600
Granted	<b>878,100</b>	786,800
Incremental shares	<b>49,162</b>	-
Vested	<b>(723,350)</b>	(508,250)
Forfeited	<b>(6,450)</b>	(8,750)
As at 31 December	<b>1,491,862</b>	1,294,400

**10. OTHER ADMINISTRATIVE EXPENSES**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Remuneration payable to the statutory auditors for:				
- the audit of financial statements	<b>238</b>	228	<b>195</b>	186
- tax advisory services	<b>9</b>	8	<b>5</b>	5
- other non-audit services	<b>57</b>	57	<b>54</b>	53
Directors' emoluments	<b>691</b>	603	<b>634</b>	539
Insurance	<b>515</b>	516	<b>513</b>	515
Professional fees	<b>4,113</b>	3,070	<b>4,018</b>	2,960
Regulatory fees	<b>3,700</b>	4,497	<b>3,686</b>	4,491
Technology fees	<b>7,511</b>	5,605	<b>7,467</b>	5,561
Repairs and maintenance	<b>508</b>	553	<b>508</b>	553
Telecommunications	<b>763</b>	892	<b>748</b>	876
Office operating expenses	<b>3,217</b>	3,282	<b>3,103</b>	3,228
Other administrative expenses	<b>2,269</b>	2,249	<b>1,945</b>	1,975
	<b>23,591</b>	21,560	<b>22,876</b>	20,942

Additional disclosures on Bank's Directors' emoluments are made on pages 61 to 62 of the Remuneration Report. The above administrative expenses are inclusive of the applicable non-recoverable VAT under the Maltese legislation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. NET IMPAIRMENT LOSSES

	The Group/The Bank	
	2025	2024
	€000	€000
<b>Charge for the year:</b>		
- collective impairment	(1,393)	(1,394)
- individual impairment	(1,662)	(5,476)
- bad debts written off	(353)	(5,088)
	(3,408)	(11,958)
<b>Reversal of write-downs:</b>		
- collective impairment	1,640	1,773
- individual impairment	1,047	7,229
	2,687	9,002
<b>Net impairment losses</b>	(721)	(2,956)

	The Group/The Bank	
	2025	2024
	€000	€000
<b>Cash and balances with the CBM:</b>		
- Stage 1	(3)	-
<b>Loans and advances to banks:</b>		
- Stage 1	3	28
<b>Loans and advances to customers:</b>		
- Stage 1	425	605
- Stage 2	(61)	181
- Stage 3	(837)	(13)
	(473)	773
<b>Syndicated loans:</b>		
- Stage 1	(44)	(17)
- Stage 2	32	(525)
- Stage 3	(130)	(3,332)
	(142)	(3,874)
<b>Debt securities at amortised cost:</b>		
- Stage 1	(43)	86
- Stage 2	-	10
	(43)	96
<b>Debt securities at FVTOCI:</b>		
- Stage 1	(63)	21
<b>Net impairment losses</b>	(721)	(2,956)

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INCOME TAX EXPENSE

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Current income tax	9,470	4,287	9,470	4,221
Deferred income tax	761	1,294	614	1,294
Income tax expense	<b>10,231</b>	<b>5,581</b>	<b>10,084</b>	<b>5,515</b>

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate in Malta of 35% (2024: 35%) for the years ended 31 December 2025 and 2024 is as follows:

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Profit before tax	<b>26,495</b>	23,762	<b>26,874</b>	22,512
Theoretical tax expense at 35%	<b>9,273</b>	8,317	<b>9,406</b>	7,879
Tax effect of:				
- Non-taxable gain/non-deductible loss on sale of investments	207	(741)	(145)	(361)
- Income taxed at lower rates of tax	(510)	(530)	(510)	(530)
- Depreciation not recovered by way of capital allowance	730	17	730	17
- Other disallowed expenses	581	299	581	299
- Unrealised gain on revaluation of properties	-	(1,675)	-	(1,675)
- Other differences	(50)	(106)	22	(114)
Income tax expense	<b>10,231</b>	<b>5,581</b>	<b>10,084</b>	<b>5,515</b>

Investment properties are measured at fair value in accordance with IAS 40, with changes recognised in profit or loss. Any fair value gains are unrealised and deferred tax is recognised at either 8% or 10% as per applicable tax rates in Malta.

In 2024, a fair value increase of €4.8 million (tax effect of €1.7 million) resulted in a deferred tax charge of €0.5 million. No fair value movements occurred during the year under review and thus, the tax effect on profits appears higher in 2025.

13. EARNINGS PER SHARE

	The Group		The Bank	
	2025 cents per share	2024 cents per share	2025 cents per share	2024 cents per share
Basic earnings per share	<b>4.1</b>	4.6	<b>4.3</b>	4.5

Basic earnings per share is calculated on profit attributable to shareholders of the Group of €16.2 million (2024: €17.6 million) and profit attributable to the Bank of €16.8 million (2024: €17.0 million) divided by the weighted average number of ordinary shares outstanding during the year amounting to 390.7 million (2024: 381.6 million).

	The Group		The Bank	
	2025 cents per share	2024 cents per share	2025 cents per share	2024 cents per share
Diluted earnings per share	<b>4.1</b>	4.6	<b>4.3</b>	4.5

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**13. EARNINGS PER SHARE (continued)**

Diluted earnings per share is calculated on profit attributable to shareholders of the Group of €16.2 million (2024: €17.6 million) and profit attributable to the Bank of €16.8 million (2024: €17.0 million) divided by the weighted average number of ordinary shares outstanding during the year, together with the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares, amounting to 392.1 million (2024: 383.0 million).

The Group's potential dilutive ordinary shares relate to employee share-based payments arrangements. Although these have been considered in the calculation of diluted EPS, the impact is immaterial and diluted EPS is therefore the same as basic EPS.

**14. DIVIDENDS**

	The Bank	
	2025	2024
	€000	€000
<b>Dividends paid on ordinary shares:</b>		
Final gross of income tax: 2.61 €cents per share (2023: 2.24 €cents per share)	9,923	8,454
Final net of income tax: 1.70 €cents per share (2023: 1.45 €cents per share)	6,450	5,495
Interim gross of income tax: 0.73 €cents per share (2024: 0.81 €cents per share)	2,769	3,077
Interim net of income tax: 0.47 €cents per share (2024: 0.53 €cents per share)	1,800	2,000

Following the publication of the interim results for 2025, the Group paid an interim gross dividend of €2.8 million (net dividend of €1.8 million), payable in cash (2024: €3.1 million gross; €2.0 million net).

Following the year-end results for 2024, the Bank paid a final gross dividend of €9.9 million (net dividend of €6.5 million). Equity holders were given the option of a scrip dividend and share capital was accordingly increased by €0.3 million and share premium by €0.4 million (Note 36).

Details of the recommended final dividend for 2025 can be found on page 37 in the Directors' report.

**15. CASH AND BALANCES WITH CENTRAL BANK OF MALTA**

	The Group/The Bank	
	2025	2024
	€000	€000
Cash in hand (Note 42)	16,609	13,303
Balances with Central Bank of Malta (excluding reserve deposit) (Note 42)	307,136	236,991
Placements with the Central Bank of Malta	40,830	98,404
Reserve deposit with Central Bank of Malta	36,524	30,957
<b>Gross cash and bank balances</b>	401,099	379,655
Less: allowance for impairment losses	(5)	(2)
<b>Net cash and bank balances</b>	401,094	379,653

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15. CASH AND BALANCES WITH CENTRAL BANK OF MALTA (continued)**

Reserve deposits with Central Bank of Malta are mandatory and are not available for use in the Group's day-to-day operations. During the current and the prior year, the Bank was compliant with the reserve deposit requirement at all times.

Included in balances with Central Bank of Malta is an amount of €4,067,699 (2024: €3,091,912) pledged in favour of the MFSA's Depositors' Compensation Scheme.

**16. LOANS AND ADVANCES TO BANKS**

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Repayable on call and at short notice (Note 42)	52,581	23,580	51,379	21,550
Over one year	500	500	500	500
<b>Gross loans and advances to banks (i)</b>	<b>53,081</b>	<b>24,080</b>	<b>51,879</b>	<b>22,050</b>
Less: allowance for impairment losses (ii)	(19)	(23)	(19)	(23)
<b>Net loans and advances to banks</b>	<b>53,062</b>	<b>24,057</b>	<b>51,860</b>	<b>22,027</b>

**(i) Gross loans and advances to banks analysed by currency**

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
- Euro	6,543	15,144	5,341	13,114
- Other	46,538	8,936	46,538	8,936
	<b>53,081</b>	<b>24,080</b>	<b>51,879</b>	<b>22,050</b>

**(ii) Impairment allowance for loans and advances to banks**

	The Group/The Bank	
	2025 €000	2024 €000
At 1 January	23	51
Reversal for the year	(4)	(28)
At 31 December	<b>19</b>	<b>23</b>

The impairment allowance on loans and advances to banks is recognised on a collective basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2025	2024
	€000	€000
Fixed income instruments and collective investment schemes	<b>43,161</b>	45,441
<b>Analysed by currency:</b>		
- Euro	<b>26,280</b>	24,361
- Other	<b>16,881</b>	21,080
	<b>43,161</b>	45,441
<b>Listing Status:</b>		
- Listed on Malta Stock Exchange	<b>821</b>	822
- Listed on other stock exchanges	<b>42,340</b>	44,619
	<b>43,161</b>	45,441

	The Group	
	2025	2024
	€000	€000
<b>Carrying amount</b>		
At 1 January	<b>45,441</b>	46,267
Acquisitions	<b>35,991</b>	31,446
Disposals	<b>(37,139)</b>	(33,435)
Net (losses)/gains recognised in profit or loss	<b>(1,132)</b>	1,163
At 31 December	<b>43,161</b>	45,441

18. SYNDICATED LOANS

	The Group/The Bank	
	2025	2024
	€000	€000
Repayable within one year	<b>95,303</b>	72,178
Over one year	<b>84,813</b>	115,307
<b>Gross syndicated loans (i)</b>	<b>180,116</b>	187,485
Less: allowance for impairment losses (ii)	<b>(7,400)</b>	(7,388)
<b>Net syndicated loans</b>	<b>172,716</b>	180,097

(i) Gross syndicated loans analysed by currency

	The Group/The Bank	
	2025	2024
	€000	€000
- Euro	<b>153,953</b>	148,174
- Other	<b>26,163</b>	39,311
	<b>180,116</b>	187,485

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. SYNDICATED LOANS (continued)

(ii) Impairment allowance for syndicated loans

	The Group/The Bank	
	2025 €000	2024 €000
At 1 January	7,388	3,514
- Collective	12	542
- Individual	-	3,332
At 31 December	<b>7,400</b>	<b>7,388</b>

Concentration of syndicated loans

The following table shows the risk concentration by industry for syndicated loans, gross of provisions:

	The Group/The Bank	
	2025 €000	2024 €000
Agriculture	10,426	9,214
Manufacturing	40,889	66,823
Financial intermediation	66,334	58,532
Real estate, renting and business	16,968	24,416
Health and social work	14,000	14,000
Public administration	10,000	-
Other industries	21,499	14,500
<b>Gross syndicated loans</b>	<b>180,116</b>	<b>187,485</b>

19. LOANS AND ADVANCES TO CUSTOMERS

	The Group/The Bank	
	2025 €000	2024 €000
Repayable on call and at short notice	147,855	137,258
Term loans and advances	3,243,164	2,888,579
<b>Gross loans and advances to customers (i)</b>	<b>3,391,019</b>	<b>3,025,837</b>
Less: allowance for impairment losses (ii)	(13,074)	(12,823)
<b>Net loans and advances to customers</b>	<b>3,377,945</b>	<b>3,013,014</b>

(i) Gross loans and advances to customers analysed by currency

	The Group/The Bank	
	2025 €000	2024 €000
- Euro	3,390,886	3,025,679
- Other	133	158
	<b>3,391,019</b>	<b>3,025,837</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. LOANS AND ADVANCES TO CUSTOMERS (continued)**

**(ii) Impairment allowance for loans and advances to customers**

	<b>The Group/The Bank</b>	
	<b>2025</b>	2024
	<b>€000</b>	€000
At 1 January	<b>12,823</b>	18,684
(Reversal)/charge for the year:		
- Collective	<b>(149)</b>	(786)
- Individual	<b>400</b>	(5,075)
At 31 December	<b>13,074</b>	12,823
- Collective impairment losses	<b>1,210</b>	1,359
- Individual impairment losses	<b>11,864</b>	11,464
	<b>13,074</b>	12,823

**Concentration of loans and advances to customers**

The following table shows the risk concentration by industry for loans and advances to customers, gross of provisions:

	<b>The Group/The Bank</b>	
	<b>2025</b>	2024
	<b>€000</b>	€000
Fishing	<b>28,716</b>	36,165
Manufacturing	<b>32,749</b>	32,185
Construction	<b>105,792</b>	101,247
Wholesale and retail trade	<b>69,302</b>	62,719
Hotels and restaurants, excluding related construction activities	<b>143,086</b>	129,747
Transport, storage and communication	<b>42,145</b>	31,474
Financial intermediation	<b>167,992</b>	142,052
Real estate, renting and business	<b>235,967</b>	227,934
Professional, Scientific and technical	<b>41,775</b>	29,661
Administrative and Support services	<b>21,229</b>	21,753
Health and social work	<b>9,546</b>	11,011
Households and individuals	<b>2,463,369</b>	2,178,596
Other industries	<b>29,351</b>	21,293
	<b>3,391,019</b>	3,025,837

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. DERIVATIVE ASSETS/LIABILITIES HELD FOR RISK MANAGEMENT

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Derivative assets held for risk management, designated at fair value through profit or loss, not designated as hedging instruments	1,968	2,607	1,968	2,422
Derivative liabilities held for risk management, designated at fair value through profit or loss, not designated as hedging instruments	1,968	2,892	1,968	2,422

The Group's derivative financial liabilities mainly comprise of customer deposits on which the return varies with the performance of reference equity and commodity indices; the Group and the Bank manage the resulting market risks through purchased warrants that are presented as derivative financial assets. Although the warrants provide economic hedges, hedge accounting under IFRS 9 has not been applied.

The table below shows the fair values of derivative financial instruments recorded as assets and liabilities together with their notional amount. The notional amount represents the basis upon which changes in the value of derivatives are measured. Notional amount indicates the volume of outstanding transactions as at the year end.

	The Group					
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
	2025 €000	2025 €000	2025 €000	2024 €000	2024 €000	2024 €000
<b>Over the counter derivatives:</b>						
Equity/commodity-index warrants purchased	38,870	1,968	-	46,077	2,607	-
Equity/commodity-index warrants written	(38,870)	-	1,968	(50,973)	-	2,892
	-	1,968	1,968	(4,896)	2,607	2,892

	The Bank					
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
	2025 €000	2025 €000	2025 €000	2024 €000	2024 €000	2024 €000
<b>Over the counter derivatives:</b>						
Equity/commodity-index warrants purchased	38,870	1,968	-	38,600	2,422	-
Equity/commodity-index warrants written	(38,870)	-	1,968	(38,600)	-	2,422
	-	1,968	1,968	-	2,422	2,422

The Group's exposure under the derivative contracts is closely monitored as part of the overall management of market risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. OTHER DEBT AND FIXED INCOME INSTRUMENTS

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
At amortised cost	196,922	271,903	196,173	271,504
Fair value through other comprehensive income	266,201	115,188	266,201	115,188
<b>Gross other debt and fixed income instruments (i)</b>	<b>463,123</b>	<b>387,091</b>	<b>462,374</b>	<b>386,692</b>
Less: allowance for impairment losses on amortised cost (ii)	(146)	(103)	(146)	(103)
<b>Net other debt and fixed income instruments</b>	<b>462,977</b>	<b>386,988</b>	<b>462,228</b>	<b>386,589</b>

(i) Gross other debt and fixed income instruments

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
<b>At amortised cost</b>				
Issued by public bodies:				
- Local government	35,621	35,554	35,421	35,554
- Foreign government	144,044	160,170	144,044	160,170
	179,665	195,724	179,465	195,724
Issued by other issuers:				
- Foreign other	16,858	75,780	16,708	75,780
- Local banks	399	399	-	-
	17,257	76,179	16,708	75,780
<b>Total</b>	<b>196,922</b>	<b>271,903</b>	<b>196,173</b>	<b>271,504</b>

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
<b>Fair value through other comprehensive income</b>				
Issued by public bodies:				
- Local government	47,135	47,289	47,135	47,289
- Foreign government	191,805	38,847	191,805	38,847
	238,940	86,136	238,940	86,136
Issued by other issuers:				
- Foreign banks	20,771	15,244	20,771	15,244
- Foreign other	6,490	13,808	6,490	13,808
	27,261	29,052	27,261	29,052
<b>Total</b>	<b>266,201</b>	<b>115,188</b>	<b>266,201</b>	<b>115,188</b>
<b>Total gross other debt and fixed income instruments</b>	<b>463,123</b>	<b>387,091</b>	<b>462,374</b>	<b>386,692</b>

Analysed by currency:				
- Euro	423,322	356,281	422,573	355,882
- Other	39,801	30,810	39,801	30,810
	463,123	387,091	462,374	386,692

Unamortised premiums included within the gross other debt and fixed income instrument	13,691	3,064	13,691	3,064
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NOTES TO THE FINANCIAL STATEMENTS (continued)

21. OTHER DEBT AND FIXED INCOME INSTRUMENTS (continued)

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Listing status:				
- Listed on Malta Stock Exchange	83,305	83,241	82,556	82,842
- Listed on other stock exchanges	379,733	303,650	379,733	303,650
- Unlisted	85	200	85	200
	<b>463,123</b>	<b>387,091</b>	<b>462,374</b>	<b>386,692</b>

Carrying amount –

Gross of impairment allowances

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
<b>At amortised cost</b>				
At 1 January	271,903	326,723	271,504	326,723
Redemptions and disposals	(180,949)	(55,723)	(180,949)	(55,723)
Acquisitions	106,005	399	105,655	-
Amortisation	199	170	199	170
Exchange adjustments	(236)	334	(236)	334
At 31 December	<b>196,922</b>	<b>271,903</b>	<b>196,173</b>	<b>271,504</b>

Carrying amount –

Gross of impairment allowances

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
<b>Fair value through other comprehensive income</b>				
At 1 January	115,188	115,508	115,188	115,508
Redemptions and disposals	(74,514)	(34,033)	(74,514)	(34,033)
Acquisitions	210,187	26,261	210,187	26,261
Amortisation	677	(911)	677	(911)
(Decrease)/increase in fair value	(277)	3,615	(277)	3,615
Exchange adjustments	14,940	4,748	14,940	4,748
At 31 December	<b>266,201</b>	<b>115,188</b>	<b>266,201</b>	<b>115,188</b>
<b>Total</b>	<b>463,123</b>	<b>387,091</b>	<b>462,374</b>	<b>386,692</b>

(ii) Impairment allowance for other debt and fixed income instruments measured at amortised cost

	The Group/The Bank	
	2025	2024
	€000	€000
At 1 January	103	199
Collective reversal/(charge) for the year	43	(96)
At 31 December	<b>146</b>	<b>103</b>

The balance on impairment allowance for other debt and fixed income instruments as at end of December 2025 and 2024 is all in respect of collective impairment losses.

Eligible debt instruments with a nominal value of €176,500,000 (2024: €164,500,000) have been pledged against the provision of credit lines by the Central Bank of Malta, under the usual terms and conditions applying to such agreements. Debt instruments with a nominal value of €5,000,000 (2024: €5,000,000) have been pledged in favour of the MFSA's Depositors' Compensation Scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. EQUITY AND OTHER NON-FIXED INCOME INSTRUMENTS

	The Group/The Bank	
	2025	2024
	€000	€000
Equity and other non-fixed income instruments at FVTOCI	<b>6,342</b>	6,190
<b>Analysed by currency:</b>		
- Euro	6,274	6,123
- Other	68	67
	<b>6,342</b>	6,190
<b>Listing status:</b>		
- Listed on Malta Stock Exchange	6,174	6,022
- Unlisted	168	168
	<b>6,342</b>	6,190
	The Group/The Bank	
	2025	2024
	€000	€000
<b>Carrying amount</b>		
At 1 January	6,190	6,960
Acquisitions	-	47
Exchange adjustments	-	(5)
Fair value movement	152	(812)
At 31 December	<b>6,342</b>	6,190

The Group has elected to designate equity instruments as FVTOCI on initial recognition. These investments are not held for trading and are held for long-term strategic purposes. During the year under review, fair value gains amounting to €152,467 (2024: (€812,238)) were recognised in OCI.

Dividends from these investments amounting to €267,503 (2024: €124,261) were recognised in profit or loss during the year under review.

23. INVESTMENT IN SUBSIDIARIES

	The Group/The Bank	
	2025	2024
	€000	€000
<b>The Bank</b>		
<b>Cost</b>		
At 1 January and 31 December	<b>40,251</b>	40,251

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. INVESTMENT IN SUBSIDIARIES (continued)

The Bank's investment in subsidiaries is as follows:

Name	Principle place of business and country of incorporation	Equity interest				Cost	
		2025 Parent % holding	NCI % holding	2024 Parent % holding	NCI % holding	2025 €000	2024 €000
<b>APS Funds SICAV plc</b> 1,199 founder shares at €1.00 (2024: 1,199 founder shares at €1.00)	Malta	99.99*	0.01	99.99*	0.01	1	1
<b>APS Diversified Bond Fund</b> 40,000,000 investor shares at €1.00 (2024: 40,000,000 investor shares at €1.00)	Malta	72.38	27.62	70.25	29.75	40,000	40,000
<b>ReAPS Asset Management Limited</b> 250,000 ordinary shares at €1.00 (2024: 250,000 ordinary shares at €1.00)	Malta	100.00	-	100.00	-	250	250
						<b>40,251</b>	<b>40,251</b>

\*The 99.99% equity interest pertains solely to the Bank's share in the total founder shares of APS Funds SICAV plc.

