# MERKANTI BANK LIMITED

## Annual Report and Financial Statements
## 31 December 2025

Company Registration Number: C 31608

| | Pages |
|---|---|
| Directors' report | 1 - 4 |
| Independent auditor's report | 5 - 13 |
| Statement of financial position | 14 |
| Income statement | 15 |
| Statement of comprehensive income | 16 |
| Statement of changes in equity | 17 |
| Statement of cash flows | 18 |
| Notes to the financial statements | 19 - 71 |

## Directors' report

The Board of Directors present their annual report and the audited financial statements of Merkanti Bank Limited (the "Bank") for the year ended 31 December 2025.

### Principal activities

The principal activity of Merkanti Bank Limited is the operation of a credit institution under the Banking Act (Cap. 371) of the Laws of Malta, in accordance with the credit institution licence granted by the Malta Financial Services Authority. The Bank does not engage in general retail banking, but provides speciality banking services, focused on customised banking finance solutions, to corporate customers and group members located in both domestic and non-domestic markets.

### Review of the business

Following a strategic decision made by the parent company of the Bank, by virtue of a resolution dated 19 December 2025, the Board of Directors approved the voluntary surrender of the credit institution licence issued under the Banking Act (Cap. 371) and to proceed with the wind-down of the banking business activities of the Bank. It was further resolved that upon renunciation of the licence, the Bank shall continue in existence as a private limited liability company, subject to the Companies Act (Cap. 386) of the Laws of Malta), but shall not carry out any licensable activities.

As part of the wind-down process, in December 2025 the Bank initiated the process of closing all active customer deposit accounts and disposing to the market all of its own account financial investment portfolio. The financial investment portfolio was fully de-recognised on 2 February 2026, whereas the process of closing all customer deposit accounts was finalised on 18 February 2026. Subject to regulatory approval, the Bank's customer loan portfolio, which as at 31 December 2025 predominantly consisted of loans to related parties, will be retained by the private limited liability company following the finalisation of the surrender of the Bank's credit institution licence.

The Directors reviewed the Bank's property, plant and equipment and intangible assets and recognised an impairment as disclosed under Notes 9 and 10. Furthermore, as disclosed under Note 1, the Bank accounted for costs that are expected to be incurred as a result of the wind-down.

Loss after tax for the financial year under review was €3,629,269 (2024: profit €415,502). Total assets as at 31 December 2025 stood at €31,152,271 (2024: €47,640,710).

## Directors' report - continued

### Key performance indicators

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

| | **2025** | 2024 |
|---|---|---|
| **Operating performance** | | |
| (Loss)/Profit before tax | (€3,629,269) | €415,502 |
| Cost to income ratio | 313.65% | 86.19% |
| Return on equity | (19.00%) | 2.17% |
| **Capital management** | | |
| Capital adequacy ratio | 88.56% | 77.81% |
| Leverage ratio | 51.54% | 40.02% |
| **Liquidity management** | | |
| Liquidity coverage ratio (LCR) | 790.72% | 3134.93% |
| Net stable funding ratio (NSFR) | 493.03% | 206.46% |

### Risk management

Merkanti Bank Limited faces a range of business, financial and operational risks. The Bank adopts a robust corporate governance framework with a bank-wide risk management approach, to understand the risks it is exposed to, to assess whether these risks are in line with its risk appetite, and to be able to manage such risks to create value for shareholders while meeting regulatory requirements ensuring integrity, ethical and transparent behaviour.

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

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

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

### Results and dividends

The income statement is presented on page 15. The Directors do not recommend the payment of a final dividend and propose that the balance of retained earnings amounting to €6,057,082 (2024: €9,686,351) be carried forward to the next financial year.

## **Directors' report** - continued

### Going concern assessment

Following the strategic decision to wind-down the Bank, the Directors have concluded that the use of the going concern basis of accounting is not appropriate. Accordingly, as disclosed under Note 1, the Bank has prepared these financial statements using the break-up basis of accounting.

### Directors

The Directors of the Bank who held office during the period were:

Christian Farrugia - Chairman
Samuel Morrow
Otto Karasek
Sinead Curry
George Portanier (resigned 29 August 2025)
Stephen Paris

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

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

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

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

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

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

## Directors' report - continued

**Statement of Directors' responsibilities for the financial statements** - continued

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

**Auditors**

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

On behalf of the board

Christian Farrugia
Chairman

Stephen Paris
Director

Registered Office:
Level 13 Q2 Quad Central
Triq L-Esportaturi
Birkirkara CBD 1040
Malta

9 April 2026

# Independent auditor's report

To the Shareholders of Merkanti Bank Limited

## Report on the audit of the financial statements

### Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Merkanti Bank Limited (the "Bank") as at 31 December 2025, and of the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386).

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

**What we have audited**

Merkanti Bank Limited's financial statements, set out on pages 14 to 71, comprise:

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

## Basis for opinion

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

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

### Independence

We are independent of the company in accordance with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to audits of financial statements of an EU Public Interest Entity in Malta and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these Codes.

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

The non-audit services that we have provided to the Bank, in the period from 1 January 2025 to 31 December 2025, are disclosed in note 24 to the financial statements.

## Emphasis of matter

We draw attention to Note 1.1 to these financial statements which refers to the Board's approval of the voluntary surrender of the credit institution license of the Bank and to proceed with the wind down of the banking business activities of the Bank. These financial statements have therefore been prepared on a break-up basis of accounting, the implications of which are set out in the said note. Our opinion is not modified in respect of this matter.

## Our audit approach

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. In view of the fact that the Bank is in the process of the voluntary surrender of its credit institution license and is no longer a going concern, we have determined that there are no key audit matters to communicate in our report.

## Other information

The directors are responsible for the other information. The other information comprises the *Directors' report* and the 5 Year Summary (but does not include the financial statements and our auditor's report thereon).

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

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

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

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

## Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2025* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

| Area of the *Annual Report and Financial Statements 2025* and the related Directors' responsibilities | Our responsibilities | Our reporting |
|---|---|---|
| **Directors' report**<br><br>(on pages 1 to 4)<br><br>The Maltese Companies Act (Cap. 386) requires the directors to prepare a | We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is | In our opinion:<br><br>• the information given in the Directors' report for the financial year for which the financial statements are |

| Area of the *Annual Report and Financial Statements 2025* and the related Directors' responsibilities | Our responsibilities | Our reporting |
|---|---|---|
| Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act. | consistent with the financial statements.<br><br>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.<br><br>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements. | prepared is consistent with the financial statements; and<br>• the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).<br><br>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section. |
| | **Other matters prescribed by the Maltese Banking Act (Cap. 371)**<br><br>In terms of the requirements of