APS Diversified Bond Fund and ReAPS Asset Management Limited are held at cost in the Bank's separate financial statements.

	APS Diversified Bond Fund 2025 €000	APS Diversified Bond Fund 2024 €000	ReAPS Asset Management Limited 2025 €000	ReAPS Asset Management Limited 2024 €000
Current assets	45,172	48,049	2,517	2,581
Current liabilities	(136)	(393)	(511)	(833)
<b>Net assets value</b>	<b>45,036</b>	<b>47,656</b>	<b>2,006</b>	<b>1,748</b>
Share capital	-	-	250	250
Retained earnings	-	-	1,756	1,498
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>2,006</b>	<b>1,748</b>
Income	851	2,462	2,456	2,045
Expenses	(557)	(506)	(2,038)	(1,858)
<b>Profit before tax</b>	<b>294</b>	<b>1,956</b>	<b>418</b>	<b>187</b>
Tax	(1)	(1)	(147)	(65)
<b>Profit after tax</b>	<b>293</b>	<b>1,955</b>	<b>271</b>	<b>122</b>
<b>Dividends paid to non-controlling interests</b>	<b>300</b>	<b>298</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. INVESTMENT IN ASSOCIATES

The Bank

The Bank's investment in associates is as follows:

Name	Principle place of business and country of incorporation	Equity interest		Cost	
		2025	2024	2025	2024
		%	%	€000	€000
<b>APS Income Fund</b> 53,188 investor shares at €100.01 (2024: 53,188 investor shares at €100.01)	Malta	10.88	9.90	5,319	5,319
<b>APS Ethical Cautious Fund</b> 39,003 investor shares at €1.00 (2024: 39,003 investor shares at €1.00)	Malta	0.13	0.11	39	39
<b>APS Ethical Adventurous Fund</b> 2,065,816 investor shares at €1.00 (2024: 4,515,816 investor shares at €1.00)	Malta	14.35	31.70	2,066	4,516
<b>APS Ethical Balanced Fund</b> 2,000,000 investor shares at €1.00 (2024: 2,000,000 investor shares at €1.00)	Malta	20.42	32.31	2,000	2,000
<b>IVALIFE Insurance Limited</b> 4,875,000 ordinary shares at €1.00 (2024: 3,875,000 ordinary shares at €1.00)	Malta	25.00	25.00	4,875	3,875
				<b>14,299</b>	<b>15,749</b>

APS Income Fund, APS Ethical Cautious Fund, APS Ethical Adventurous Fund, APS Ethical Balanced Fund and IVALIFE Insurance Limited are held at cost in the Bank's separate financial statements.

The following table illustrates summarised financial information of the Bank's investment in associates:

	APS Income Fund		APS Ethical Cautious Fund		APS Ethical Adventurous Fund		APS Ethical Balanced Fund		IVALIFE Insurance Limited	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Current assets	52,489	58,710	33,433	37,814	20,482	18,036	10,237	6,097	45,715	31,054
Non-current assets	-	-	-	-	-	-	-	-	2,601	2,414
Current liabilities	(194)	(193)	(103)	(319)	(83)	(389)	(49)	(49)	(1,020)	(1,016)
Non-current liabilities	-	-	-	-	-	-	-	-	(31,418)	(21,238)
<b>Net assets value (NAV)</b>	<b>52,295</b>	<b>58,517</b>	<b>33,330</b>	<b>37,495</b>	<b>20,399</b>	<b>17,647</b>	<b>10,188</b>	<b>6,048</b>	<b>15,878</b>	<b>11,214</b>
<b>Split into:</b>										
Accumulator shares	12,869	15,064	14,867	18,086	5,721	8,484	1,692	4,094	-	-
Distributor shares	39,426	43,453	18,463	19,409	14,678	9,163	8,496	1,954	-	-
	52,295	58,517	33,330	37,495	20,399	17,647	10,188	6,048	-	-
<b>Group's share of:</b>										
- Distributor shares' NAV	5,690	5,793	43	41	2,927	5,594	2,080	1,954	-	-
- NAV	-	-	-	-	-	-	-	-	3,970	2,804
Income/(loss)	1,830	2,754	2,208	1,404	3,185	2,190	825	(111)	7,052	4,784
Expenses	(600)	(692)	(507)	(519)	(359)	(285)	(205)	(37)	(6,225)	(4,875)
<b>Profit/(loss) before tax</b>	<b>1,230</b>	<b>2,062</b>	<b>1,701</b>	<b>885</b>	<b>2,826</b>	<b>1,905</b>	<b>620</b>	<b>(148)</b>	<b>827</b>	<b>(91)</b>
Tax	(420)	(428)	(50)	(26)	(71)	(54)	(15)	(1)	-	-
<b>Profit/(loss) after tax</b>	<b>810</b>	<b>1,634</b>	<b>1,651</b>	<b>859</b>	<b>2,755</b>	<b>1,851</b>	<b>605</b>	<b>(149)</b>	<b>827</b>	<b>(91)</b>
<b>Group's share of profit/(loss) for the year</b>	<b>89</b>	<b>168</b>	<b>2</b>	<b>26</b>	<b>557</b>	<b>712</b>	<b>194</b>	<b>(74)</b>	<b>207</b>	<b>(23)</b>
<b>Dividends paid to the Group</b>	<b>230</b>	<b>246</b>	<b>1</b>	<b>28</b>	<b>67</b>	<b>115</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. INVESTMENT IN ASSOCIATES (continued)

The Group

The following table illustrates the movements in the carrying amount of the Group's investment in associates:

	2025 €000	2024 €000
Carrying amount of the investment at 1 January	16,204	14,784
Share of associate's results, net of tax	1,049	809
Investment in associate	1,000	3,000
Dividend distribution	(320)	(389)
Partial disposal of investment in associates	(3,135)	(2,000)
<b>Carrying amount of the investment at 31 December</b>	<b>14,798</b>	<b>16,204</b>

The associates had no contingent liabilities or capital commitments as at 31 December 2025 (2024: nil).

APS Income Fund, APS Ethical Cautious Fund, APS Ethical Adventurous Fund and APS Ethical Balanced Fund

The APS Income Fund, APS Ethical Cautious Fund, APS Ethical Adventurous Fund and APS Ethical Balanced Fund are sub-funds of APS Funds SICAV plc. The SICAV is recognised under the laws of Malta as a multi-fund public limited liability company with variable share capital pursuant to the Companies Act. The Company and its sub-funds are authorised in terms of the Investment Services Act (Cap. 370, Laws of Malta) as an open-ended collective investment scheme qualifying as a Maltese UCITS, and licensed and regulated by the MFSA.

During 2024, the Group effected a number of switches between funds. The Group disposed of 3,692 shares in APS Income Fund, 960,997 shares in APS Ethical Cautious Fund and 484,184 shares in APS Ethical Adventurous Fund. The Group invested the amount of 2,000,000 shares in the new Ethical Balanced Fund. During 2025, the Group disposed of 2,450,000 shares in APS Ethical Adventurous Fund.

As at end of December 2025, the Group held 10.9% (2024: 9.9%) in APS Income Fund, 0.1% (2024: 0.1%) in APS Ethical Cautious Fund, 14.4% (2024: 31.7%) in APS Ethical Adventurous Fund and 20.4% (2024: 32.3%) in APS Ethical Balanced Fund. The Group still holds significant influence in these investments and thus, have been treated as associates as at end of December 2025 (2024: same).

The fair value of the investments in APS Income Fund (Distributor), APS Ethical Cautious Fund (Class B), APS Ethical Adventurous Fund (Class B) and APS Ethical Balanced Fund (Class B) as at 31 December 2025 amounted to €10,738,164 (2024: €13,382,919). The fair value of the investment in IVALIFE Insurance Limited as at 31 December 2025 amounted to €3,969,492 (2024: €2,774,733).

IVALIFE Insurance Limited

During the financial year ended 31 December 2025, the Group made a further investment of €1,000,000 (2024: €1,000,000) in IVALIFE Insurance Limited.

The Group is deemed to have a significant influence in the company and is measuring its investment as an associate.

25. INVESTMENT PROPERTIES

The Group's investment properties consist of commercial and residential properties in Malta. These properties consist of a mix of vacant offices and repossessed properties. As at 31 December 2025 and 2024 the fair values of investment properties held by the Group were as follows:

	The Group/The Bank	
	2025 €000	2024 €000
<b>As at 1 January</b>	<b>13,227</b>	6,714
Improvements to property	-	(11)
Fair value movement	-	4,786
Reclassification from non-current assets held for sale to investment property	-	1,738
<b>As at 31 December</b>	<b>13,227</b>	<b>13,227</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**25. INVESTMENT PROPERTIES (continued)**

The Group accounts for its investment properties at fair value in line with IAS 40. Gains or losses arising from changes in the fair value of the immovable properties are included in the statements of profit or loss in the period in which it arises.

During 2024, the Bank appointed an independent architect to perform a valuation exercise of all its properties. The Bank's policy requires that a detailed valuation and condition survey is carried out by an independent architect at least every three years. On a yearly basis, the Bank considers the market conditions to ensure that there are no material changes in market value of assets and if there is an indication that the market value of the assets has changed significantly, a detailed valuation exercise would be carried out.

The changes emanating from the 2024 valuations are mainly attributable to:

- changes in the interest rate environment which has shifted direction in 2024 and with sustained expectations of further reductions in the forthcoming period;
- normal growth in property market prices; and
- changes in the property-specific conditions including renovations and improvements and development and use potential.

During 2024, the Group's property amounting to €1,738,189 was reclassified from non-current assets held for sale to investment properties.

For the year ended 2025, the Group engaged the same independent valuation specialist to perform a desktop assessment. No material movements were identified on the fair value of the investment properties and, accordingly, no changes in fair value were recognised in the statements of profit or loss.

*Leased Investment Property*

The Group leased out one of the investment properties to third parties.

The agreement, which was signed in 2021, is for a period of 15 years expiring in 2036. The initial term may be extended by the mutual written agreement of both parties by an additional 5 years.

The unguaranteed residual value of the property does not represent a significant risk for the Group, as it relates to property which is situated in a location with a constant increase in value over the past years. The Group did not identify any indications that the situation will change.

In this respect the Group recorded the amount of €177,000 (2024: €177,000) as rental income on this said property. Direct operating expenses incurred during the year were mainly professional fees and insurance cover which costs are deemed to be minimal. No other rental income was received from the other properties.

The lease is classified as an operating lease under IFRS 16.

At the end of the reporting period, the respective lessees had outstanding undiscounted lease payments for operating leases, which fall due as follows:

	<b>The Group/The Bank</b>	
	<b>2025</b>	2024
	<b>€000</b>	€000
Within one year	177	177
Within two years	177	177
Within three years	177	177
Within four years	177	177
Within five years	177	177
Over five years	1,016	1,193
	<b>1,901</b>	<b>2,078</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. PROPERTY AND EQUIPMENT

The Group/The Bank

	Land and Buildings €000	Computer Equipment €000	Other €000	Total €000
<b>Cost or valuation</b>				
At 1 January 2024	30,046	12,523	22,569	65,138
Additions	247	341	490	1,078
Revaluation increase of property	10,920	-	-	10,920
Accumulated depreciation on revalued property	(322)	-	-	(322)
Reclassifications	988	-	(988)	-
At 31 December 2024	41,879	12,864	22,071	76,814
Additions	19	1,415	104	1,538
Disposals	-	(80)	(2)	(82)
Reclassifications	(245)	-	245	-
<b>At 31 December 2025</b>	<b>41,653</b>	<b>14,199</b>	<b>22,418</b>	<b>78,270</b>
<b>Depreciation</b>				
At 1 January 2024	968	9,569	14,777	25,314
Charge for the year	182	985	925	2,092
Accumulated depreciation on revalued property	(322)	-	-	(322)
At 31 December 2024	828	10,554	15,702	27,084
Charge for the year	204	819	947	1,970
Disposals	-	(80)	(2)	(82)
<b>At 31 December 2025</b>	<b>1,032</b>	<b>11,293</b>	<b>16,647</b>	<b>28,972</b>
<b>Net Book Value</b>				
<b>At 31 December 2025</b>	<b>40,621</b>	<b>2,906</b>	<b>5,771</b>	<b>49,298</b>
At 31 December 2024	41,051	2,310	6,369	49,730
At 1 January 2024	29,078	2,954	7,792	39,824
			<b>2025</b>	<b>2024</b>
			<b>€000</b>	<b>€000</b>
Future capital expenditure:				
- Authorised by the Directors and contracted			<b>1,905</b>	861
- Authorised by the Directors but not yet contracted			<b>4,147</b>	1,639
			<b>6,052</b>	2,500

The carrying amount of land and buildings at 31 December 2025 that would have been recognised had these been carried under the cost model is €14.0 million (2024: €14.2 million) for both the Group and the Bank.

The independent architect appointed in 2024 to provide the valuation of the investment properties also conducted the valuation of the Bank's land and buildings. The valuation methods applied to the land and buildings were consistent with those described in Note 25.

For the year ended 2025, the Group engaged the same independent valuation specialist to perform a desktop assessment. No material movements were identified in the fair value of land and buildings and, accordingly, no changes in fair value were recognised in the OCI.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. INTANGIBLE ASSETS

	The Group Computer software €000	The Bank Computer software €000
<b>Cost</b>		
At 1 January 2024	38,119	38,115
Additions	6,000	6,000
At 31 December 2024	<u>44,119</u>	<u>44,115</u>
Additions	4,448	4,448
<b>At 31 December 2025</b>	<b><u>48,567</u></b>	<b><u>48,563</u></b>
<b>Amortisation</b>		
At 1 January 2024	20,596	20,592
Charge for the year	2,781	2,781
At 31 December 2024	<u>23,377</u>	<u>23,373</u>
Charge for the year	3,459	3,459
<b>At 31 December 2025</b>	<b><u>26,836</u></b>	<b><u>26,832</u></b>
<b>Net book value</b>		
<b>At 31 December 2025</b>	<b><u>21,731</u></b>	<b><u>21,731</u></b>
At 31 December 2024	<u>20,742</u>	<u>20,742</u>
At 1 January 2024	<u>17,523</u>	<u>17,523</u>
	<b>The Group/The Bank</b>	
	<b>2025</b>	<b>2024</b>
	<b>€000</b>	<b>€000</b>
Future capital expenditure:		
- Authorised by the Directors and contracted	<b>14,727</b>	8,618
- Authorised by the Directors but not yet contracted	<b>5,716</b>	14,287
	<b><u>20,443</u></b>	<u>22,905</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**28. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Group leases properties, warehouses, office spaces, vehicles and spaces for the utilisation of parking.

Rental contracts are typically made for fixed periods with the lease term varying from 4 years to 20 years, with some of the lease agreements containing an extension option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

***Extension and Termination Options***

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only after an express written consent by both parties after expiration of the contract. Where lessor consent is also required, the Group does not have enforceable rights over the periods covered by the extension options, and these optional periods are excluded from the lease term.

If the Group has the unilateral right to exercise extension options, the periods covered by the extension options are only included in the lease term if the Group has economic compulsion to exercise the option; those periods are excluded from the lease term where the Group could replace the assets without significant cost or business disruption.

***Purchase options***

The majority of the Group's leased vehicles have a term which varies between 5 to 7 years. The Group has the option to purchase these vehicles, however there is no intention to exercise the option when the lease term expires.

Moreover, an additional vehicle lease agreement was entered into late during 2024 with a 6-year lease term. A purchase option has been granted at the expiration of the agreement, whereby the lessee has the option to purchase the vehicle. However, the Group has no intention to exercise this option.

The statements of financial position show the following amounts relating to leases:

	<b>The Group/The Bank</b>	
	<b>2025</b>	2024
	<b>€000</b>	€000
<b>Right-of-use-assets</b>		
Property	<b>3,318</b>	3,922
Equipment	<b>4</b>	8
Vehicles	<b>167</b>	255
	<b>3,489</b>	4,185
<b>Lease liabilities</b>		
Current	<b>730</b>	714
Non-Current	<b>2,998</b>	3,652
	<b>3,728</b>	4,366

There was no new lease additions during the year ended 31 December 2025 (2024: €448,242), however there was a renewal of a lease agreement which resulted in an increase of €17,788 in the right of use asset. There were no derecognised leases which expired in 2025 (2024: same). Total cash outflows in relation to leases during the year amounted to € 853,155 (2024: €829,655).

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The statements of profit or loss shows the following amounts relating to leases:

	<b>The Group/The Bank</b>	
	<b>2025</b>	2024
	<b>€000</b>	€000
<b>Depreciation charge on right-of-use assets</b>		
Property	622	565
Equipment	19	4
Vehicles	88	80
	<b>729</b>	<b>649</b>
<b>Other expenses recognised in profit or loss</b>		
Interest expense (included in interest expense)	87	98
Expenses relating to leases of low-value assets (included in other administrative expenses)	94	89
	<b>181</b>	<b>187</b>

**Variable Lease payments**

There were no new lease agreements subject to variable lease payments during the year ended 31 December 2025 (2024: same).

**Leases not yet commenced to which the lessee is committed**

As at end of December 2025, there were no leases to which the Group was committed (2024: same).

**Residual Guarantees**

During the current financial year, there were no leases with residual value guarantees (2024: same).

**Restrictions or covenants**

The Group is restricted from assigning, letting or subletting of the premises to third parties. However, there are cases where the lessee may be able to do so with prior written consent of the lessor and which approval shall remain in the absolute discretion of the lessor.

Restrictions are also imposed in cases of motor vehicles where the lessee is expressly prohibited from lending, leasing, hiring or in any other manner transferring control or use of the vehicle to third parties whether gratuitously or against payment or in any other manner, whether directly or indirectly, using the vehicle for hire and reward purposes. The Group is expressly precluded from permitting the utilisation of the properties or any part thereof for any other purpose than that stipulated in the contract.

The following table shows the movement on the Lease liabilities:

	<b>The Group/The Bank</b>	
	<b>2025</b>	2024
	<b>€000</b>	€000
At 1 January	4,366	4,585
Additions	-	424
Extensions	18	-
Prior year adjustments	14	-
Interest expense	87	98
Lease liability payments	(757)	(741)
<b>At 31 December</b>	<b>3,728</b>	<b>4,366</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. OTHER RECEIVABLES

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Accrued income	9,876	9,124	9,876	9,124
Prepayments and other receivables	6,694	3,736	5,084	2,627
Amounts due from subsidiaries	-	-	427	783
	<b>16,570</b>	<b>12,860</b>	<b>15,387</b>	<b>12,534</b>

Amounts due from subsidiaries represent accrued income that is unsecured, do not bear interest, and will fall due for payment within three months.

30. DEFERRED TAX ASSETS AND LIABILITIES

Deferred income tax at 31 December relates to the following:

	The Group/The Bank	
	2025	2024
	€000	€000
Fair value movements on investment securities	2	89
Fair value movements on investment properties	(1,261)	(1,261)
Impairment allowance for loans and advances to banks and customers	7,166	7,074
Impairment allowance for investment securities	1	5
Excess of capital allowances over depreciation	(2,830)	(2,107)
Deferred tax assets on temporary differences on lease liabilities	1,305	1,528
Deferred tax liabilities on temporary differences on right-of-use assets	(1,221)	(1,465)
Revaluation of land and buildings	(3,406)	(3,406)
<b>Deferred tax (liabilities)/assets</b>	<b>(244)</b>	<b>457</b>

Deferred tax arising on the fair value movements on land and buildings classified in the statements of financial position within property and equipment and on investment securities, amounting to €87,426 was debited (2024: €1,403,083 debited) directly in OCI. For details on other movements refer to Note 12.

31. AMOUNTS OWED TO BANKS

	The Group/The Bank	
	2025	2024
	€000	€000
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less (Note 42)	300	25,511
- over 3 months but less than 1 year but not repayable on demand	1,549	-
- over 1 year	-	3,098
	<b>1,849</b>	<b>28,609</b>
<b>Analysed by currency:</b>		
- Euro	1,849	3,592
- Foreign	-	25,017
	<b>1,849</b>	<b>28,609</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

32. AMOUNTS OWED TO CUSTOMERS

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Term deposits	1,332,743	1,629,045	1,332,743	1,629,045
Repayable on demand	2,801,507	2,041,605	2,802,222	2,042,694
	<b>4,134,250</b>	<b>3,670,650</b>	<b>4,134,965</b>	<b>3,671,739</b>
<b>Analysed by currency:</b>				
- Euro	3,979,183	3,516,727	3,979,898	3,517,816
- Other	155,067	153,923	155,067	153,923
	<b>4,134,250</b>	<b>3,670,650</b>	<b>4,134,965</b>	<b>3,671,739</b>

33. ACCRUALS

	The Group		The Bank	
	2025 €000	2024 €000	2025 €000	2024 €000
Accrued interest payable	9,854	16,178	9,854	16,178
Other accruals	7,638	6,255	7,733	6,433
	<b>17,492</b>	<b>22,433</b>	<b>17,587</b>	<b>22,611</b>

34. DEBT SECURITIES IN ISSUE

	The Group/The Bank	
	2025 €000	2024 €000
At 1 January	104,210	104,173
Amortisation of issuance costs	104	37
<b>At 31 December</b>	<b>104,314</b>	<b>104,210</b>

During 2020, the Bank issued unsecured subordinated bonds which mature in 2030. The bonds may be early redeemed by the Bank on specific dates, subject to MFSA approval and subject to the Bank providing at least 30 days' written notice. The earliest redemption date was 19 November 2025. The bonds are classified as a financial liability at amortised cost and are denominated in Euro.

	Nominal amount	Coupon rate (p.a.)	Issue date	Maturity date	Status
2020 bond issue	EUR 55m	3.25%	19 November 2020	19 November 2030	Unsecured Subordinated

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**34. DEBT SECURITIES IN ISSUE (continued)**

During 2023, the Bank launched an unsecured subordinated bond programme of up to €150,000,000. An amount of €50,000,000 bonds were issued under this programme. The bonds may be early redeemed by the Bank on specific dates, subject to MFSA approval and subject to the Bank providing at least 30 days' written notice. The earliest redemption date is 1 December 2028. The bonds are classified as a financial liability at amortised cost and are denominated in Euro.

	Nominal amount	Coupon rate (p.a.)	Issue date	Maturity date	Status
2023 bond issue	EUR 50m	5.80%	1 December 2023	1 December 2033	Unsecured Subordinated

**35. OTHER LIABILITIES**

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Bills payable	14,441	15,992	14,441	15,992
Other liabilities	4,492	2,076	4,440	2,055
	<b>18,933</b>	<b>18,068</b>	<b>18,881</b>	<b>18,047</b>

**36. SHARE CAPITAL AND SHARE PREMIUM**

	The Group/The Bank	
	2025	2024
	€000	€000
<b>Authorised</b>		
500,000,000 ordinary shares at €0.25 each (2024: 500,000,000 ordinary shares of €0.25 each)	<b>125,000</b>	<b>125,000</b>
<b>Issued and fully paid</b>		
485,642,086 ordinary shares of €0.25 each (2024: 379,606,122 ordinary shares of €0.25 each)	<b>121,411</b>	<b>94,902</b>

	Share Capital		The Group/The Bank Share Premium		Number of Shares	
	2025	2024	2025	2024	2025	2024
	€000	€000	€000	€000	'000	'000
At 1 January	94,902	94,451	52,467	51,907	379,606	377,804
Rights issue of shares	26,017	-	19,773	-	104,066	-
Share issuance transaction costs	-	-	(660)	(35)	-	-
Scrip dividend (Note 14)	312	324	399	388	1,246	1,294
Executive Share incentive plan (Note 9)	180	127	249	207	724	508
<b>At 31 December</b>	<b>121,411</b>	<b>94,902</b>	<b>72,228</b>	<b>52,467</b>	<b>485,642</b>	<b>379,606</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**36. SHARE CAPITAL AND SHARE PREMIUM (continued)**

During the year under review, the Bank issued 104,066,181 rights issue shares. The shares were issued at €0.44 cents per share, and the Group's equity was accordingly increased by €45.8 million, with €26.0 million being an increase in share capital and €19.8 million being an increase in share premium. Share issuance transaction costs incurred amounted to €0.7 million.

Further information on the Bank's Shareholders is disclosed in the Directors' Report. The share premium is not available for distribution.

**37. REVALUATION RESERVE**

The Group applies the revaluation model for the subsequent measurement of land and buildings classified in the statements of financial position within property and equipment. The Group also holds debt and fixed income instruments measured at FVTOCI with changes in fair value being accounted for within the Revaluation Reserve.

	<b>The Group/The Bank</b>	
	<b>2025</b>	2024
	<b>€000</b>	€000
Revaluation reserve on:		
Financial instruments at FVTOCI	<b>(4,470)</b>	(4,332)
Land and buildings	<b>23,647</b>	23,647
	<b>19,177</b>	19,315

The following table shows the movement in the revaluation reserve attributable to the land and buildings and financial instruments measured at FVTOCI:

	<b>The Group/The Bank</b>			
	<b>Land and buildings</b>		<b>Financial instruments at FVTOCI</b>	
	<b>2025</b>	2024	<b>2025</b>	2024
	<b>€000</b>	€000	<b>€000</b>	€000
<b>At 1 January</b>	<b>23,647</b>	15,066	<b>(4,332)</b>	(7,161)
Revaluation adjustment, gross of tax	-	10,011	-	-
Cumulative gain on other debt and fixed income instruments classified as FVTOCI reclassified to profit or loss upon disposal	-	-	<b>422</b>	3,213
Cumulative impairment losses recognised on debt and other fixed income instruments classified as FVTOCI	-	-	<b>(473)</b>	(410)
Deferred tax thereon	-	(1,430)	<b>(87)</b>	26
<b>At 31 December</b>	<b>23,647</b>	23,647	<b>(4,470)</b>	(4,332)

The revaluation reserve is not available for distribution.

**38. RETAINED EARNINGS**

Retained earnings represent retained profits which are available for distribution to Shareholders subject to qualification as realised profits in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**39. NON-CONTROLLING INTERESTS**

The following is a reconciliation of the Non-controlling interests:

	APS Diversified Bond Fund	
	2025	2024
	€000	€000
<b>At 1 January</b>	<b>14,262</b>	14,364
Creation of shares	445	2,070
Redemption of shares	(1,922)	(2,456)
Dividends paid	(300)	(298)
Profit after tax	81	582
<b>At 31 December</b>	<b>12,566</b>	14,262

**40. CONTINGENT LIABILITIES**

	The Group / The Bank	
	2025	2024
	€000	€000
Guarantees	31,024	29,990
Other contingent liabilities	2,707	2,640
	<b>33,731</b>	32,630

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Outflows in respect of these guarantees are possible, given that, whether or not a payment will be required is not within the Bank's control. Such guarantees are collateralised either by cash or by property.

The commitments primarily have one year expiry date to be withdrawn and are renewed on a yearly basis following the expiry date.

**41. COMMITMENTS**

	The Group / The Bank	
	2025	2024
	€000	€000
Undrawn formal standby facilities, credit facilities and other commitments to lend	1,316,013	1,184,054

Capital commitments, if any, are disclosed in Notes 26 and 27.

**42. CASH AND CASH EQUIVALENTS**

	The Group		The Bank	
	2025	2024	2025	2024
	€000	€000	€000	€000
Cash in hand (Note 15)	16,609	13,303	16,609	13,303
Balances with Central Bank of Malta (excluding reserve deposit) (Note 15)	307,136	236,991	307,136	236,991
Placements with the Central Bank of Malta (Note 15)	40,830	98,404	40,830	98,404
Loans and advances to banks (repayable within 3 months) (Note 16)	52,581	23,580	51,379	21,550
Amounts owed to banks (3 months or less) (Note 31)	(300)	(25,511)	(300)	(25,511)
<b>Cash and cash equivalents included in the statements of cash flows</b>	<b>416,856</b>	346,767	<b>415,654</b>	344,737

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 43. OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Operating results of all operating segments are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group has four reportable segments, as reported below. In identifying segments, Management follows the Group's service lines which make up its main products and services:

- **Retail:** offers a broad range of products and services to meet the personal banking of individual customers. This includes home loans, personal loans, overdraft facilities, deposits products and other general banking activities;
- **Commercial:** offers banking products to meet the needs of commercial customers. This includes all lending facilities falling under the suite of the commercial products as well as deposit products;
- **Investment Services:** provides a range of products and services to meet the investment need of clients including a broad range of investment and insurance products, as well as the pension plan product and discretionary investment services; and
- **Liquidity Management and Structured Loans:** includes the management of the financial investments portfolio, correspondent bank relationships and the trade finance and syndicated loan portfolios.

Each of these operating segments is managed separately as each requires a different client approach and expertise. As for intersegment transactions, these consist of the following transactions:

- Retail is being compensated for unutilised deposits which are being used by other segments as follows; Commercial amounting to €7,964,117 (2024: €10,165,625), Liquidity Management and Structured Loans amounting to €12,705,105 (2024: €14,999,366). The Investment Services are also being compensated for unutilised deposits, used by other segments, consisting of Commercial amounting to €2,000,508 (2024: €753,224) and Liquidity Management and Structured Loans amounting to €3,191,397 (2024: €1,111,381).
- The compensation allocated to the operating segments, is also being extended to capture other specific deposits. This compensation is being charged to other cost centres. The operating segments are being compensated as follows; Retail compensated with an amount of €61,175 (2024: €972,794), Investment services compensated with an amount of €9,344,479 (2024: €8,151,676), Commercial compensated with an amount of €28,837 (2024: €30,049) and Liquidity Management and Structured Loans compensated with an amount of €5,737,500 (2024: €5,737,500).

The compensation rate is based on the price charged to unrelated customers in a stand-alone sale of identical services. The total amount of the intersegment transactions amount to €41,033,177 (2024: €41,921,615), of which €15,171,990 (2024: €14,892,019) being linked to deposits held for Regulatory purposes, are not allocated to one of the four reportable segments but are rather included with the unallocated items as part of the Interest (payable)/receivable.

In addition, several costs, assets, and liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment but rather included within the below table under the unallocated items. This primarily applies to the following items which are not included in the tables hereunder:

- Salaries pertaining to staff contributing to other cost centres;
- Recurrent costs of maintenance agreements for software and hardware support, attributed to other cost centres;
- Depreciation charge of fixed assets attributed to other cost centres;
- Property and Equipment; and
- Other assets and liabilities which include tax liability, accruals and accrued income.

All revenues, investment properties, property and equipment, intangible assets and right-of-use assets are attributed to Malta. The information in this note is based on internal management reports that are reviewed by the Group's Executive Committee.

NOTES TO THE FINANCIAL STATEMENTS (continued)

43. OPERATING SEGMENTS (continued)

The Group	Retail		Commercial		Investment Services		Liquidity Management and Structured Loans		Total Reportable Segments	
	2025 €000	2024 €000	2025 €000	2024 €000	2025 €000	2024 €000	2025 €000	2024 €000	2025 €000	2024 €000
Interest and similar income from external customers	58,674	52,891	36,947	35,179	-	-	26,135	24,494	121,756	112,564
Interest expense	(28,084)	(32,681)	(2,387)	(826)	(8,923)	(8,493)	(4,988)	(7,159)	(44,382)	(49,159)
Intersegment transactions	20,730	26,138	(9,936)	(10,889)	14,536	10,016	(10,159)	(10,373)	15,171	14,892
Net fee and commission income and other income	1,487	2,055	4,183	3,564	3,894	7,739	502	3,050	10,066	16,408
Net gains on financial instruments	-	-	-	-	-	-	1,676	856	1,676	856
<b>Operating income before net impairments</b>	<b>52,807</b>	<b>48,403</b>	<b>28,807</b>	<b>27,028</b>	<b>9,507</b>	<b>9,262</b>	<b>13,166</b>	<b>10,868</b>	<b>104,287</b>	<b>95,561</b>
Impairment (losses)/gains	(454)	437	214	486	-	-	(247)	(3,729)	(487)	(2,806)
<b>Net operating income</b>	<b>52,353</b>	<b>48,840</b>	<b>29,021</b>	<b>27,514</b>	<b>9,507</b>	<b>9,262</b>	<b>12,919</b>	<b>7,139</b>	<b>103,800</b>	<b>92,755</b>
Personnel expenses	(5,969)	(5,682)	(2,492)	(2,333)	(2,778)	(2,683)	(613)	(573)	(11,852)	(11,271)
Other administrative and operating expenses	(571)	(587)	(22)	(17)	(650)	(548)	(298)	(295)	(1,541)	(1,447)
<b>Operating expenses</b>	<b>(6,540)</b>	<b>(6,269)</b>	<b>(2,514)</b>	<b>(2,350)</b>	<b>(3,428)</b>	<b>(3,231)</b>	<b>(911)</b>	<b>(868)</b>	<b>(13,393)</b>	<b>(12,718)</b>
<b>Net operating profit before associates' results</b>	<b>45,813</b>	<b>42,571</b>	<b>26,507</b>	<b>25,164</b>	<b>6,079</b>	<b>6,031</b>	<b>12,008</b>	<b>6,271</b>	<b>90,407</b>	<b>80,037</b>
Share of results from associates	-	-	-	-	-	-	1,049	809	1,049	809
<b>Profit before tax as per segments</b>	<b>45,813</b>	<b>42,571</b>	<b>26,507</b>	<b>25,164</b>	<b>6,079</b>	<b>6,031</b>	<b>13,057</b>	<b>7,080</b>	<b>91,456</b>	<b>80,846</b>
Less: Unallocated items	-	-	-	-	-	-	-	-	(64,961)	(57,084)
<b>Profit before tax as per statements of profit or loss</b>	<b>45,813</b>	<b>42,571</b>	<b>26,507</b>	<b>25,164</b>	<b>6,079</b>	<b>6,031</b>	<b>13,057</b>	<b>7,080</b>	<b>26,495</b>	<b>23,762</b>
<b>Total assets as per segments</b>	<b>2,404,812</b>	<b>2,120,135</b>	<b>973,133</b>	<b>892,879</b>	<b>-</b>	<b>-</b>	<b>1,156,118</b>	<b>1,041,237</b>	<b>4,534,063</b>	<b>4,054,251</b>
Add: Unallocated items	-	-	-	-	-	-	-	-	111,014	106,901
<b>Total assets as per statements of financial position</b>									<b>4,645,077</b>	<b>4,161,152</b>
Investment in associates	-	-	-	-	-	-	14,798	16,204	14,798	16,204
<b>Total liabilities as per segments</b>	<b>3,835,874</b>	<b>3,424,446</b>	<b>298,376</b>	<b>246,204</b>	<b>-</b>	<b>-</b>	<b>108,131</b>	<b>135,711</b>	<b>4,242,381</b>	<b>3,806,361</b>
Add: Unallocated items	-	-	-	-	-	-	-	-	40,397	44,867
<b>Total liabilities as per statements of financial position</b>									<b>4,282,778</b>	<b>3,851,228</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

43. OPERATING SEGMENTS (continued)

	2025 €000	2024 €000
<b>Profit before tax</b>		
As per reportable segments	91,456	80,846
<i>Unallocated items:</i>		
Interest payable	(15,229)	(14,959)
Interest receivable	1,379	2,170
Net fee and commission income and other income	(1,174)	78
Personnel expenses	(22,127)	(19,131)
Administrative expenses	(21,470)	(19,576)
Depreciation and amortisation	(6,106)	(5,516)
Impairments	(17)	4,928
Write-offs	(217)	(5,078)
<b>As per statements of profit or loss</b>	<b>26,495</b>	<b>23,762</b>
	2025 €000	2024 €000
<b>Total assets</b>		
As per reportable segments	4,534,063	4,054,251
<i>Unallocated items:</i>		
Investment properties	13,227	13,227
Property and equipment	49,298	49,730
Intangible assets	21,731	20,742
Right-of use assets	3,489	4,185
Deferred tax assets	-	457
Income tax	6,699	5,700
Other receivables	16,570	12,860
<b>As per statements of financial position</b>	<b>4,645,077</b>	<b>4,161,152</b>
	2025 €000	2024 €000
<b>Total liabilities</b>		
As per reportable segments	4,242,381	3,806,361
<i>Unallocated items:</i>		
Deferred tax liabilities	244	-
Lease liabilities	3,728	4,366
Other liabilities	18,933	18,068
Accruals	17,492	22,433
<b>As per statements of financial position</b>	<b>4,282,778</b>	<b>3,851,228</b>

44. RELATED PARTY DISCLOSURES

*The Group's structure*

The consolidated financial statements of the Group include the financial statements of APS Bank plc and its subsidiaries and associates, as disclosed in Notes 23 and 24 respectively. During the course of its normal banking business, the Bank conducts business on commercial terms with its subsidiaries, associates, shareholders, key management personnel and other related parties.

The registered office of APS Funds SICAV plc, APS Income Fund, APS Diversified Bond Fund, APS Ethical Adventurous Fund, APS Ethical Balanced Fund, APS Ethical Cautious Fund and ReAPS Asset Management Limited is APS Centre, Tower Street, Birkirkara, BKR 4012. The registered office of IVALIFE Insurance Limited is Centris Business Gateway II, Level 1D, Triq is-Salib tal-Imriehel, Central Business District, Birkirkara, CBD 3020.

Information on the Bank's Shareholders is disclosed in the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS (continued)

44. RELATED PARTY DISCLOSURES (continued)

*Related party transactions*

The following tables provide the total amount of transactions, which have been entered into by the Group and the Bank with the shareholders, key management personnel, subsidiaries, associates and other related parties for the year under review:

	The Group		The Bank	
	Dec-25 €000	Dec-24 €000	Dec-25 €000	Dec-24 €000
<b>Interest and similar income:</b>				
Qualifying Shareholders	7	29	7	29
Key management personnel	37	70	37	70
Entities of the same Group	122	256	122	256
Other related parties	24	58	24	58
<b>Fee and commission income:</b>				
ReAPS Asset Management Limited	-	-	495	567
APS Income Fund	412	457	-	-
APS Ethical Cautious Fund	348	355	-	-
APS Ethical Adventurous Fund	248	168	-	-
APS Ethical Balanced Fund	120	8	-	-
IVALIFE Insurance Limited	57	53	-	-
Qualifying Shareholders	243	233	-	-
Other related parties	128	179	-	-
<b>Dividend income:</b>				
APS Diversified Bond Fund	-	-	1,135	1,126
APS Income Fund	-	-	230	246
APS Ethical Cautious Fund	-	-	1	28
APS Ethical Adventurous Fund	-	-	67	115
APS Ethical Balanced Fund	-	-	22	-
<b>Interest expense:</b>				
Qualifying Shareholders	1	6	1	6
Bank Directors	36	36	36	36
Key management personnel	36	57	36	57
Entities of the same Group	11	35	11	35
Other related parties	22	34	22	34
<b>Personnel expenses:</b>				
Key management personnel	6,911	6,688	6,801	6,571
<b>General administrative expenses:</b>				
Qualifying Shareholders	113	277	113	277
Entities of the same Group	82	-	82	-
	The Group	Dec-24	The Bank	Dec-24
	Dec-25	€000	Dec-25	€000
<b>Amounts due (to)/from subsidiaries and associates</b>				
ReAPS Asset Management Limited	-	-	(449)	(537)
APS Income Fund	101	111	-	-
APS Ethical Cautious Fund	84	96	-	-
APS Ethical Balanced Fund	36	8	-	-
APS Ethical Adventurous Fund	67	49	-	-
IVALIFE Insurance Limited	16	5	-	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**44. RELATED PARTY DISCLOSURES (continued)**

*Related party transactions (continued)*

Related party transactions in respect of Shareholders and key management personnel are included in the below tables.

a) Compensation of key management personnel of the Group/Bank

The amounts disclosed in Note 9 and 10 are recognised as an expense during the reporting year and are paid to key management personnel of the Group. These include short-term employee benefits as well as a share incentive plan (2024: same).

b) Outstanding balances with Directors

	<b>2025</b>	2024
	<b>€000</b>	€000
Loans and advances	<b>440</b>	707
Commitments	<b>375</b>	531

Facilities granted to Bank Directors are made in the ordinary course of business on the same terms as for comparable transactions with individuals of a similar standing, or where applicable, other employees.

c) Outstanding balances with key management personnel and other related parties

	<b>2025</b>	2024
	<b>€000</b>	€000
Loans and advances	<b>11,258</b>	10,054
Commitments	<b>768</b>	724
Amounts due from other related parties	<b>43</b>	44

Facilities granted to key management personnel are made in the ordinary course of business on the same terms with other employees.

d) Balances with shareholders and entities with common directorship

	<b>Balances</b>	<b>Interest</b>	Balances	Interest
	<b>as at</b>	<b>income</b>	as at	income
	<b>31.12.2025</b>	<b>2025</b>	31.12.2024	2024
	<b>€000</b>	<b>€000</b>	€000	€000
Shareholders and entities with common directorship	<b>7,684</b>	<b>241</b>	8,168	248

	<b>Balances</b>	<b>Interest</b>	Balances	Interest
	<b>as at</b>	<b>expense</b>	as at	expense
	<b>31.12.2025</b>	<b>2025</b>	31.12.2024	2024
	<b>€000</b>	<b>€000</b>	€000	€000

**Amounts due to other related parties:**

Qualifying Shareholders	<b>3,859</b>	<b>1</b>	2,320	6
Bank Directors	<b>2,443</b>	<b>36</b>	2,710	36
Key management personnel	<b>3,206</b>	<b>36</b>	3,079	57
Entities of the same Group	<b>8,170</b>	<b>11</b>	13,723	35
Other related parties	<b>4,565</b>	<b>22</b>	3,160	34

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**44. RELATED PARTY DISCLOSURES (continued)**

*Related party transactions (continued)*

There are no deposits held as collateral for loan commitments and overdraft facilities granted to related parties (2024: same). Also, included in Amounts owed to customers are term deposits of €4,564,721 (2024: €6,597,000), which bear interest at the prevailing Bank rates. Furthermore, the amounts due from other related parties include secured facilities of €7,570,032 (2024: €8,080,931) and €250 (2024: €21,171) unsecured facilities.

No guarantees were received by related parties as at end of December 2025 (2024: Nil). Special guarantees given to related parties amount to €371,035 (2024: €365,428).

**45. FAIR VALUES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The level within which the fair value measurement is categorised is determined based on the lowest level of input that is significant to fair value measurement.

The reporting of fair values is intended to guide users as to the amount, timing and certainty of cash flows.

Fair value measurement hierarchy of the Group's and Bank's assets and liabilities is as follows:

The Group	Fair value measurement hierarchy			Total €000
	Level 1 €000	Level 2 €000	Level 3 €000	
<b>Assets as at 31 December 2025</b>				
Property and Equipment (Note 26)				
- Land and buildings	-	-	40,621	40,621
Investment properties (Note 25)				
- Residential property	-	-	1,100	1,100
- Commercial property	-	-	12,127	12,127
Derivative assets held for risk management, not designated as hedges (Note 20)	-	1,968	-	1,968
Financial assets at FVTPL (Note 17)				
- Fixed income instruments and collective investment schemes	-	43,161	-	43,161
Financial assets at FVTOCI				
- Other debt and fixed income instruments (Note 21)	265,678	-	523	266,201
- Equity and other non-fixed income instruments (Note 22)	6,173	-	169	6,342
<b>Total</b>	<b>271,851</b>	<b>45,129</b>	<b>54,540</b>	<b>371,520</b>
<b>Liabilities as at 31 December 2025</b>				
Derivative liabilities held for risk management, not designated as hedges (Note 20)	-	1,968	-	1,968
<b>Total</b>	<b>-</b>	<b>1,968</b>	<b>-</b>	<b>1,968</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

45. FAIR VALUES (continued)

The Group	Fair value measurement hierarchy			Total €000
	Level 1 €000	Level 2 €000	Level 3 €000	
<b>Assets as at 31 December 2024</b>				
Property and Equipment (Note 26)				
- Land and buildings	-	-	41,051	41,051
Investment properties (Note 25)				
- Residential property	-	-	1,100	1,100
- Commercial property	-	-	12,127	12,127
Derivative assets held for risk management, not designated as hedges (Note 20)	-	2,607	-	2,607
Financial assets at FVTPL (Note 17)				
- Fixed income instruments and collective investment schemes	-	45,441	-	45,441
Financial assets at FVTOCI				
- Other debt and fixed income instruments (Note 21)	114,665	-	523	115,188
- Equity and other non-fixed income instruments (Note 22)	6,021	-	169	6,190
<b>Total</b>	<b>120,686</b>	<b>48,048</b>	<b>54,970</b>	<b>223,704</b>
<b>Liabilities as at 31 December 2024</b>				
Derivative liabilities held for risk management, not designated as hedges (Note 20)	-	2,892	-	2,892
<b>Total</b>	<b>-</b>	<b>2,892</b>	<b>-</b>	<b>2,892</b>

The Bank	Fair value measurement hierarchy			Total €000
	Level 1 €000	Level 2 €000	Level 3 €000	
<b>Assets as at 31 December 2025</b>				
Property and equipment (Note 26)				
- Land and buildings	-	-	40,621	40,621
Investment properties (Note 25)				
- Residential property	-	-	1,100	1,100
- Commercial property	-	-	12,127	12,127
Derivative assets held for risk management, not designated as hedges (Note 20)	-	1,968	-	1,968
Financial assets at FVTOCI				
- Other debt and fixed income instruments (Note 21)	265,678	-	523	266,201
- Equity and other non-fixed income instruments (Note 22)	6,173	-	169	6,342
<b>Total</b>	<b>271,851</b>	<b>1,968</b>	<b>54,540</b>	<b>328,359</b>
<b>Liabilities as at 31 December 2025</b>				
Derivative liabilities held for risk management, not designated as hedges (Note 20)	-	1,968	-	1,968
<b>Total</b>	<b>-</b>	<b>1,968</b>	<b>-</b>	<b>1,968</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

45. FAIR VALUES (continued)

The Bank	Fair value measurement hierarchy			Total €000
	Level 1 €000	Level 2 €000	Level 3 €000	
<b>Assets as at 31 December 2024</b>				
Property and equipment (Note 26)				
- Land and buildings	-	-	41,051	41,051
Investment properties (Note 25)				
- Residential property	-	-	1,100	1,100
- Commercial property	-	-	12,127	12,127
Derivative assets held for risk management, not designated as hedges (Note 20)	-	2,422	-	2,422
Financial assets at FVTOCI				
- Other debt and fixed income instruments (Note 21)	114,665	-	523	115,188
- Equity and other non-fixed income instruments (Note 22)	6,021	-	169	6,190
<b>Total</b>	<b>120,686</b>	<b>2,422</b>	<b>54,970</b>	<b>178,078</b>
<b>Liabilities as at 31 December 2024</b>				
Derivative liabilities held for risk management, not designated as hedges (Note 20)	-	2,422	-	2,422
<b>Total</b>	<b>-</b>	<b>2,422</b>	<b>-</b>	<b>2,422</b>

There were no reclassifications made within the fair value hierarchy and there were no changes in valuation techniques used by the Group during the year, except as disclosed below.

*Investment properties*

For the year ended 31 December 2024, an independent architect was engaged to provide the valuations of the investment properties. The valuations were based on the investment method and the comparative valuation methodology for both commercial and residential properties. The investment valuation methodology can be applied to determine the market value of a freehold or leasehold interest in property from its potential to generate future income. It is typically used for the main forms of properties where a tenant is providing the landlord with an investment return on his capital cost. Using this method, the comparable property transactions of sales and lettings are analysed to find the revenue. Under the comparative valuation methodology, the current value of the property is compared to another property with similar characteristics. This method involves comparing the subject property with similar properties that have been recently sold and those that are currently being offered for sale in the vicinity of other comparable localities. The characteristics, merits and demerits of these properties are noted, and appropriate adjustments thereof are then made to arrive at the value of the subject property. Market value in relation to the majority of the commercial properties was based on prices in the range of €3,105 and €3,367 per square metre. The Group also held another commercial property with a market value of €11,643 per square metre. The market value of the residential property was of €2,240 per square metre.

The changes emanating from the 2024 valuations are explained in further detail in Note 25.

During the year ended 31 December 2025, the same independent architect was engaged to provide a desktop valuation of the investment properties. No valuation adjustments were recognised given that there were no changes to the fair value. Investment properties are being used in their highest and best use.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**45. FAIR VALUES (continued)**

*Investment properties (continued)*

Significant increases/(decreases) in estimated market rates per square meter in isolation would result in a significantly higher/(lower) fair value of the properties. Significant increases/(decreases) in the discount rate in isolation would result in a (decrease)/increase in the estimated property values.

As at the end of 31 December 2025 (2024: nil) the Group has no restrictions on the realisation of investment properties (Note 25).

The fair value movement in relation to 2025 is all attributable to assets held at year end and no fair value movement was recognised in respect of assets disposed during the year.

	<b>Residential properties</b>		<b>Commercial properties</b>	
	<b>2025</b>	2024	<b>2025</b>	2024
	<b>€000</b>	€000	<b>€000</b>	€000
At 1 January	<b>1,100</b>	495	<b>12,127</b>	6,219
Reclassification from non-current assets held for sale to investment properties, net of depreciation	-	-	-	1,738
Fair value movement	-	605	-	4,170
<b>At 31 December</b>	<b>1,100</b>	1,100	<b>12,127</b>	12,127

*Property and equipment – Land and buildings*

For the year ended 31 December 2024, the independent architect based the valuations on the investment method and the comparative valuation methodology. The investment valuation methodology takes into consideration the rental value of the property by comparison and capitalises it at an appropriate yield in order to render the current market value of the property. Under the comparative valuation methodology, the current value of the property is compared to another property with similar characteristics. This method involves comparing the subject property with similar properties that have been recently sold and those that are currently being offered for sale in the vicinity of other comparable localities. The characteristics, merits and demerits of these properties are noted, and appropriate adjustments thereof are then made to arrive at the value of the subject property. Market value was based on prices in the range of €2,046 and €17,310 per square metre.

The changes emanating from the 2024 valuations are explained in further detail in Note 25.

For financial year ended December 2025, the same independent architect was engaged to provide a desktop valuation of the Group's land and buildings. The fair value of the properties was not significantly different than the carrying amount and thus, no changes have been affected. The properties are being used at their highest and best use.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**45. FAIR VALUES (continued)**

*Other financial instruments*

Cash balances, balances with the CBM and loans and advances to banks which are repayable on call and at short notice are highly liquid assets. The Directors regard the amounts shown in the statements of financial position for these items as reflecting their fair value, as these assets will be realised for cash in the immediate future. The fair value of the placements with other banks not repayable at short notice is not materially different from their carrying amount since these carry an arm's length rate of interest which is reflective of conditions at year end. The fair value was determined using a Level 2 discounted cash flow valuation technique using relevant interest rates as the major inputs.

At the reporting date, debt securities classified at amortised cost amounted to €196.9 million (2024: €271.9 million). Their market value amounted to €192.3 million (2024: €266.8 million) (Level 1), whilst their nominal value amounted to €197.5 million (2024: €271.4 million). For other details refer to Note 21.

Loans and advances to customers are stated at the amounts contractually due less provision to reflect the expected recoverable amounts. Their carrying amount is not deemed to differ materially from their fair value as these are re-priced to take into consideration changes in both the Bank's base rate and credit margins. Their fair value measurement is a Level 2 input.

At the reporting date, syndicated loans and trade finance classified at amortised cost amounted to €180.2 million (2024: €187.5 million). Their market value amounted to €178.5 million (2024: €186.3 million) (Level 2), whilst their nominal value amounted to €179.7 million (2024: €187.5 million). For other details refer to Note 18.

Amounts owed to banks and customers include deposit liabilities. Of this category of liability, 90% (2024: 87%) have contractual re-pricing within one year, whilst 10% (2024: 13%) re-prices between one year and over. For demand deposits and term deposits within one-year, fair value is taken to be the amount payable on demand at the reporting date (Level 2). For term deposits after one-year with a carrying amount of €422.5 million (2024: €491.7 million), fair value is €400.7 million (2024: €470.6 million). All term deposits at different maturities were revalued to reflect the current interest rates. Their fair value measurement is a Level 2 input.

Debt securities in issue have a carrying amount of €104.3 million (2024: €104.2 million) at 31 December 2025. The market value, based on quoted prices in an active market (Level 1), amounted to €103.1 million at 31 December 2025 (2024: €104.9 million).

The reconciliation of Level 3 fair value measurements of financial instruments is disclosed below.

	<b>2025</b>	2024
	<b>€000</b>	€000
At 1 January	<b>692</b>	621
Acquisitions	-	45
Fair value movement	-	26
<b>At 31 December</b>	<b>692</b>	692

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT**

**46.1 Risk management framework**

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board has delegated risk-related functions to the Risk Committee. The Risk Committee proposes the risk appetite statement for approval by the Board and ensures implementation of the Group’s risk management and compliance strategy, systems and policies. The Group’s Risk Appetite Statement articulates the types and level of risk that the Group is willing to take in the pursuit of the strategic objectives. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The Group’s risk governance framework ensures oversight of, and accountability for, the effective management of risk. Responsibility for risk lies at all levels within the Group through the adoption of the Institute of Internal Auditors’ Three Lines Model, which promotes strong governance and risk management. Business units, as the first line, align operations with the risk management framework. Oversight of risks is executed by the second line, mostly but not only the Risk and Compliance Departments. The Risk Management Department, develops risk policies, conducts risk assessments and monitors risk exposures. This includes carrying out forward-looking assessments to capture emerging risks through key risk indicators and through the monitoring of risks recorded in the Risk Register. This involves working closely with management (both first and second line) to ensure controls are in place. The Internal Audit Department, as the third line, provides independent assurance to the Board on the adequacy and effectiveness of the risk strategy and compliance with policies.

**46.2 Credit risk**

Credit Risk is the possibility that a borrower or counterparty fails to meet its obligations in accordance with (or performing according to) agreed terms, causing a financial loss, including losses resulting from a reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

To meet the financial needs of customers, the Group and the Bank enter into various commitments and contingent liabilities, as disclosed below. Even though these obligations are not recognised on the statements of financial position (being off-balance sheet items), they are subject to credit risk and are, therefore, part of the overall risk of the Group and the Bank.

	<b>The Group/The Bank</b>	
	<b>Not later than one year</b>	
	<b>2025</b>	<b>2024</b>
	<b>€000</b>	<b>€000</b>
Loan commitments	<b>1,316,013</b>	1,184,054
Guarantees, acceptance and other financial facilities	<b>33,731</b>	32,630
	<b>1,349,744</b>	<b>1,216,684</b>

The Group is also exposed to credit risk arising from investments in debt securities and other financial instruments through its trading<sup>5</sup> and investment activities including non-equity portfolio assets and derivatives as well as settlement balances with market counterparties, reverse repurchase agreements and balances with CBM.

The Group has a detailed Credit Risk Policy, which lays down the principles for the management of credit risk. The Group manages and controls its exposure to credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and connected entities, as well as by geographical and industry concentrations.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

<sup>5</sup> As at end December 2025, the Bank did not have a Trading Book

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 46. RISK MANAGEMENT (continued)

#### 46.2 Credit risk (continued)

The Group applies an automated proprietary credit rating system to differentiate the degree of credit risk inherent in advances extended to its customers. Internal ratings are used to grade loans and advances with a view to assess the repayment ability of the borrower and to assist in the monitoring and control of credit risk. The credit rating process also provides a basis for the recognition of any under-performing or non-performing credit facilities and for the assessment of expected credit losses in line with IFRS9 requirements. Further information on the credit risk grading system is included in Note 46.2.1.1 ('Credit Risk Grading').

##### 46.2.1 Credit Risk Measurement

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

##### 46.2.1.1 Credit Risk Grading

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Group uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are a primary input into the determination of the term structure of Probability of Default ("PD") for exposures.

The Group use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as the level of collateral for retail exposures and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as information from the Central Credit Register. In addition, the models enable management overlay by the responsible person, to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The following are additional considerations for each type of portfolio held by the Group:

##### *Retail*

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness, such as unemployment and previous delinquency history, is also incorporated into the internal credit rating system.

##### *Commercial*

For commercial business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating.

##### *Debt securities*

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The Probability of Defaults ("PDs") associated with each grade are determined based on historical realised default rates, as published by an external credit rating agency.

##### *Syndicated loans*

Similar to debt securities, the majority of syndicated loans are rated using external rating agency credit grades. Again, these credit grades are frequently reviewed and monitored for immediate update where necessary.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 46. RISK MANAGEMENT (continued)

#### 46.2 Credit risk (continued)

##### 46.2.2 ECL Measurement (continued)

##### 46.2.2.1 Significant increase in Credit Risk (SICR) (continued)

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The main judgements are made by the Group in identifying whether a significant increase in credit risk has occurred for an exposure are as follows:

- for loans and advances to customers, the Group's internal credit risk grades are used to assess whether there has been a significant increase in credit risk, performed by comparing the internal credit risk grades as at reporting date with the internal credit risk grades on initial recognition;
- for the loans and advances to banks and balances with CBM, the Group applies low credit risk simplification to all its exposures, thus to the extent that these investments are considered to be low credit risk, they are not subject to the significant increase in credit risk assessment;
- the investment and syndicated loans' portfolios are divided into two separate sub portfolios; Investment grade and Sub-Investment grade. The low credit risk simplification is applied for investment grade exposures, thus not subject to significant increase in credit risk assessment. For the sub-investment grade exposures, a one-notch downgrade in their respective external credit rating is considered as a significant increase in credit risk; and
- in assessing whether there has been a SICR since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument, together with its internal grading/credit rating on initial recognition. For certain revolving facilities (e.g. overdrafts), the date when the facility was first entered into, could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment, as discussed in Note 2.3 *Modification of loans*.

#### *Determining whether credit risk has increased significantly*

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly varies by portfolio and includes a backstop based on delinquency.

#### **Quantitative Criteria:**

For financial instruments other than the Group's investment portfolio, the Group presumptively considers that a SICR occurs when the borrower is more than 30 days past due on its contractual payments. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In assessing whether a financial instrument has experienced a SICR, the Group also considers non-payments on connected accounts of the same issuer to the Group, which exceed 30 days.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 46. RISK MANAGEMENT (continued)

#### 46.2 Credit risk (continued)

##### 46.2.2 ECL Measurement (continued)

###### 46.2.2.1 Significant increase in Credit Risk (SICR) (continued)

###### Qualitative Criteria:

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a SICR based on particular qualitative indicators that it considers indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

If the borrower meets one or more of the following criteria, the internal grading of the credit facility falls due to a SICR i.e. transition to Stage 2:

- excesses over an overdraft limit become fairly frequent and/or exceed the 30 days past due (latter automated in the core banking system);
- a pattern of cheques returned unpaid;
- review of borrowing accounts overdue;
- trading losses that indicate a negative financial trend leading to an unsound financial position;
- a significant downgrade from a superior credit rating;
- significant decrease in collateral value which is expected to increase risk of default (for bullet repayment loans only, such as commercial property-for-resale and/or residential Bridge Loans repayable from sale of the same collateral); and
- early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans and/or non-collection of debtors/amounts due.

The assessment of SICR incorporates forward-looking information and is performed on a regular basis.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable; and
- exposures are not generally transferred directly from 12-month ECL measurement (Stage 1) to credit-impaired (Stage 3).

###### 46.2.2.2 Definition of Default and credit impaired

Under IFRS 9, the Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- with respect to loans and advances to customers, the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered past due once the customer has either exceeded a sanctioned limit or has been advised of a limit that is smaller than the current balance outstanding; or
- with regards to investments' portfolio and syndicated loans' portfolio, a payment by the counterparty or issuer is more than 30 days past due.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 46. RISK MANAGEMENT (continued)

#### 46.2 Credit risk (continued)

##### 46.2.2 ECL Measurement (continued)

##### 46.2.2.2 Definition of Default and credit impaired (continued)

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

At each reporting date, the Group assesses whether financial assets carried at amortised cost, debt financial assets carried at FVTOCI, loan commitments and financial guarantees are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit impaired.

ECLs are the discounted product of the PD, Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- PD estimates are estimates at a certain date, which, for loans and advances to customers, loan commitments and financial guarantees, are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. They are adjusted to reflect forward-looking information as described below. Market data, obtained from a third party service provider, is used for the PD of investment portfolio, balances with CBM and loans and advances to banks;

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 46. RISK MANAGEMENT (continued)

#### 46.2 Credit risk (continued)

##### 46.2.2 ECL Measurement (continued)

##### 46.2.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

- EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which is estimated based on historical observations and forward-looking forecasts. For some financial assets, the Group determines EAD by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques; and
- LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims, adjusted by the cure rates, against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the EIR as the discounting factor.

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn irrevocable loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For retail overdrafts and certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECLs over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are risk managed on an individual basis; these facilities are however collectively assessed for IFRS 9 purposes. Although the Group can cancel these facilities with immediate effect, this contractual right is not enforced in the normal day-to-day management, but rather only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.2 Credit risk (continued)**

**46.2.2 ECL Measurement (continued)**

**46.2.2.4 Forward Looking Information**

Under IFRS 9, the Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The assessment of SICR and the calculation of ECL, both incorporate forward-looking information. The Group performs a historical analysis and identifies the key economic variables affecting credit risk and ECLs for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD may vary by financial instrument. The Group performs expert judgement in this process.

A third party provider has been engaged to provide, on a regular basis, the forecasted macro-economic scenarios covering a ten-year time horizon. The 'base line' scenario represents the most-likely outcome and is the same scenario considered by the Group for the purposes of strategic planning and budgeting. Apart from the 'base line' scenario, the Group considers two other macro-economic scenarios, which represent more optimistic and more pessimistic outcomes.

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

The Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has analysed relationships between macro-economic variables and credit risk and credit losses. These key drivers include inflation rates, unemployment rates and GDP growth rates.

The following table illustrates the macro-economic indicators incorporated in the IFRS 9 model, for each macro-economic scenario:

Macro-Economic Variables	Scenarios					
	Baseline	2025 Upside	Downside	Baseline	2024 Upside	Downside
GDP Growth (%)	2.69	2.85	2.29	3.10	3.27	2.69
Inflation rates (%)	1.77	1.79	1.56	2.02	2.05	1.81
Unemployment rates (%)	2.98	2.98	3.03	2.97	2.97	3.01

This above data is reviewed and updated on a quarterly basis, nevertheless, for the ECL calculation as at the reporting date, the latest macro-economic data available was incorporated within the IFRS 9 model.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.2 Credit risk (continued)**

**46.2.2 ECL Measurement (continued)**

**46.2.2.5 Grouping shared risk characteristics**

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The characteristics and any supplementary data used to determine groupings are outlined below:

- Product type (e.g. residential/buy to let mortgage, credit cards);
- Credit risk grades; and
- Industry – taking into consideration external information.

The groupings selected by the Group are subject to regular review to ensure that exposures within a particular group remain appropriately homogenous. The groups are classified as follows;

- Loans and advances to customers;
  - a) Mortgages;
  - b) Personal lending;
  - c) Commercial lending;
- Loans and advances to banks;
- Debt instruments; and
- Syndicated loans.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

**46.2.3 Credit Risk Exposure**

**46.2.3.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

With respect to financial instruments which expose the Group to credit risk, the maximum exposure equals the carrying amount of these instruments, except for loan commitments and financial guarantees.

Credit risks exposures relating to the statements of financial position assets and off-balance sheet items are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>Maximum exposure</b>		<b>Maximum exposure</b>	
	<b>2025</b>	2024	<b>2025</b>	2024
	<b>€000</b>	€000	<b>€000</b>	€000
Cash and balances with Central Bank of Malta (excluding cash in hand) (net)	<b>384,485</b>	366,350	<b>384,485</b>	366,350
Loans and advances to banks (net)	<b>53,062</b>	24,057	<b>51,860</b>	22,027
Financial assets at FVTPL	<b>43,161</b>	45,441	-	-
Syndicated loans (net)	<b>172,716</b>	180,097	<b>172,716</b>	180,097
Loans and advances to customers (net)	<b>2,491,927</b>	2,209,343	<b>2,491,927</b>	2,209,343
Loans and advances to corporate entities (net)	<b>886,018</b>	803,671	<b>886,018</b>	803,671
Derivative assets held for risk management	<b>1,968</b>	2,607	<b>1,968</b>	2,422
Other debt and fixed income instruments (net)	<b>462,977</b>	386,988	<b>462,228</b>	386,589
Other receivables	<b>16,570</b>	12,860	<b>15,387</b>	12,534
<b>As at 31 December</b>	<b>4,512,884</b>	4,031,414	<b>4,466,589</b>	3,983,033

Credit risk exposures relating to off-balance sheet items are as follows:

Financial guarantees and other contingent liabilities	<b>33,731</b>	32,630	<b>33,731</b>	32,630
Commitments	<b>1,316,013</b>	1,184,054	<b>1,316,013</b>	1,184,054
<b>As at 31 December</b>	<b>1,349,744</b>	1,216,684	<b>1,349,744</b>	1,216,684

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.3 Credit Risk Exposure (continued)

46.2.3.2 Concentration of risk

The Group

Concentrations of risk	Financial	Manufact-	Real	Wholesale	Public	Other	Individuals	Total
	Institutions	uring	Estate	and	Sector	Industries		
	€000	€000	€000	Retail	€000	€000	€000	€000
				Trade				
				€000				
Cash and balances with Central Bank of Malta (excluding cash in hand) (gross)	384,490	-	-	-	-	-	-	384,490
Loans and advances to banks (gross)	53,081	-	-	-	-	-	-	53,081
Financial assets at FVTPL	8,734	1,871	-	-	16,385	16,171	-	43,161
Syndicated loans (gross)	56,665	38,389	14,000	12,505	10,000	48,557	-	180,116
Loans and advances to customers (gross)	1,257	32,749	327,632	69,303	986	495,723	2,463,369	3,391,019
Derivative assets held for risk management	1,968	-	-	-	-	-	-	1,968
Other debt and fixed income instruments (gross)	36,778	-	-	2,277	424,068	-	-	463,123
Other receivables	-	-	-	-	-	16,570	-	16,570
<b>As at 31 December 2025</b>	<b>542,973</b>	<b>73,009</b>	<b>341,632</b>	<b>84,085</b>	<b>451,439</b>	<b>577,021</b>	<b>2,463,369</b>	<b>4,533,528</b>
Financial guarantees and other contingent liabilities	257	1,452	9,205	3,923	-	12,755	6,139	33,731
Commitments	87,894	30,276	283,965	24,969	5,000	129,280	754,629	1,316,013
<b>As at 31 December 2025</b>	<b>88,151</b>	<b>31,728</b>	<b>293,170</b>	<b>28,892</b>	<b>5,000</b>	<b>142,035</b>	<b>760,768</b>	<b>1,349,744</b>

The Group

Concentrations of risk	Financial	Manufact-	Real	Wholesale	Public	Other	Individuals	Total
	Institutions	uring	Estate	and	Sector	Industries		
	€000	€000	€000	Retail	€000	€000	€000	€000
				Trade				
				€000				
Cash and balances with Central Bank of Malta (excluding cash in hand)	366,352	-	-	-	-	-	-	366,352
Loans and advances to banks	24,080	-	-	-	-	-	-	24,080
Financial assets at FVTPL	10,435	1,040	98	239	16,933	16,696	-	45,441
Syndicated loans (gross)	58,532	66,823	18,000	4,000	-	40,130	-	187,485
Loans and advances to customers (gross)	2,137	32,185	327,076	62,719	5,158	417,966	2,178,596	3,025,837
Derivative assets held for risk management	2,607	-	-	-	-	-	-	2,607
Other debt and fixed income instruments (gross)	71,541	4,998	799	10,370	296,301	3,082	-	387,091
Other receivables	-	-	-	-	-	9,124	-	9,124
<b>As at 31 December 2024</b>	<b>535,684</b>	<b>105,046</b>	<b>345,973</b>	<b>77,328</b>	<b>318,392</b>	<b>486,998</b>	<b>2,178,596</b>	<b>4,048,017</b>
Financial guarantees and other contingent liabilities	797	772	9,017	3,700	-	13,164	5,180	32,630
Commitments	68,550	15,426	245,036	28,031	4,918	135,308	686,785	1,184,054
<b>As at 31 December 2024</b>	<b>69,347</b>	<b>16,198</b>	<b>254,053</b>	<b>31,731</b>	<b>4,918</b>	<b>148,472</b>	<b>691,965</b>	<b>1,216,684</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.3 Credit Risk Exposure (continued)

46.2.3.2 Concentration of risk (continued)

The Bank

Concentrations of risk	Financial	Manufac	Real	Wholesale	Public	Other	Individuals	Total
	Institutions	-turing	Estate	and	Sector	Industries		
	€000	€000	€000	Retail	€000	€000	€000	€000
				Trade				
				€000				
Cash and balances with Central Bank of Malta (excluding cash in hand) (gross)	384,490	-	-	-	-	-	-	384,490
Loans and advances to banks (gross)	51,879	-	-	-	-	-	-	51,879
Syndicated loans (gross)	56,665	38,389	14,000	12,505	10,000	48,557	-	180,116
Loans and advances to customers (gross)	1,257	32,749	327,632	69,303	986	495,723	2,463,369	3,391,019
Derivative assets held for risk management	1,968	-	-	-	-	-	-	1,968
Other debt and fixed income instruments (gross)	36,028	-	-	2,277	424,069	-	-	462,374
Other receivables	-	-	-	-	-	15,387	-	15,387
<b>As at 31 December 2025</b>	<b>532,287</b>	<b>71,138</b>	<b>341,632</b>	<b>84,085</b>	<b>435,055</b>	<b>559,667</b>	<b>2,463,369</b>	<b>4,487,233</b>
Financial guarantees and other contingent liabilities	257	1,452	9,205	3,923	-	12,755	6,139	33,731
Commitments	87,894	30,276	283,965	24,969	5,000	129,280	754,629	1,316,013
<b>As at 31 December 2025</b>	<b>88,151</b>	<b>31,728</b>	<b>293,170</b>	<b>28,892</b>	<b>5,000</b>	<b>142,035</b>	<b>760,768</b>	<b>1,349,744</b>

The Bank

Concentrations of risk	Financial	Manufac	Real	Wholesale	Public	Other	Individuals	Total
	Institutions	-turing	Estate	and	Sector	Industries		
	€000	€000	€000	Retail	€000	€000	€000	€000
				Trade				
				€000				
Cash and balances with Central Bank of Malta (excluding cash in hand) (gross)	366,352	-	-	-	-	-	-	366,352
Loans and advances to banks (gross)	22,050	-	-	-	-	-	-	22,050
Syndicated loans (gross)	58,532	66,823	18,000	4,000	-	40,130	-	187,485
Loans and advances to customers (gross)	2,137	32,185	327,076	62,719	5,159	417,966	2,178,596	3,025,838
Derivative assets held for risk management	2,422	-	-	-	-	-	-	2,422
Other debt and fixed income instruments (gross)	71,142	4,998	799	10,370	296,301	3,082	-	386,692
Other receivables	-	-	-	-	-	9,907	-	9,907
<b>As at 31 December 2024</b>	<b>522,635</b>	<b>104,006</b>	<b>345,875</b>	<b>77,089</b>	<b>301,460</b>	<b>471,085</b>	<b>2,178,596</b>	<b>4,000,746</b>
Financial guarantees and other contingent liabilities	797	772	9,017	3,700	-	13,164	5,180	32,630
Commitments	68,550	15,426	245,036	28,031	4,918	135,308	686,785	1,184,054
<b>As at 31 December 2024</b>	<b>69,347</b>	<b>16,198</b>	<b>254,053</b>	<b>31,731</b>	<b>4,918</b>	<b>148,472</b>	<b>691,965</b>	<b>1,216,684</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 46. RISK MANAGEMENT (continued)

#### 46.2 Credit risk (continued)

##### 46.2.3 Credit Risk Exposure (continued)

##### 46.2.3.3 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. Of the total loans and advances to customers, 89.2% (2024: 87.9%) were collateralised.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- cash and securities;
- Government guarantees;
- mortgages over residential properties, with the substantial majority being situated in Malta;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities, equities and insurance policies.

Longer-term finance and lending to corporate entities are generally secured, however, revolving personal credit facilities are, generally, unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities are generally unsecured, with the exception of covered bonds, which are mainly secured by residential mortgages.

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

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use. During 2025, no new properties have been repossessed (same in 2024).

A portion of the Group's financial assets originated by the mortgage business has sufficiently low LTV ratios, which results in low loss allowance being recognised in accordance with the Group's ECL model. The carrying amount of such financial assets is €2,118 million as at 31 December 2025 (2024 - €1,910 million).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.3 Credit Risk Exposure (continued)

46.2.3.3 Collateral and other credit enhancements (continued)

The Group/The Bank

31 December 2025	Gross Exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets	€000	€000	€000	€000
<b>Loans to individuals:</b>				
- Overdrafts	2,410	1,961	448	373
- Term Loans	1,622	683	940	941
- Home Loans	8,550	2,174	6,377	6,427
<b>Loans to corporate entities:</b>				
- Large corporate entities (Syndicated loans)	10,381	6,014	4,367	-
- Small and medium-sized enterprise (SMEs)	16,602	2,894	13,708	13,911
- Other	8,634	4,152	4,481	4,248
<b>Total credit-impaired assets</b>	<b>48,199</b>	<b>17,878</b>	<b>30,321</b>	<b>25,900</b>

The Group/The Bank

31 December 2024	Gross Exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets	€000	€000	€000	€000
<b>Loans to individuals:</b>				
- Overdrafts	2,302	1,823	479	397
- Term Loans	1,586	536	1,050	1,050
- Home Loans	8,762	2,195	6,567	6,648
<b>Loans to corporate entities:</b>				
- Large corporate entities (Syndicated loans)	10,000	6,014	3,986	-
- Small and medium-sized enterprise (SMEs)	16,915	3,073	13,842	14,081
- Other	8,523	3,836	4,687	4,383
<b>Total credit-impaired assets</b>	<b>48,088</b>	<b>17,477</b>	<b>30,611</b>	<b>26,559</b>

The Group/The Bank

The following table shows the distribution of LTV ratios for the Group's home loans and term loans credit-impaired portfolio:

Home loans portfolio- LTV distribution	Credit-impaired (Gross carrying amount)	
	2025 €000	2024 €000
Lower than 50%	1,178	2,326
50 to 60%	1,682	1,774
60 to 70%	1,530	576
70 to 80%	1,335	2,404
80 to 90%	2,038	987
90 to 100%	453	321
Higher than 100%	335	375
<b>Total</b>	<b>8,551</b>	<b>8,763</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.3 Credit Risk Exposure (continued)

46.2.3.4 Credit quality

The following table sets out information about the credit quality of financial assets<sup>6</sup> measured at amortised cost and FVTOCI. Unless specifically indicated, for financial assets, the amount in the table represents gross carrying amounts.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in previous notes.

The Bank

	12-month ECL €000	Lifetime ECL not credit- impaired €000	Lifetime ECL credit-impaired €000	Total €000
<b>31 December 2025</b>				
<b>Loans and advances to customers at amortised cost</b>				
Grade 1-4: Low risk	3,312,160	-	-	3,312,160
Grades 5-6: Watch & substandard	-	41,041	-	41,041
Grade 7: Doubtful	-	-	13,698	13,698
Grade 8: Classified	-	-	24,120	24,120
Loss allowance	(860)	(350)	(11,864)	(13,074)
<b>Carrying amount</b>	<b>3,311,300</b>	<b>40,691</b>	<b>25,954</b>	<b>3,377,945</b>
<b>Debt securities – At amortised cost</b>				
Investment grade	196,089	-	-	196,089
Sub-investment grade	-	84	-	84
Loss allowance	(116)	(30)	-	(146)
<b>Carrying amount</b>	<b>195,973</b>	<b>54</b>	<b>-</b>	<b>196,027</b>
<b>Debt securities - FVTOCI</b>				
Investment grade	265,678	-	-	265,678
<b>Carrying amount</b>	<b>265,678</b>	<b>-</b>	<b>-</b>	<b>265,678</b>
<b>Syndicated loans</b>				
Grade 1-4: Low risk	26,589	-	-	26,589
Investment grade	81,030	-	-	81,030
Sub-investment grade	47,530	14,586	10,381	72,497
Loss allowance	(585)	(801)	(6,014)	(7,400)
<b>Carrying amount</b>	<b>154,564</b>	<b>13,785</b>	<b>4,367</b>	<b>172,716</b>
<b>Cash and balances with Central Bank of Malta</b>				
Investment grade	401,099	-	-	401,099
Loss allowance	(5)	-	-	(5)
<b>Carrying amount</b>	<b>401,094</b>	<b>-</b>	<b>-</b>	<b>401,094</b>
<b>Loans and advances to banks</b>				
Investment grade	51,879	-	-	51,879
Loss allowance	(19)	-	-	(19)
<b>Carrying amount</b>	<b>51,860</b>	<b>-</b>	<b>-</b>	<b>51,860</b>

<sup>6</sup> The financial assets of the Group are excluded from this section since they are out of scope of ECL calculation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.3 Credit Risk Exposure (continued)

46.2.3.4 Credit quality (continued)

The Bank

	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
31 December 2024	€000	€000	€000	€000
<b>Loans and advances to customers at amortised cost</b>				
Grade 1-4: Low risk	2,937,659	-	-	2,937,659
Grades 5-6: Watch & substandard	-	50,090	-	50,090
Grade 7: Doubtful	-	-	13,067	13,067
Grade 8: Classified	-	-	25,021	25,021
Loss allowance	(983)	(376)	(11,464)	(12,823)
<b>Carrying amount</b>	<b>2,936,676</b>	<b>49,714</b>	<b>26,624</b>	<b>3,013,014</b>
<b>Debt securities – At amortised cost</b>				
Investment grade	271,304	-	-	271,304
Sub-investment grade	-	200	-	200
Loss allowance	(73)	(30)	-	(103)
<b>Carrying amount</b>	<b>271,231</b>	<b>170</b>	<b>-</b>	<b>271,401</b>
<b>Debt securities - FVTOCI</b>				
Investment grade	113,170	-	-	113,170
Sub-investment grade	2,018	-	-	2,018
<b>Carrying amount</b>	<b>115,188</b>	<b>-</b>	<b>-</b>	<b>115,188</b>
<b>Syndicated loans</b>				
Grade 1-4: Low risk	24,214	-	-	24,214
Investment grade	77,097	8,000	-	85,097
Sub-investment grade	42,174	26,000	10,000	78,174
Loss allowance	(541)	(833)	(6,014)	(7,388)
<b>Carrying amount</b>	<b>142,944</b>	<b>33,167</b>	<b>3,986</b>	<b>180,097</b>
<b>Cash and balances with Central Bank of Malta</b>				
Investment grade	379,656	-	-	379,656
Loss allowance	(3)	-	-	(3)
<b>Carrying amount</b>	<b>379,653</b>	<b>-</b>	<b>-</b>	<b>379,653</b>
<b>Loans and advances to banks</b>				
Investment grade	22,050	-	-	22,050
Loss allowance	(23)	-	-	(23)
<b>Carrying amount</b>	<b>22,027</b>	<b>-</b>	<b>-</b>	<b>22,027</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.2 Credit risk (continued)**

**46.2.3 Credit Risk Exposure (continued)**

**46.2.3.4 Credit quality (continued)**

The following table provides an analysis of the performing and non-performing exposures of the Group's and Bank's customer loan portfolio:

The Group/The Bank	Total		Of which	
	2025	forborne	Total	forborne
	€000	€000	2024	2024
			€000	€000
<b>Performing</b>				
Stage 1	3,312,160	3,140	2,937,659	18,860
Stage 2	41,041	61	50,090	6,993
<b>Non-Performing</b>				
Stage 3	37,818	13,343	38,088	18,163
<b>Total gross/forborne exposures</b>	<b>3,391,019</b>	<b>16,544</b>	<b>3,025,837</b>	<b>44,016</b>

**46.2.4 Loss allowance**

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

- transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- impacts on the measurements of ECL due to changes made to models and assumptions;
- discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
<i>Loans and advances to customers at amortised cost</i>	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCl) €000	Total €000
Loss allowance as at 1 January 2025	984	375	11,464	12,823
Movements in loss allowance				
Transfers:				
<i>Transfer to/(from) stage 1</i>	(4)	-	-	(4)
<i>Transfer to/(from) stage 2</i>	-	30	-	30
<i>Transfer to/(from) stage 3</i>	-	-	642	642
Write-offs	-	-	(223)	(223)
New financial assets originated or purchased	205	101	18	324
Financial assets derecognised during the period	(72)	(40)	(400)	(512)
(Decreases)/increases due to change in credit risk	(252)	(118)	364	(6)
<b>Loss allowance as at 31 December 2025</b>	<b>861</b>	<b>348</b>	<b>11,865</b>	<b>13,074</b>

The Bank	Stage 1	Stage 2	Stage 3	
<i>Loans and advances to customers at amortised cost</i>	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCl) €000	Total €000
Loss allowance as at 1 January 2024	1,101	601	16,982	18,684
Movements in loss allowance				
Transfers:				
<i>Transfer to/(from) stage 1</i>	1	-	-	1
<i>Transfer to/(from) stage 2</i>	-	(139)	-	(139)
<i>Transfer to/(from) stage 3</i>	-	-	363	363
Write-offs	-	-	(5,088)	(5,088)
New financial assets originated or purchased	230	39	93	362
Financial assets derecognised during the period	(46)	(49)	(730)	(825)
Decreases due to change in credit risk	(302)	(77)	(156)	(535)
<b>Loss allowance as at 31 December 2024</b>	<b>984</b>	<b>375</b>	<b>11,464</b>	<b>12,823</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCI) €000	Total €000
<i>Debt securities at amortised cost</i>				
Loss allowance as at 1 January 2025	74	29	-	103
New financial assets originated or purchased	59	-	-	59
Financial assets derecognised during the period	(20)	-	-	(20)
Increases due to change in credit risk	3	-	-	3
Foreign exchange and other movements	-	1	-	1
<b>Loss allowance as at 31 December 2025</b>	<b>116</b>	<b>30</b>	<b>-</b>	<b>146</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCI) €000	Total €000
<i>Debt securities at amortised cost</i>				
Loss allowance as at 1 January 2024	159	40	-	199
Financial assets derecognised during the period	(21)	-	-	(21)
Decreases due to change in credit risk	(64)	(11)	-	(75)
<b>Loss allowance as at 31 December 2024</b>	<b>74</b>	<b>29</b>	<b>-</b>	<b>103</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	€000	€000	(but not POCI) €000	€000
<i>Debt securities at FVTOCI</i>				
Loss allowance as at 1 January 2025	80	-	331	411
New financial assets originated or purchased	75	-	-	75
Financial assets derecognised during the period	(15)	-	-	(15)
Increases due to change in credit risk	2	-	-	2
<b>Loss allowance as at 31 December 2025</b>	<b>142</b>	<b>-</b>	<b>331</b>	<b>473</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	€000	€000	(but not POCI) €000	€000
<i>Debt securities at FVTOCI</i>				
Loss allowance as at 1 January 2024	101	-	331	432
New financial assets originated or purchased	12	-	-	12
Financial assets derecognised during the period	(4)	-	-	(4)
Decreases due to change in credit risk	(29)	-	-	(29)
<b>Loss allowance as at 31 December 2024</b>	<b>80</b>	<b>-</b>	<b>331</b>	<b>411</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<i>Syndicated loans</i>	€000	€000	(but not POCI) €000	€000
Loss allowance as at 1 January 2025	541	833	6,014	7,388
New financial assets originated or purchased	491	43	-	534
Financial assets derecognised during the period	(474)	(262)	-	(736)
Increases due to change in credit risk	27	187	-	214
<b>Loss allowance as at 31 December 2025</b>	<b>585</b>	<b>801</b>	<b>6,014</b>	<b>7,400</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<i>Syndicated loans</i>	€000	€000	(but not POCI) €000	€000
Loss allowance as at 1 January 2024	406	427	2,682	3,515
Movements in loss allowance				
Transfers:				
<i>Transfer from stage 1</i>	(89)	-	-	(89)
<i>Transfer to stage 2</i>	-	208	-	208
New financial assets originated or purchased	250	-	-	250
Financial assets derecognised during the period	(225)	-	-	(225)
Increases due to change in credit risk	199	198	3,332	3,729
<b>Loss allowance as at 31 December 2024</b>	<b>541</b>	<b>833</b>	<b>6,014</b>	<b>7,388</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<i>Loans and advances to banks</i>	€000	€000	(but not POCI) €000	€000
Loss allowance as at 1 January 2025	23	-	-	23
Decreases due to change in credit risk	(3)	-	-	(3)
Foreign exchange and other movements	(1)	-	-	(1)
<b>Loss allowance as at 31 December 2025</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>19</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<i>Loans and advances to banks</i>	€000	€000	(but not POCI) €000	€000
Loss allowance as at 1 January 2024	51	-	-	51
New financial assets originated or purchased	10	-	-	10
Financial assets derecognised during the period	(17)	-	-	(17)
Decreases due to change in credit risk	(21)	-	-	(21)
<b>Loss allowance as at 31 December 2024</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>23</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<i>Cash and balances with the Central Bank of Malta</i>	€000	€000	(but not POCI) €000	€000
Loss allowance as at 1 January 2025	2	-	-	2
New financial assets originated or purchased	3	-	-	3
<b>Loss allowance as at 31 December 2025</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>5</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
<i>Cash and balances with the Central Bank of Malta</i>	€000	€000	(but not POCI) €000	€000
Loss allowance as at 1 January 2024	2	-	-	2
<b>Loss allowance as at 31 December 2024</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The following tables further explain changes in the gross carrying amount of each portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

The Bank	Stage 1	Stage 2	Stage 3	
<i>Loans and advances to customers at amortised cost</i>	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCI) €000	Total €000
Gross carrying amount as at 1 January 2025	2,937,660	50,090	38,087	3,025,837
Transfers:				
<i>Transfer to/(from) stage 1</i>	4,838	-	-	4,838
<i>Transfer to/(from) stage 2</i>	-	(7,718)	-	(7,718)
<i>Transfer to/(from) stage 3</i>	-	-	2,043	2,043
Write-offs	-	-	(223)	(223)
New financial assets originated or purchased	595,720	6,164	144	602,028
Financial assets derecognised during the period	(179,774)	(4,218)	(2,326)	(186,318)
(Decreases)/increases due to changes in credit risk	(46,280)	(3,277)	89	(49,468)
<b>Gross carrying amount as at 31 December 2025</b>	<b>3,312,164</b>	<b>41,041</b>	<b>37,814</b>	<b>3,391,019</b>

The Bank	Stage 1	Stage 2	Stage 3	
<i>Loans and advances to customers at amortised cost</i>	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCI) €000	Total €000
Gross carrying amount as at 1 January 2024	2,597,610	59,869	55,434	2,712,913
Transfers:				
<i>Transfer to/(from) stage 1</i>	10,782	-	-	10,782
<i>Transfer to/(from) stage 2</i>	-	(7,110)	-	(7,110)
<i>Transfer to/(from) stage 3</i>	-	-	(4,097)	(4,097)
Write-offs	-	-	(5,088)	(5,088)
New financial assets originated or purchased	584,078	2,123	676	586,877
Financial assets derecognised during the period	(222,290)	(2,097)	(9,444)	(233,831)
(Decreases)/increases due to changes in credit risk	(32,520)	(2,695)	606	(34,609)
<b>Gross carrying amount as at 31 December 2024</b>	<b>2,937,660</b>	<b>50,090</b>	<b>38,087</b>	<b>3,025,837</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCI) €000	Total €000
<i>Debt securities at amortised cost</i>				
Gross carrying amount as at 1 January 2025	271,304	200	-	271,504
New financial assets originated or purchased	105,811	-	-	105,811
Financial assets derecognised during the period	(180,830)	-	-	(180,830)
Decreases due to change in credit risk	(196)	(116)	-	(312)
<b>Gross carrying amount as at 31 December 2025</b>	<b>196,089</b>	<b>84</b>	<b>-</b>	<b>196,173</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCI) €000	Total €000
<i>Debt securities at amortised cost</i>				
Gross carrying amount as at 1 January 2025	326,523	200	-	326,723
Financial assets derecognised during the period	(48,357)	-	-	(48,357)
Decreases due to change in credit risk	(6,862)	-	-	(6,862)
<b>Gross carrying amount as at 31 December 2024</b>	<b>271,304</b>	<b>200</b>	<b>-</b>	<b>271,504</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
<i>Syndicated loans</i>	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCI) €000	Total €000
Gross carrying amount as at 1 January 2025	143,485	34,000	10,000	187,485
New financial assets originated or purchased	102,688	2,586	-	105,274
Financial assets derecognised during the period	(87,628)	(22,000)	-	(109,628)
Decreases due to change in credit risk	(3,396)	-	-	(3,396)
Foreign exchange and other movements	-	-	381	381
<b>Gross carrying amount as at 31 December 2025</b>	<b>155,149</b>	<b>14,586</b>	<b>10,381</b>	<b>180,116</b>

The Bank	Stage 1	Stage 2	Stage 3	
<i>Syndicated loans</i>	12-month ECL €000	Lifetime ECL €000	Lifetime ECL (but not POCI) €000	Total €000
Gross carrying amount as at 1 January 2024	164,653	13,032	10,000	187,685
Transfers:				
<i>Transfer to/(from) stage 1</i>	(21,000)	-	-	(21,000)
<i>Transfer to/(from) stage 2</i>	-	21,000	-	21,000
New financial assets originated or purchased	75,251	-	-	75,251
Financial assets derecognised during the period	(76,339)	-	-	(76,339)
Increases/(decreases) due to change in credit risk	920	(32)	-	888
<b>Gross carrying amount as at 31 December 2024</b>	<b>143,485</b>	<b>34,000</b>	<b>10,000</b>	<b>187,485</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.2 Credit risk (continued)

46.2.4 Loss allowance (continued)

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
	€000	€000	€000	€000
<i>Cash and Balances with Central Bank of Malta</i>				
Gross carrying amount as at 1 January 2025	379,655	-	-	379,655
New financial assets originated or purchased	21,444	-	-	21,444
<b>Gross carrying amount as at 31 December 2025</b>	<b>401,099</b>	<b>-</b>	<b>-</b>	<b>401,099</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
	€000	€000	€000	€000
<i>Cash and Balances with Central Bank of Malta</i>				
Gross carrying amount as at 1 January 2024	131,072	-	-	131,072
New financial assets originated or purchased	248,583	-	-	248,583
<b>Gross carrying amount as at 31 December 2024</b>	<b>379,655</b>	<b>-</b>	<b>-</b>	<b>379,655</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
	€000	€000	€000	€000
<i>Loans and advances to Banks</i>				
Gross carrying amount as at 1 January 2025	22,050	-	-	22,050
New financial assets originated or purchased	4,253	-	-	4,253
Changes in model/risk parameters	25,576	-	-	25,576
<b>Gross carrying amount as at 31 December 2025</b>	<b>51,879</b>	<b>-</b>	<b>-</b>	<b>51,879</b>

The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (but not POCI)	Total
	€000	€000	€000	€000
<i>Loans and advances to Banks</i>				
Gross carrying amount as at 1 January 2024	54,003	-	-	54,003
New financial assets originated or purchased	2,850	-	-	2,850
Financial assets derecognised during the period	(16,966)	-	-	(16,966)
Decreases due to change in credit risk	(17,837)	-	-	(17,837)
<b>Gross carrying amount as at 31 December 2024</b>	<b>22,050</b>	<b>-</b>	<b>-</b>	<b>22,050</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 46. RISK MANAGEMENT (continued)

#### 46.2 Credit risk (continued)

##### 46.2.5 Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity; and
- situations where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group does not have any enforcement activities on written-off activities, meaning that the Group does not seek to recover amounts which it is legally owed in full, once these are written off.

##### 46.2.6 Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers. The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified but the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- internal grading/credit rating at the reporting date based on the modified terms; with
- internal grading/credit rating on initial recognition at the original contractual terms.

The Group renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if:

- the debtor is currently in default on its debt or if there is a high risk of default;
- there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms; and
- the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, revision of interest rate, or changing the timing of interest payments. Both retail and corporate loans are subject to the forbearance policy. The appropriate committee, depending on the facility amount and type of facility, reviews reports on forbore facilities on a regular basis.

For financial assets modified as part of the Group's forbearance policy, the credit grading reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and consider various behavioural indicators.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk. Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of one year before the exposure is no longer considered to be in default/credit-impaired.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.3 Liquidity risk**

Liquidity risk is the risk that Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due. To limit this risk, the Group has arranged for diversified funding sources. The Group also manages this risk by matching the maturities of assets and liabilities.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The disclosures made in the financial statements showing maturities are intended to show the timing of cash flows arising from assets and liabilities.

The Bank's Liquidity Coverage Ratio (LCR) remained relatively stable and within the Bank's risk appetite and applicable regulatory limit. Further information on the LCR is included in the 'Pillar 3 Disclosures' Report as published on the Bank's website.

The below table analyses the carrying amounts of assets and liabilities recognised on the statement of financial position into relevant maturity groupings, based on the remaining period to the contractual maturity date. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table below does not reflect the expected cash flows indicated by its deposit retention history.

**The Group**

	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
<b>At 31 December 2025</b>						
<b>Assets</b>						
Cash and balances with Central Bank of Malta	401,094	-	-	-	-	401,094
Loans and advances to banks	53,062	-	-	-	-	53,062
Financial assets at FVTPL	903	1,076	14,110	18,112	8,960	43,161
Syndicated loans (net)	13,885	75,236	65,413	18,182	-	172,716
Loans and advances to customers (net)	9,551	179,809	149,385	3,039,200	-	3,377,945
Derivative assets held for risk management	-	-	1,968	-	-	1,968
Other debt and fixed income instruments (net)	13,432	22,721	233,079	193,745	-	462,977
Equity and other non-fixed income instruments	-	-	-	-	6,342	6,342
Investment in associates	-	-	-	-	14,798	14,798
Other assets	8,568	1,308	-	-	101,138	111,014
	<b>500,495</b>	<b>280,150</b>	<b>463,955</b>	<b>3,269,239</b>	<b>131,238</b>	<b>4,645,077</b>
<b>Liabilities and equity</b>						
Derivative liabilities held for risk management	-	-	1,968	-	-	1,968
Amounts owed to banks	300	1,549	-	-	-	1,849
Amounts owed to customers	3,286,735	424,987	421,116	1,412	-	4,134,250
Lease liabilities	-	729	1,999	1,000	-	3,728
Debt securities in issue	-	-	-	104,314	-	104,314
Other liabilities	4,436	2,354	2,604	460	26,815	36,669
Equity	-	-	-	-	362,299	362,299
	<b>3,291,471</b>	<b>429,619</b>	<b>427,687</b>	<b>107,186</b>	<b>389,114</b>	<b>4,645,077</b>
<b>Gap</b>	<b>(2,790,976)</b>	<b>(149,469)</b>	<b>36,268</b>	<b>3,162,053</b>	<b>(257,876)</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.3 Liquidity risk (continued)

The Group

	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
<b>At 31 December 2024</b>						
<b>Assets</b>						
Cash and balances with Central Bank of Malta	379,653	-	-	-	-	379,653
Loans and advances to banks	24,057	-	-	-	-	24,057
Financial assets at FVTPL	241	1,476	15,424	22,180	6,120	45,441
Syndicated loans (net)	9,577	57,688	95,542	17,290	-	180,097
Loans and advances to customers (net)	23,934	149,926	151,672	2,687,482	-	3,013,014
Derivative assets held for risk management	-	186	2,421	-	-	2,607
Other debt and fixed income instruments (net)	70,343	149,509	133,334	33,802	-	386,988
Equity and other non-fixed income instruments	-	-	-	-	6,190	6,190
Investment in associates	-	-	-	-	16,204	16,204
Other assets	11,757	1,104	-	-	94,040	106,901
	<b>519,562</b>	<b>359,889</b>	<b>398,393</b>	<b>2,760,754</b>	<b>122,554</b>	<b>4,161,152</b>
<b>Liabilities and equity</b>						
Derivative liabilities held for risk management	-	471	2,421	-	-	2,892
Amounts owed to banks	25,511	3,098	-	-	-	28,609
Amounts owed to customers	2,512,376	669,659	487,209	1,406	-	3,670,650
Lease liabilities	-	713	2,446	1,207	-	4,366
Debt securities in issue	-	-	-	104,210	-	104,210
Other liabilities	4,960	5,672	5,084	460	24,325	40,501
Equity	-	-	-	-	309,924	309,924
	<b>2,542,847</b>	<b>679,613</b>	<b>497,160</b>	<b>107,283</b>	<b>334,249</b>	<b>4,161,152</b>
<b>Gap</b>	<b>(2,023,285)</b>	<b>(319,724)</b>	<b>(98,767)</b>	<b>2,653,471</b>	<b>(211,695)</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.3 Liquidity risk (continued)

The Bank

	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
<b>At 31 December 2025</b>						
<b>Assets</b>						
Cash and balances with Central Bank of Malta	401,094	-	-	-	-	401,094
Loans and advances to banks	51,860	-	-	-	-	51,860
Syndicated loans (net)	13,885	75,236	65,413	18,182	-	172,716
Loans and advances to customers (net)	9,551	179,809	149,385	3,039,200	-	3,377,945
Derivative assets held for risk management	-	-	1,968	-	-	1,968
Other debt and fixed income instruments (net)	12,684	22,721	233,079	193,744	-	462,228
Equity and other non-fixed income instruments	-	-	-	-	6,342	6,342
Investment in subsidiaries	-	-	-	-	40,251	40,251
Investment in associates	-	-	-	-	14,299	14,299
Other assets	8,568	1,308	-	-	99,955	109,831
	<b>497,642</b>	<b>279,074</b>	<b>449,845</b>	<b>3,251,126</b>	<b>160,847</b>	<b>4,638,534</b>
<b>Liabilities and equity</b>						
Derivative liabilities held for risk management	-	-	1,968	-	-	1,968
Amounts owed to banks	300	1,549	-	-	-	1,849
Amounts owed to customers	3,287,450	424,987	421,116	1,412	-	4,134,965
Lease liabilities	-	729	1,999	1,000	-	3,728
Debt securities in issue	-	-	-	104,314	-	104,314
Other liabilities	4,436	2,354	2,604	460	26,858	36,712
Equity	-	-	-	-	354,998	354,998
	<b>3,292,186</b>	<b>429,619</b>	<b>427,687</b>	<b>107,186</b>	<b>381,856</b>	<b>4,638,534</b>
<b>Gap</b>	<b>(2,794,544)</b>	<b>(150,545)</b>	<b>22,158</b>	<b>3,143,940</b>	<b>(221,009)</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.3 Liquidity risk (continued)

The Bank

	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
<b>At 31 December 2024</b>						
<b>Assets</b>						
Cash and balances with Central Bank of Malta	379,653	-	-	-	-	379,653
Loans and advances to banks	21,536	491	-	-	-	22,027
Syndicated loans (net)	9,577	57,688	95,542	17,290	-	180,097
Loans and advances to customers (net)	23,934	149,926	151,672	2,687,482	-	3,013,014
Derivative assets held for risk management	-	1	2,421	-	-	2,422
Other debt and fixed income instruments (net)	70,343	149,509	133,334	33,403	-	386,589
Equity and other non-fixed income instruments	-	-	-	-	6,190	6,190
Investment in subsidiaries	-	-	-	-	40,251	40,251
Investment in associates	-	-	-	-	15,749	15,749
Other assets	10,646	1,104	-	-	94,582	106,332
	<b>515,689</b>	<b>358,719</b>	<b>382,969</b>	<b>2,738,175</b>	<b>156,772</b>	<b>4,152,324</b>
<b>Liabilities and equity</b>						
Derivative liabilities held for risk management	-	1	2,421	-	-	2,422
Amounts owed to banks	25,511	3,098	-	-	-	28,609
Amounts owed to customers	2,513,465	669,659	487,209	1,406	-	3,671,739
Lease liabilities	-	713	2,446	1,207	-	4,366
Debt securities in issue	-	-	-	104,210	-	104,210
Other liabilities	4,960	5,672	5,084	460	24,482	40,658
Equity	-	-	-	-	300,320	300,320
	<b>2,543,936</b>	<b>679,143</b>	<b>497,160</b>	<b>107,283</b>	<b>324,802</b>	<b>4,152,324</b>
<b>Gap</b>	<b>(2,028,247)</b>	<b>(320,424)</b>	<b>(114,191)</b>	<b>2,630,892</b>	<b>(168,030)</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.3 Liquidity risk (continued)**

**Analysis of financial liabilities by remaining contractual maturities**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2025 and 31 December 2024 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table below does not reflect the expected cash flows:

**The Group**

	<b>Less than three months</b>	<b>Between three months and one year</b>	<b>Between one year and five years</b>	<b>More than five years</b>	<b>Others</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>At 31 December 2025</b>						
<b>Liabilities</b>						
Derivative liabilities held for risk management	-	-	1,968	-	-	1,968
Amounts owed to banks	300	1,549	-	-	-	1,849
Amounts owed to customers	3,291,196	427,325	423,713	1,415	-	4,143,649
Lease liabilities	-	793	2,247	1,061	-	4,101
Debt securities in issue	114	343	117,264	-	-	117,721
Other liabilities	4,436	2,354	2,604	460	26,815	36,669
	<b>3,296,046</b>	<b>432,364</b>	<b>547,796</b>	<b>2,936</b>	<b>26,815</b>	<b>4,305,957</b>

Loan Commitments	1,316,013
Contingent Liabilities	33,731

	<b>Less than three months</b>	<b>Between three months and one year</b>	<b>Between one year and five years</b>	<b>More than five years</b>	<b>Others</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>At 31 December 2024</b>						
<b>Liabilities</b>						
Derivative liabilities held for risk management	-	471	2,421	-	-	2,892
Amounts owed to banks	25,511	3,098	-	-	-	28,609
Amounts owed to customers	2,518,527	675,277	492,275	1,409	-	3,687,488
Lease liabilities	-	800	2,810	1,291	-	4,901
Debt securities in issue	114	343	18,750	116,228	-	135,435
Other liabilities	4,960	5,672	5,084	460	24,325	40,501
	<b>2,549,112</b>	<b>685,661</b>	<b>521,340</b>	<b>119,388</b>	<b>24,325</b>	<b>3,899,826</b>

Loan Commitments	1,184,054
Contingent Liabilities	32,630

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.3 Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities as at 31 December 2025 and 31 December 2024 based on contractual undiscounted repayment obligations:

The Bank

	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
<b>At 31 December 2025</b>						
<b>Liabilities</b>						
Derivative liabilities held for risk management	-	-	1,968	-	-	1,968
Amounts owed to banks	300	1,549	-	-	-	1,849
Amounts owed to customers	3,291,910	427,325	423,713	1,415	-	4,144,363
Lease liabilities	-	793	2,247	1,061	-	4,101
Debt securities in issue	114	343	117,264	-	-	117,721
Other liabilities	4,436	2,354	2,605	460	26,858	36,713
	<b>3,296,760</b>	<b>432,364</b>	<b>547,797</b>	<b>2,936</b>	<b>26,858</b>	<b>4,306,715</b>

Loan Commitments	1,316,013
Contingent Liabilities	33,731

	Less than three months €000	Between three months and one year €000	Between one year and five years €000	More than five years €000	Others €000	Total €000
<b>At 31 December 2024</b>						
<b>Liabilities</b>						
Derivative liabilities held for risk management	-	1	2,421	-	-	2,422
Amounts owed to banks	25,555	3,098	-	-	-	28,653
Amounts owed to customers	2,518,527	675,277	492,275	1,409	-	3,687,488
Lease liabilities	-	800	2,810	1,291	-	4,901
Debt securities in issue	114	343	18,750	116,228	-	135,435
Other liabilities	4,960	5,672	5,084	460	24,482	40,658
	<b>2,549,156</b>	<b>685,191</b>	<b>521,340</b>	<b>119,388</b>	<b>24,482</b>	<b>3,899,557</b>

Loan Commitments	1,184,054
Contingent Liabilities	32,630

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.3 Liquidity risk (continued)

Asset encumbrance

In accordance with Appendix 3 of BR07/2014 - *Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act 1994* and the CRR, credit institutions shall ensure compliance with the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets.

The Bank's encumbered assets relate to debt securities which are pledged in favour of the European Central Bank for the purposes of existing and potential long term re-financing operations and also cash in favour of the Depositor Compensation Scheme.

The Bank	Carrying amount of encumbered assets €000	Fair value of encumbered assets €000	Carrying amount of unencumbered assets €000	Fair value of unencumbered assets €000
<b>Assets as at 31 December 2025</b>				
Equity instruments	-	-	60,892	6,594
Debt securities	176,505	172,319	285,200	284,758
Other assets	4,068	-	4,111,869	-
<b>Assets of the reporting institutions</b>	<b>180,573</b>	<b>172,319</b>	<b>4,457,961</b>	<b>291,352</b>

The Bank	Carrying amount of encumbered assets €000	Fair value of encumbered assets €000	Carrying amount of unencumbered assets €000	Fair value of unencumbered assets €000
<b>Assets as at 31 December 2024</b>				
Equity instruments	-	-	62,190	6,441
Debt securities	168,195	163,491	217,872	217,520
Other assets	3,092	-	3,700,975	-
<b>Assets of the reporting institutions</b>	<b>171,287</b>	<b>163,491</b>	<b>3,981,037</b>	<b>223,961</b>

In the above table, the unencumbered assets disclosed under *Other Assets* include loans and advances, cash and short-term funds, property, plant and equipment, tax assets and other assets.

The table below discloses the liabilities associated with the Bank's encumbered assets.

	The Bank			
	2025		2024	
	Matching liabilities €000	Encumbered Assets €000	Matching liabilities €000	Encumbered Assets €000
Encumbered assets/collateral received and associated liabilities				
<b>Carrying amount of selected financial liabilities</b>	<b>182,199</b>	<b>180,573</b>	<b>171,762</b>	<b>171,287</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.4 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and the prices of equities, bonds and commodities.

The Group's exposure to market risk is mainly in the form of interest rate risk and foreign exchange risk. The risk associated with the Group's exposure in equities is not considered to be material. Also, as disclosed in Note 20, derivative liabilities held for risk management comprise customer deposits on which the return varies with the performance of reference equity and commodity indices. The Bank manages the resulting market risks through purchased warrants that are presented as derivative assets held for risk management.

**46.4.1 Interest rate risk**

Interest rate risk is the risk of the exposure of the Group's financial condition to unfavourable movements in interest rates.

The Group manages its exposure to interest rate risk using interest rates repricing gaps and both economic value and earnings-based measures. The Group's interest rate risk management framework is in line with the relevant guidelines issued by the EBA. Further information on the Bank's IRRBB Framework is provided in the Pillar 3 Disclosures Report<sup>7</sup> as published on the Bank's website.

The following tables show the impact on the Bank's economic value under different interest rate scenarios. The Bank's interest rate risk management framework follows relevant EBA Guidelines. These Guidelines mandate six shock scenarios that set out the change in interest rates under which the impact on the economic value of equity is assessed.

	Parallel shock up €000	Parallel shock down €000	Short rates up €000	Short rates down €000	Steeper €000	Flattener €000
<b>Sensitivity of reported equity to interest rates movements</b>						
<b>At 31 December 2025</b>						
Average for the period	(16,415)	6,611	(6,690)	8,103	12,169	(658)
Maximum for the period	2,257	19,764	3,417	14,597	15,269	6,189
Minimum for the period	(28,843)	(8,629)	(12,954)	587	8,705	(4,149)

	Parallel shock up €000	Parallel shock down €000	Short rates up €000	Short rates down €000	Steeper €000	Flattener €000
<b>Sensitivity of reported equity to interest rates movements</b>						
<b>At 31 December 2024</b>						
Average for the period	16,178	(19,465)	11,031	(6,999)	5,490	8,417
Maximum for the period	28,399	(9,967)	17,987	2,978	15,398	10,478
Minimum for the period	4,060	(29,816)	4,435	(18,470)	(5,761)	6,435

The potential impact on the Group's economic value is based on the most unfavourable scenario which, as at 31 December 2025, was brought through the 'parallel down' scenario. The scenarios are reviewed periodically by Management to ensure that these capture all plausible scenarios.

<sup>7</sup>The Pillar 3 Disclosures Report is not subject to external audit, with the exception of any disclosures that are equivalent to those made in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.4 Market risk (continued)

46.4.1 Interest rate risk (continued)

The following tables show the impact on the Bank's net interest income under two different interest rate scenarios as outlined in the respective EBA Guidelines.

	Parallel shock up €000	Parallel shock down €000
<b>Sensitivity of projected net interest rate income to interest rates movements</b>		
<b>Financial year ended 31 December 2025</b>		
Average for the period	1,482	(1,615)
Maximum for the period	7,738	6,187
Minimum for the period	(6,187)	(7,738)

	Parallel shock up €000	Parallel shock down €000
<b>Sensitivity of projected net interest rate income to interest rates movements</b>		
<b>Financial year ended 31 December 2024</b>		
Average for the period	5,259	(5,259)
Maximum for the period	9,364	(2,676)
Minimum for the period	2,676	(9,364)

Over the reporting period the main change to the potential impact on both economic value and net interest income as a result of interest rate changes was due to the increase in the Bank's investments portfolio.

The below tables set out interest sensitive assets and liabilities categorised by repricing dates.

**The Group**

<b>At 31 December 2025</b>	<b>Up to 1 year €000</b>	<b>1 – 5 years €000</b>	<b>5 – 10 years €000</b>	<b>More than 10 years €000</b>	<b>Others €000</b>
<b>Assets</b>					
Cash and balances with Central Bank of Malta	347,961	-	-	-	-
Loans and advances to banks	53,062	-	-	-	-
Loans and advances to customers	2,305,767	1,065,948	3,553	2,677	-
Syndicated loans	172,716	-	-	-	-
Derivative assets held for risk management	-	1,968	-	-	-
Financial assets at FVTPL	10,173	17,217	6,278	9,493	-
Debt securities	35,404	233,079	194,494	-	-
	<b>2,925,083</b>	<b>1,318,212</b>	<b>204,325</b>	<b>12,170</b>	<b>-</b>
<b>Liabilities</b>					
Amounts owed to banks	1,849	-	-	-	-
Amounts owed to customers	2,806,893	1,325,861	1,496	-	-
Derivative liabilities held for risk management	-	1,968	-	-	-
Debt securities in issue	-	104,314	-	-	-
	<b>2,808,742</b>	<b>1,432,143</b>	<b>1,496</b>	<b>-</b>	<b>-</b>
<b>Net interest rate risk GAP</b>					
<b>at 31 December 2025</b>	<b>116,341</b>	<b>(113,931)</b>	<b>202,829</b>	<b>12,170</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.4 Market risk (continued)

46.4.1 Interest rate risk (continued)

The Group

At 31 December 2024	Up to 1 year €000	1 – 5 years €000	5 – 10 years €000	More than 10 years €000	Others €000
<b>Assets</b>					
Cash and balances with Central Bank of Malta	335,393	-	-	-	-
Loans and advances to banks	24,057	-	-	-	-
Loans and advances to customers	1,969,197	475,508	562,397	5,912	-
Syndicated loans	180,097	-	-	-	-
Derivative assets held for risk management	185	2,422	-	-	-
Financial assets at FVTPL	10,220	18,041	10,555	6,625	-
Debt securities	219,852	133,334	33,802	-	-
	<b>2,739,001</b>	<b>629,305</b>	<b>606,754</b>	<b>12,537</b>	-
<b>Liabilities</b>					
Amounts owed to banks	28,609	-	-	-	-
Amounts owed to customers	2,461,655	1,207,589	1,406	-	-
Derivative liabilities held for risk management	470	2,422	-	-	-
Debt securities in issue	-	49,476	54,734	-	-
	<b>2,490,734</b>	<b>1,259,487</b>	<b>56,140</b>	-	-
<b>Net interest rate risk GAP at 31 December 2024</b>	<b>248,267</b>	<b>(630,182)</b>	<b>550,614</b>	<b>12,537</b>	-

The Bank

At 31 December 2025	Up to 1 year €000	1 – 5 years €000	5 – 10 years €000	More than 10 years €000	Others €000
<b>Assets</b>					
Cash and balances with Central Bank of Malta	347,961	-	-	-	-
Loans and advances to banks	51,860	-	-	-	-
Loans and advances to customers	2,305,767	1,065,948	3,553	2,677	-
Syndicated Loans	172,716	-	-	-	-
Derivative assets held for risk management	-	1,968	-	-	-
Financial assets at FVTPL	-	-	-	-	-
Debt securities	35,404	233,079	193,745	-	-
	<b>2,913,708</b>	<b>1,300,995</b>	<b>197,298</b>	<b>2,677</b>	-
<b>Liabilities</b>					
Amounts owed to banks	1,849	-	-	-	-
Amounts owed to customers	2,807,607	1,325,862	1,496	-	-
Derivative liabilities held for risk management	-	1,968	-	-	-
Debt securities in issue	-	104,314	-	-	-
	<b>2,809,456</b>	<b>1,432,144</b>	<b>1,496</b>	-	-
<b>Net interest rate risk GAP at 31 December 2025</b>	<b>104,252</b>	<b>(131,149)</b>	<b>195,802</b>	<b>2,677</b>	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.4 Market risk (continued)

46.4.1 Interest rate risk (continued)

The Bank

At 31 December 2024	Up to 1 year €000	1 – 5 years €000	5 – 10 years €000	More than 10 years €000	Others €000
<b>Assets</b>					
Cash and balances with Central Bank of Malta	335,393	-	-	-	-
Loans and advances to banks	22,027	-	-	-	-
Loans and advances to customers	1,969,197	475,508	562,397	5,912	-
Syndicated loans	180,097	-	-	-	-
Loans and advances to customers	-	2,422	-	-	-
Debt securities	219,852	133,334	33,403	-	-
	<b>2,726,566</b>	<b>611,264</b>	<b>595,800</b>	<b>5,912</b>	<b>-</b>
<b>Liabilities</b>					
Amounts owed to banks	28,609	-	-	-	-
Amounts owed to customers	2,462,744	1,207,589	1,406	-	-
Derivative liabilities held for risk management	-	2,422	-	-	-
Debt securities in issue	-	49,476	54,734	-	-
	<b>2,491,353</b>	<b>1,259,487</b>	<b>56,140</b>	<b>-</b>	<b>-</b>
<b>Net interest rate risk GAP at 31 December 2024</b>	<b>235,213</b>	<b>(648,223)</b>	<b>539,660</b>	<b>5,912</b>	<b>-</b>

The carrying amount of assets and liabilities that carry a variable interest rate is €2.6 billion and €2.8 billion, respectively (2024: €2.5 billion and €2.0 billion).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.4 Market risk (continued)**

**46.4.2 Currency risk**

Currency risk is the risk of the exposure of the Group's financial position, financial performance and cash flow to unfavourable movements in foreign exchange rates.

The Group's financial assets and liabilities are substantially held in Euro. Limits are set on the level of exposure, both by individual currency and in total. The exposure is also monitored through regular sensitivity analysis.

The aggregate amount of assets and liabilities denominated in foreign currencies translated into Euro are as follows:

	<b>2025</b>			
	<b>USD</b>	<b>GBP</b>	<b>Other</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Assets	<b>102,830</b>	<b>36,465</b>	<b>16,159</b>	<b>155,454</b>
Liabilities	<b>102,834</b>	<b>36,458</b>	<b>16,055</b>	<b>155,347</b>
<b>GAP</b>	<b>(4)</b>	<b>7</b>	<b>104</b>	<b>107</b>

	<b>2024</b>			
	<b>USD</b>	<b>GBP</b>	<b>Other</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Assets	131,874	35,415	12,013	179,302
Liabilities	131,867	35,413	11,902	179,182
<b>GAP</b>	<b>7</b>	<b>2</b>	<b>111</b>	<b>120</b>

The minimal currency exposure is not expected to leave any significant impact on the Group's income.

Additional disclosures on currency composition of year-end balances are disclosed in Notes 16, 17, 18, 19, 21, 22, 31 and 32.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****46. RISK MANAGEMENT (continued)****46.5 Capital management**

The Group continuously aims at building and sustaining a strong capital base and at applying it efficiently throughout its activities to attain its strategic objectives, optimise shareholder value whilst ensuring the sustainability of the Bank's business model and risk profile. A strong and prudent capital base is one of the pillars of the Group's business model and maintaining adequate capital ratios will continue being key to enable the Group to steer through currently challenging economic conditions.

During the current financial year, the Group continued to perform the ICAAP, in compliance with Banking Rule BR/12/2022 - The Supervisory Review Process of Credit Institutions Authorised Under the Banking Act 1994, as mandated by the Capital Requirements Directive. The objective of the ICAAP is to inform the Board of Directors of the ongoing assessment of the Group's risks, how the Group mitigates those risks and how much capital is necessary having considered other mitigating factors. This process takes into consideration Pillar I risks, as well as other material risks (Pillar II risks) including concentration risk, interest rate risk, IT and Cyber risks, ESG risks, reputation risk and other key risks. Thus, the ICAAP serves as a key decision-making tool. The ICAAP demonstrated that the Group is well capitalised. The document was approved by the Board of Directors and submitted to the MFSA.

In accordance with the CRR, the Bank calculates its capital requirements for Pillar 1 risks as shown in the tables below. In addition, the Bank is required to meet a total SREP capital requirement (TSCR) of 11.15%, consisting of 8.0% minimum Pillar 1 requirement and a 3.15% Pillar 2 requirement (P2R). Banking Rule BR/15/2025 – Capital Buffers of Credit Institutions Authorised Under Banking Act 1994 requires institutions to maintain capital buffers over and above the Pillar 1 requirements. During 2025 the Bank operated at all times above the level of capital including the capital buffers. Further information on the P2R and capital buffers is included in the 'Pillar 3 Disclosures' Report as published on the Bank's website.

The capital adequacy ratio measures the Bank's own funds as a percentage of the total risk-weighted assets and off-balance sheet items. The ratio for the year under review has been prepared in compliance with the CRR and Capital Requirements Directive VI. During the year under review and the prior year, the Bank has complied with the externally imposed capital requirements. The table overleaf summarises the composition of regulatory capital and the ratios of the Bank as at the reporting date.

The Bank's capital is composed of Common Equity Tier 1 (CET 1) and Tier 2 capital instruments, as defined by the CRR. CET 1 capital is the highest quality capital and, therefore, the most effective in absorbing losses. The Bank's capital is mainly composed of CET 1 capital, which primarily consists of ordinary share capital and retained earnings. Further information on the Bank's capital position may be found in the 'Pillar 3 Disclosures' Report as published on the Bank's website which is prepared in line with Pillar III requirements of Banking Rule BR/07/2024 – Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised Under the Banking Act 1994 and governed by the CRR III.

In June 2024, 508,250 shares under the Executive Share Incentive Plan were vested. In June 2025, an additional 723,350 shares under the Executive Share Incentive Plan were vested. Scrip dividends amounting to 1,246,433 shares were issued during the year ended 2025 (2024: 1,294,303 shares). During the year under review the Bank issued 104,066,181 as rights issue shares. The shares qualify as Tier 1 capital, which ranks as Shareholders' equity.

Further information on the composition and features of the Bank's capital instruments is provided in the table overleaf.

No changes were made in the objectives, policies and processes governing the Bank's capital management from the previous years.

The original own funds calculation comprises retained earnings which are adjusted to exclude the amount specified in favour of the Depositor's Compensation Scheme Reserve in line with the legislation (Note 21).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.5 Capital management (continued)**

The Bank	2025	2024
	€000	€000
<b>CET1 capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	193,639	147,368
Retained earnings	126,114	119,530
Accumulated other comprehensive income	23,068	26,773
Other reserves	372	366
	<b>343,193</b>	<b>294,037</b>
<b>CET1 capital: regulatory adjustments</b>		
Intangible assets	(14,189)	(15,160)
Regulatory adjustments due to the requirements for prudent valuation pursuant to Article 4 of Delegated Regulation (EU) 2016/101	(336)	(207)
Regulatory adjustments due to insufficient coverage for non-performing exposures	(1,776)	(1,263)
	<b>(16,301)</b>	<b>(16,630)</b>
<b>CET 1/Tier 1 Capital</b>	<b>326,892</b>	<b>277,407</b>
<b>Tier 2 capital</b>		
Debt securities in issue	104,314	104,210
Regulatory adjustments applied to Tier 2 as per Article 64 of CRR3	(940)	-
	<b>103,374</b>	<b>104,210</b>
<b>Total Capital</b>	<b>430,266</b>	<b>381,617</b>
<b>Total Risk Weighted Assets</b>	<b>1,853,672</b>	<b>1,947,396</b>
<b>Capital Ratios</b>		
<b>CET1/Tier 1 Capital Ratio</b>	<b>17.63%</b>	14.25%
<b>Total Capital Ratio</b>	<b>23.21%</b>	19.60%
Amounts below the thresholds for deduction:		
Direct and indirect holdings of the capital of financial sector entities where the institution does not have significant investments in those entities (not included in CET 1 capital)	11,218	10,066

NOTES TO THE FINANCIAL STATEMENTS (continued)

46. RISK MANAGEMENT (continued)

46.5 Capital management (continued)

In line with the CRR, the following table discloses the main features and the terms and conditions of Bank's Tier 1 and Tier 2 instruments.

**Capital Instruments Main Features**

Issuer	APS Bank plc	APS Bank plc	APS Bank plc
Unique identifier	213800A1O379I6DMCU10	213800A1O379I6DMCU10	213800A1O379I6DMCU10
Governing law(s) of the instrument	Maltese law	Maltese law	Maltese law

**Regulatory treatment**

Transitional CRR rules	CET 1	Tier 2	Tier 2
Post-transitional CRR rules	CET 1	Tier 2	Tier 2
Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
Instrument type	Ordinary shares	Debt securities in issue	Debt securities in issue
Amount recognised in regulatory capital	121,411	54,061	50,000
Nominal amount of instrument	121,411	55,000	50,000
Issue price	N/A	55,000	50,000
Redemption price	N/A	100	100
Accounting classification	Shareholder's equity	Amortised cost	Amortised cost
Original date of issuance	1 June 1970*	19 November 2020	13 November 2023
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	No	19 November 2030	13 November 2033
Issuer call subject to prior supervisory approval	No	Yes	Yes
Optional call date, contingent call dates and redemption amount	No	19 November 2025 at 100 19 November 2026, 19 November 2027, 19 November 2028, 19 November 2029	13 November 2028 at 100 13 November 2029, 13 November 2030, 13 November 2031, 13 November 2032
Subsequent call dates, if applicable	No		

**Coupons / dividends**

Fixed or floating dividend/coupon	Floating	Fixed	Fixed
Coupon rate and any related index	N/A	3.25%, no index	5.80%, no index
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down features	No	No	No
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to creditors and depositors	Subordinated to creditors, senior secured and depositors	Subordinated to creditors, senior secured and depositors
Non-compliant transitioned features	No	N/A	N/A

\*Various, latest date of capital injection was 30 November 2025. Furthermore, during 2025 a scrip dividend was distributed to shareholders and a number of shares have been vested under the Employee Share Incentive Plan scheme.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**46. RISK MANAGEMENT (continued)**

**46.5 Capital management (continued)**

Full Reconciliation of Own Funds Items to Audited Financial Statements of the Bank as at 31 December 2025 is presented below:

	Balance in accordance with IFRS	Reconciling items	Balance in accordance with regulatory scope
	€000	€000	€000
Share capital (Note 36)	121,411	-	121,411
Debt securities in issue (Note 34)	104,314	(940)	103,374
Share premium (Note 36)	72,228	-	72,228
Revaluation reserve (Note 37)	19,177	3,891	23,068
Retained earnings (Note 38)	141,810	(15,696)	126,114
Other reserves	372	-	372
Intangible assets (Note 27)	21,731	(7,542)	14,189
Prudent valuation adjustment	-	336	336

**47. ULTIMATE CONTROLLING PARTY**

As at end of December 2024, the financial statements of APS Bank plc were included in the consolidated financial statements of AROM Holdings Limited – the Bank’s ultimate parent company, registered in Malta. As at end of December 2024, the ultimate controlling party of APS Bank plc was the Archdiocese of Malta.

Following the dilution of shares by AROM Holdings Limited in November 2025, the entity is no longer considered as the Bank’s ultimate parent company. Given that AROM Holdings Limited still holds more than 20% shareholding in the Bank and given that the entity is considered to be a Qualifying Shareholder, with the right to appoint a Chairman, AROM Holdings Limited is considered to have a significant influence over the Bank.

Following the issuance of the rights issue and the dilution of shares by AROM Holdings Limited there is no longer an ultimate controlling party to the Group.

The registered address of both AROM Holdings Limited and the Archdiocese of Malta is Archbishop’s Curia, St. Calcedonius Square, Floriana.

**48. COMPARATIVE INFORMATION**

Certain comparative amounts have been reclassified to conform with the current year presentation. These reclassifications are not material to the financial statements.

**49. SUBSEQUENT EVENTS**

There were no material events after the reporting date requiring adjustment to or disclosure in these financial statements.



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## Independent auditor's report

to the members of  
APS Bank p.l.c.

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of APS Bank p.l.c. (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (together, the "Group"), set out on pages 64 to 163, which comprise the statements of financial position as at 31 December 2025, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank and the Group as at 31 December 2025, and of the Bank's and the Group's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap.386) and the Banking Act (Cap.371).

#### **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 are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that is relevant to our audit of the financial statements of public interest entities in Malta. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Bank and the Group and have not provided any of the non-audit services prohibited by article 18A (1) of the Accountancy Profession Act (Cap. 281).

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## Independent auditor's report (continued)

to the members of  
APS Bank p.l.c.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matter described below pertains to the audit of both the Bank and the Group financial statements. This matter was addressed in the context of our audit of the Bank and the Group's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Impairment allowances on loans and advances to customers and on syndicated loans

At 31 December 2025 the Bank and Group reported total gross loans and advances to customers ("assets") of EUR 3,391,019,000 and EUR 13,074,000 of expected credit loss provisions ("ECL") and total gross syndicated loans ("assets") of EUR 180,116,000 and EUR 7,400,000 of ECL.

The determination of the Bank and the Group's ECL on its loans and advances to customers and on syndicated loans is subject to a high degree of estimation uncertainty and management judgement. Assumptions in respect of the timing, measurement and disclosure of ECL include:

- **Staging** – Allocation of assets to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9 considering the impact of macroeconomic uncertainties on customer behaviours and further support measures that were granted following the identification of underlying significant deterioration in credit risk;
- **Model estimations** – Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL;
- **Economic scenarios** – Inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios;
- **Post model adjustments** – Assumptions used to estimate the possible negative impact of macroeconomic uncertainties on certain customers and/or sectors and any resulting model adjustments;
- **Individual provisions** - Measurement of individual provisions including the assessment of multiple scenarios on exit strategies, collateral valuations and time to collect; and
- **Disclosure** - The completeness and accuracy of disclosures considering the key judgments, sources of data and the design of the disclosures.

Our audit response to address the risk of material misstatement arising from the ECL calculation comprised the following:

#### *Controls testing and analytical procedures:*

We evaluated the design and implementation and tested the operating effectiveness of the Bank's and Group's key controls across the processes relevant to the ECL calculation, including testing of the automated controls embedded in the ECL system. Data analytics was used in order to analyse the loan data and the movements in the various credit risk grading categories and stages in order to identify any anomalies and possible risk areas. We reviewed management's assessment of the reliability of the collateral valuation reports being used in the ECL calculation.

## Independent auditor's report (continued)

to the members of  
APS Bank p.l.c.

### Key Audit Matters (continued)

#### Impairment allowances on loans and advances to customers and on syndicated loans (continued)

##### *Staging:*

We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's and Group's portfolio, risk profile, credit risk management policies and the macroeconomic environment. We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9 and sample tested assets classified in each of stages 1, 2 and 3 to verify that they were allocated to the appropriate stage.

##### *Model estimations:*

We tested the data used in the ECL calculation by reconciling to source systems in order to gain reasonable assurance over the data quality. Assumptions and inputs used in ECL models were tested substantively, including assessing the appropriateness of model design. Formulas used were recalculated for mathematical accuracy.

##### *Economic scenarios:*

We reviewed the inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios.

##### *Post model adjustments:*

We reviewed management's assessment of post model adjustments for appropriateness.

##### *Individual provisions:*

For a sample of individually impaired loans, we evaluated the specific circumstances of the customer, including latest available information, the basis for measuring the impairment provision, and whether key judgements were appropriate. We reformed management's impairment calculations, which were largely based on the expected recovery from collateral held. We tested the valuation of collateral, challenging subjective estimates by referring to historical recoveries and market information available.

##### *Disclosure:*

We assessed the adequacy and appropriateness of disclosures for compliance with IFRS Accounting Standards as issued by the IASB as adopted by the EU and regulatory considerations.

The Bank and Group's disclosures about impairment are included in Notes 2.3, 11 and 46, which include the directors' assessment of the adequacy of the impairment provisions.

### Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, the CEO's Review, the Board of Directors pages, the Executive Management pages, Corporate Governance Report which includes the Compliance with the code, the Directors' Report which includes the statement of directors' responsibilities, the Nominations and Remuneration Report required under Rule 12.26K of the Capital Markets Rules, the Five-Year Summaries and Our Presence page which we obtained prior to the date of this auditor's report.

## Independent auditor's report (continued)

to the members of  
APS Bank p.l.c.

### Other information (continued)

However, the other information does not include the individual and consolidated financial statements, our auditor's report and the relevant tagging applied in accordance with the requirements of the European Single Electronic Format, as defined in our *Report on Other Legal and Regulatory Requirements*.

Except for our opinions on the Directors' Report in accordance with the Companies Act (Cap. 386), and on the Corporate Governance Statement of Compliance and on the Remuneration Report in accordance with the Capital Markets Rules issued by the Malta Financial Services Authority, our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386), and the statement required by Rule 5.62 of the Capital Markets Rules on the Bank's and the Group's ability to continue as a going concern.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 14 to 39, in our opinion, based on the work undertaken in the course of the audit:

(a) Non-financial statement in the Directors' Report

- The Directors' Report includes non-financial information in line with the requirements of paragraphs 8 and 11 of the Sixth Schedule to the Companies Act (Cap. 386). The proviso to sub-article 179(3) of that Act requires us to check whether such information is provided, but not to express any comment thereon.

(b) Directors' Report information other than the non-financial statement

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Directors' Report has been prepared in accordance with the applicable legal requirements.

In the light of the knowledge and understanding of the Bank, the Group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

## Independent auditor's report (continued)

to the members of  
APS Bank p.l.c.

### **Responsibilities of the Directors and the Audit Committee for the Financial Statements**

As explained more fully in the Statement of directors' responsibilities on page 38, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB as adopted by the European Union and the requirements of the Companies Act (Cap.386) and the Banking Act (Cap.371), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors have delegated the responsibility for overseeing the Bank's and the Group's financial reporting process to the Audit Committee.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

This report, including the opinions set out herein, has been prepared for the Bank's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

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 opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). 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.

In terms of article 179A(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the Bank or of the Group, or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Bank and the Group. The financial position of the Bank or the Group may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

As such, our audit report on the Bank's and the Group's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Bank and/or the Group, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Bank and/or the Group. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Bank and/or the Group and to identify any facts or circumstances that may be materially relevant thereto.

## Independent auditor's report (continued)

to the members of  
APS Bank p.l.c.

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment 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 or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and/or the Group to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Bank's or the Group's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Bank's and/or the Group's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Bank, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

## **Independent auditor's report (continued)**

to the members of  
APS Bank p.l.c.

### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### ***Report on Other Legal and Regulatory Requirements***

#### **Report on compliance of the Annual Financial Report with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS")**

Pursuant to Capital Markets Rule 5.55.6 issued by the Malta Financial Services Authority, we have undertaken a reasonable assurance engagement in accordance with the requirements of the Accountancy Profession (European Single Electronic Format) Assurance Directive issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281), hereinafter referred to as the "ESEF Directive 6", on the annual financial report of the Company and the Group for the year ended 31 December 2025, prepared in a single electronic reporting format.

Solely for the purposes of our reasonable assurance report on the compliance of the annual financial report with the requirements of the ESEF RTS, the "Annual Financial Report" comprises the Directors' Report, the Statement of Directors' responsibilities, the Corporate Governance Statement of Compliance, the annual financial statements, the prescribed disclosures of material contracts, General Company Information, and the Independent auditor's report, as set out in Capital Markets Rules 5.55.

#### ***Responsibilities of the Directors for the Annual Financial Report***

The directors are responsible for:

- the preparation and publication of the Annual Financial Report, including the consolidated financial statements and the relevant tagging requirements therein, as required by Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS,

## Independent auditor's report (continued)

to the members of  
APS Bank p.l.c.

### **Report on Other Legal and Regulatory Requirements (continued)**

#### **Report on compliance of the Annual Financial Report with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS") (continued)**

- designing, implementing, and maintaining internal controls relevant to the preparation of the Annual Financial Report that is free from material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error,

and consequently, for ensuring the accurate transfer of the information in the Annual Financial Report into a single electronic reporting format.

#### *Auditor's responsibilities for the Reasonable Assurance Engagement*

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

The nature, timing and extent of procedures we performed, including the assessment of the risks of material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error, were based on our professional judgement and included:

- Obtaining an understanding of the Bank's and the Group's internal controls relevant to the financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required tags therein have been applied and evaluating the appropriateness, in all material respects, of the use of such tags in accordance with the requirements of the ESEF RTS.

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

## Independent auditor's report (continued)

to the members of  
APS Bank p.l.c.

### *Reasonable Assurance Opinion*

In our opinion, the Annual Financial Report for the year ended 31 December 2025 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

This reasonable assurance opinion only covers the transfer of the information in the Annual Financial Report into a single electronic reporting format as required by the ESEF RTS, and therefore does not cover the information contained in the Annual Financial Report.

### **Report on Corporate Governance Statement of Compliance**

Pursuant to Rule 5.94 of the Capital Market Rules issued by the Malta Financial Services Authority, the directors are required to include in the Bank's Annual Financial Report a Corporate Governance Statement of Compliance explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Capital Markets Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Rule 5.97 of the Capital Markets Rules.

Our responsibility is laid down by Rule 5.98 of the Capital Markets Rules, which requires us to include a report to shareholders on the Corporate Governance Statement of Compliance in the Company's Annual Financial Report.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement of Compliance contains at least the information set out in Rule 5.97 of the Capital Markets Rules.

We are not required to, and we do not, consider whether the directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages 40 to 54 has been properly prepared in accordance with the requirements of Rules 5.94 and 5.97 of the Capital Markets Rules.

### **Report on Remuneration Report**

Pursuant to Rule 12.26K of the Capital Markets Rules issued by the Malta Financial Services Authority, the directors are required to draw up a Remuneration Report, whose contents are to be in line with the requirements listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.

Our responsibility is laid down by Rule 12.26N of the Capital Markets Rules, which requires us to check that the information that needs to be provided in the Remuneration Report, as required in terms of Chapter 12 of the Capital Markets Rules, including Appendix 12.1, has been included.

## Independent auditor's report (continued)

to the members of  
APS Bank p.l.c.

### Report on Remuneration Report (continued)

In our opinion, the Remuneration Report set out on pages 55 to 62 includes the information that needs to be provided in the Remuneration Report in terms of the Capital Markets Rules.

### *Additional matters on which we are required to report pursuant to the Banking Act (Cap. 371)*

In our opinion:

- Proper accounting records have been kept so far as it appears from our examination thereof;
- The financial statements are in agreement with the accounting records; and
- We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

### *Matters on which we are required to report by exception pursuant to the Companies Act (Cap. 386) in addition to those reported above*

We have responsibilities to report to you if in our opinion:

- Proper returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.

### Auditor tenure

We were first appointed to act as statutory auditor to audit the Bank's and the Group's financial statements by the members of the Bank on 27 July 2017 for the financial year ended 31 December 2017, and were subsequently reappointed as statutory auditor by the members of the Bank on an annual basis. The period of total uninterrupted engagement as statutory auditor is nine financial years.

### Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of Article 11 of the EU Audit Regulation No. 537/2014.

The audit report was drawn up on 12 March 2026 and signed by:

Annabelle Zammit Pace as Director  
in the name and on behalf of  
**Deloitte Audit Limited**  
Registered auditor  
Central Business District, Birkirkara, Malta.

**FIVE-YEAR SUMMARIES - STATEMENTS OF PROFIT OR LOSS**

**The Group**

	2025 €000	2024 €000	2023 €000	2022 €000	2021 €000
Interest and similar income	123,125	114,734	105,684	79,859	69,135
Interest expense	(44,431)	(49,225)	(32,096)	(14,766)	(13,773)
<b>Net interest income</b>	<b>78,694</b>	<b>65,509</b>	<b>73,588</b>	<b>65,093</b>	<b>55,362</b>
Other operating income/(loss)	10,568	17,341	11,878	(445)	7,781
<b>Total operating income</b>	<b>89,262</b>	<b>82,850</b>	<b>85,466</b>	<b>64,648</b>	<b>63,143</b>
Operating expenses	(63,095)	(56,941)	(52,630)	(47,029)	(40,584)
Share of results of associate, net of tax	1,049	809	902	(2,213)	21
Net impairment (losses)/gains	(721)	(2,956)	(3,497)	254	1,488
<b>Profit before tax</b>	<b>26,495</b>	<b>23,762</b>	<b>30,241</b>	<b>15,660</b>	<b>24,068</b>
Income tax expense	(10,231)	(5,581)	(9,667)	(9,893)	(8,967)
<b>Profit for the year</b>	<b>16,264</b>	<b>18,181</b>	<b>20,574</b>	<b>5,767</b>	<b>15,101</b>

**The Bank**

	2025 €000	2024 €000	2023 €000	2022 €000	2021 €000
Interest and similar income	121,394	112,932	104,163	78,439	67,640
Interest expense	(44,431)	(49,225)	(32,096)	(14,766)	(13,773)
<b>Net interest income</b>	<b>76,963</b>	<b>63,707</b>	<b>72,067</b>	<b>63,673</b>	<b>53,867</b>
Other operating income	12,160	17,268	10,606	10,882	8,060
<b>Total operating income</b>	<b>89,123</b>	<b>80,975</b>	<b>82,673</b>	<b>74,555</b>	<b>61,927</b>
Operating expenses	(61,528)	(55,507)	(51,371)	(45,880)	(39,678)
Net impairment (losses)/gains	(721)	(2,956)	(3,497)	254	1,488
<b>Profit before tax</b>	<b>26,874</b>	<b>22,512</b>	<b>27,805</b>	<b>28,929</b>	<b>23,737</b>
Income tax expense	(10,084)	(5,515)	(9,598)	(9,773)	(8,696)
<b>Profit for the year</b>	<b>16,790</b>	<b>16,997</b>	<b>18,207</b>	<b>19,156</b>	<b>15,041</b>

THE GROUP'S FIVE-YEAR SUMMARY - STATEMENTS OF FINANCIAL POSITION

	2025	2024	2023	2022	2021
	€000	€000	€000	€000	€000
<b>ASSETS</b>					
Cash and balances with Central Bank of Malta	401,094	379,653	131,071	85,887	210,604
Loans and advances to banks	53,062	24,057	54,499	72,870	32,296
Financial assets at fair value through profit or loss	43,161	45,441	46,267	41,046	61,846
Non-current assets held for sale	-	-	1,738	1,733	-
Syndicated loans	172,716	180,097	184,172	135,210	134,262
Loans and advances to customers	3,377,945	3,013,014	2,694,229	2,224,694	1,932,044
Derivative assets held for risk management	1,968	2,607	846	738	552
Other debt and fixed income instruments	462,977	386,988	442,032	459,601	328,041
Equity and other non-fixed income instruments	6,342	6,190	6,960	303	307
Investment in associates	14,798	16,204	14,784	13,667	19,803
Investment properties	13,227	13,227	6,714	6,593	6,053
Property and equipment	49,298	49,730	39,824	39,252	40,998
Intangible assets	21,731	20,742	17,523	14,545	11,746
Right-of-use assets	3,489	4,185	4,386	5,040	5,051
Other receivables	16,570	12,860	12,813	8,016	9,152
Current tax assets	6,699	5,700	195	-	-
Deferred tax assets	-	457	3,154	2,957	2,249
<b>TOTAL ASSETS</b>	<b>4,645,077</b>	<b>4,161,152</b>	<b>3,661,207</b>	<b>3,112,152</b>	<b>2,795,004</b>
<b>LIABILITIES</b>					
Derivative liabilities held for risk management	1,968	2,892	629	738	552
Amounts owed to banks	1,849	28,609	80,685	50,387	57,208
Amounts owed to customers	4,134,250	3,670,650	3,137,839	2,710,633	2,431,757
Lease liabilities	3,728	4,366	4,585	5,246	5,348
Accruals	17,492	22,433	22,842	13,621	13,325
Debt securities in issue	104,314	104,210	104,173	54,642	54,597
Other liabilities	18,933	18,068	20,385	13,121	10,450
Current tax liabilities	-	-	2,641	2,306	945
Deferred tax liabilities	244	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4,282,778</b>	<b>3,851,228</b>	<b>3,373,779</b>	<b>2,850,694</b>	<b>2,574,182</b>
<b>EQUITY</b>					
Share capital	121,411	94,902	94,451	91,729	62,429
Share premium	72,228	52,467	51,907	48,410	10,453
Revaluation reserve	19,177	19,315	7,905	2,981	25,334
Retained earnings	136,545	128,612	118,508	107,209	103,974
Other reserves	372	366	293	147	-
Non-controlling interests	12,566	14,262	14,364	10,982	18,632
<b>TOTAL EQUITY</b>	<b>362,299</b>	<b>309,924</b>	<b>287,428</b>	<b>261,458</b>	<b>220,822</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,645,077</b>	<b>4,161,152</b>	<b>3,661,207</b>	<b>3,112,152</b>	<b>2,795,004</b>
<b>MEMORANDUM ITEMS</b>					
Contingent liabilities	33,731	32,630	30,638	21,911	25,356
Commitments	1,316,013	1,184,054	1,099,547	878,787	802,552

THE BANK'S FIVE-YEAR SUMMARY - STATEMENTS OF FINANCIAL POSITION

	2025	2024	2023	2022	2021
	€000	€000	€000	€000	€000
<b>ASSETS</b>					
Cash and balances with Central Bank of Malta	401,094	379,653	131,071	85,887	210,604
Loans and advances to banks	51,860	22,027	53,951	71,023	30,831
Non-current assets held for sale	-	-	1,738	1,733	-
Syndicated loans	172,716	180,097	184,172	135,210	134,262
Loans and advances to customers	3,377,945	3,013,014	2,694,229	2,224,694	1,932,044
Derivative assets held for risk management	1,968	2,422	536	738	552
Other debt and fixed income instruments	462,228	386,589	442,032	459,601	328,041
Equity and other non-fixed income instruments	6,342	6,190	6,960	303	307
Investment in subsidiaries	40,251	40,251	40,251	40,251	45,251
Investment in associates	14,299	15,749	14,563	14,063	16,761
Investment properties	13,227	13,227	6,714	6,593	6,053
Property and equipment	49,298	49,730	39,824	39,252	40,998
Intangible assets	21,731	20,742	17,523	14,545	11,746
Right-of-use assets	3,489	4,185	4,386	5,040	5,051
Other receivables	15,387	12,534	12,180	8,202	8,303
Current tax assets	6,699	5,457	-	-	-
Deferred tax assets	-	457	3,154	2,957	2,249
<b>TOTAL ASSETS</b>	<b>4,638,534</b>	<b>4,152,324</b>	<b>3,653,284</b>	<b>3,110,092</b>	<b>2,773,053</b>
<b>LIABILITIES</b>					
Derivative liabilities held for risk management	1,968	2,422	536	738	552
Amounts owed to banks	1,849	28,609	80,685	50,387	57,208
Amounts owed to customers	4,134,965	3,671,739	3,139,214	2,712,804	2,433,073
Lease liabilities	3,728	4,366	4,585	5,246	5,348
Accruals	17,587	22,611	22,787	13,561	13,224
Debt securities in issue	104,314	104,210	104,173	54,642	54,597
Other liabilities	18,881	18,047	20,339	13,080	10,404
Current tax liabilities	-	-	2,641	2,306	758
Deferred tax liabilities	244	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4,283,536</b>	<b>3,852,004</b>	<b>3,374,960</b>	<b>2,852,764</b>	<b>2,575,164</b>
<b>EQUITY</b>					
Share capital	121,411	94,902	94,451	91,729	62,429
Share premium	72,228	52,467	51,907	48,410	10,453
Revaluation reserve	19,177	19,315	7,905	2,981	25,334
Retained earnings	141,810	133,270	123,768	114,061	99,673
Other reserves	372	366	293	147	-
<b>TOTAL EQUITY</b>	<b>354,998</b>	<b>300,320</b>	<b>278,324</b>	<b>257,328</b>	<b>197,889</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,638,534</b>	<b>4,152,324</b>	<b>3,653,284</b>	<b>3,110,092</b>	<b>2,773,053</b>
<b>MEMORANDUM ITEMS</b>					
Contingent liabilities	33,731	32,630	30,638	21,911	25,356
Commitments	1,316,013	1,184,054	1,099,547	878,787	802,552

**THE GROUP'S FIVE-YEAR SUMMARY - STATEMENTS OF CASH FLOWS**

	2025	2024	2023	2022	2021
	€000	€000	€000	€000	€000
<b>Net cash flows from/(used in) operating activities</b>	<b>106,400</b>	217,893	(68,245)	3,835	49,036
<b>Investing activities</b>					
Dividends received	610	513	286	403	597
Interest income from debt securities	6,246	5,993	7,015	7,328	7,054
Purchase of debt and other fixed income instruments	(331,188)	(31,715)	(22,797)	(229,935)	(44,389)
Proceeds on maturity and disposal of debt and other fixed income instruments	256,026	90,786	44,022	73,040	23,838
Purchase of financial assets at FVTPL	(35,991)	(31,446)	(46,678)	(98,742)	(46,241)
Proceeds on disposal of financial assets at FVTPL	37,139	33,435	42,804	99,653	34,605
Purchase of equity and other fixed income instruments	-	(47)	(5,718)	-	-
Proceeds on disposal of investments in associates	3,136	1,814	-	9,589	-
Investment in associate	(1,000)	(3,000)	(500)	(500)	(1,500)
Purchase of property and equipment	(6,346)	(11,713)	(8,861)	(5,431)	(653)
<b>Net cash flows (used in)/from investing activities</b>	<b>(71,368)</b>	54,620	9,573	(144,595)	(26,689)
<b>Financing activities</b>					
Proceeds from issue of new shares, net of issue costs	45,130	-	-	65,457	-
Dividends paid	(7,839)	(7,081)	(2,703)	(3,170)	(2,144)
Amounts received on creation of units in subsidiary	445	2,064	3,459	1,027	9,386
Amounts paid on redemption of units in subsidiary	(1,922)	(2,451)	(625)	(630)	(794)
Net proceeds from issue from debt securities in issue	-	-	49,486	-	-
Cash payment for the principal portion of lease liability	(757)	(765)	(722)	(761)	(515)
<b>Net cash flows from/(used in) financing activities</b>	<b>35,057</b>	(8,233)	48,895	61,923	5,933
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>70,089</b>	264,280	(9,777)	(78,837)	28,280
<b>Cash and cash equivalents at 1 January</b>	<b>346,767</b>	82,487	92,264	171,101	142,821
<b>Cash and cash equivalents at 31 December</b>	<b>416,856</b>	346,767	82,487	92,264	171,101

**THE BANK'S FIVE-YEAR SUMMARY – STATEMENTS OF CASH FLOWS**

	2025	2024	2023	2022	2021
	€000	€000	€000	€000	€000
<b>Net cash flows from/(used in) operating activities</b>	<b>105,167</b>	216,192	(69,180)	3,517	48,158
<b>Investing activities</b>					
Dividends received	1,723	1,639	1,252	1,477	1,273
Interest income from debt securities	6,214	5,991	7,015	7,328	7,054
Purchase of debt and other fixed income instruments	(330,687)	(31,316)	(22,797)	(229,935)	(44,389)
Proceeds on maturity and disposal of debt and other fixed income instruments	255,876	90,786	44,022	73,040	23,838
Purchase of equity and other non-fixed income instruments	-	(47)	(5,718)	-	-
Proceeds on disposal of financial assets at FVTPL	-	-	-	-	249
Purchase of property and equipment	(6,346)	(11,713)	(8,861)	(5,431)	(653)
Proceeds on disposal of investments in associates	3,136	1,814	-	9,589	-
Investment in associates	(1,000)	(3,000)	(500)	(500)	(1,500)
<b>Net cash flows (used in)/from investing activities</b>	<b>(71,084)</b>	54,154	14,413	(144,432)	(14,128)
<b>Financing activities</b>					
Proceeds from issue of new shares, net of issue costs	45,130	-	-	65,457	-
Dividends paid	(7,539)	(6,783)	(2,475)	(3,000)	(1,913)
Proceeds from issue of debt securities in issue	-	-	49,486	-	-
Cash payment for the principal portion of lease liability	(757)	(765)	(722)	(761)	(515)
<b>Net cash flows from/(used in) financing activities</b>	<b>36,834</b>	(7,548)	46,289	61,696	(2,428)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>70,917</b>	262,798	(8,478)	(79,219)	31,602
<b>Cash and cash equivalents at 1 January</b>	<b>344,737</b>	81,939	90,417	169,636	138,034
<b>Cash and cash equivalents at 31 December</b>	<b>415,654</b>	344,737	81,939	90,417	169,636

**THE GROUP'S FIVE-YEAR SUMMARY - ACCOUNTING RATIOS**

	<b>2025</b>	2024	2023	2022	2021
	%	%	%	%	%
Net interest income and other operating income to total assets	<b>1.9</b>	2.0	2.3	2.1	2.3
Operating expenses to total assets	<b>1.4</b>	1.4	1.4	1.5	1.5
Cost to income ratio	<b>70.7</b>	68.7	61.6	72.7	64.3
Profit before tax to total assets	<b>0.6</b>	0.6	0.8	0.5	0.9
Return on average equity after tax	<b>5.4</b>	6.3	7.5	2.3	7.1
	<b>2025</b>	2024	2023	2022	2021
Shares in issue (thousands)*	<b>485,642</b>	379,606	377,804	366,917	249,716
Net assets per share	<b>72c</b>	77c	72c	66c	74c

**THE BANK'S FIVE-YEAR SUMMARY - ACCOUNTING RATIOS**

	<b>2025</b>	2024	2023	2022	2021
	%	%	%	%	%
Net interest income and other operating income to total assets	<b>1.9</b>	2.0	2.3	2.4	2.2
Operating expenses to total assets	<b>1.3</b>	1.3	1.4	1.5	1.4
Cost to income ratio	<b>69.0</b>	68.5	62.1	61.5	64.1
Profit before tax to total assets	<b>0.6</b>	0.5	0.8	0.9	0.9
Return on average equity after tax	<b>5.4</b>	6.0	6.8	8.3	7.7
	<b>2025</b>	2024	2023	2022	2021
Shares in issue (thousands)*	<b>485,642</b>	379,606	377,804	366,917	249,716
Net assets per share	<b>73c</b>	79c	73c	67c	73c

\*The Net assets per share for 2021 to 2025 have been restated to include the bonus issue, scrip dividend and share based payments issued in 2025, 2024, 2023 and 2022 in the form of shares amounting to 2.0 million, 1.8 million, 10.9 million and 7.2 million respectively.

Return on average equity before tax of the Group and Bank is calculated as the return as a percentage of the 12 months ending equity balances.

## APS BANK PLC

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### OUR PRESENCE

#### HEAD OFFICE

APS Centre  
Tower Street, Birkirkara, BKR 4012

#### COMMERCIAL BUSINESS

APS Centre  
Tower Street, Birkirkara, BKR 4012

#### RETAIL BRANCHES

##### ATTARD

St. Catherine's Street, Attard, ATD 2609

##### BIRKIRKARA (SWATAR)

APS Centre  
Tower Street, Birkirkara, BKR 4012

##### MOSTA

9, Rotunda Square, Mosta, MST 9042

##### PAOLA

146/147, Antoine De Paule Square, Paola, PLA 1260

##### QORMI

70-72, St. Sebastian Street, Qormi, QRM 2335

##### RABAT

25, Saqqajja Street, Rabat, RBT 1192

##### SKYPARKS

Skyparks Business Centre – Level 1, Malta International Airport plc, Luqa, LQA 4000

##### SLIEMA

226, Tower Road, Sliema, SLM 1600

##### ST. PAUL'S BAY

Mosta Road, St. Paul's Bay, SPB 3115

##### VALLETTA

17/18, Republic Street, Valletta, VLT 1111

##### VICTORIA (GOZO)

10, Main Gate Street, Victoria, VCT 1341

##### ZEJTUN

12, Republic Square, Zejtun, ZTN 1011

#### REGISTERED OFFICE

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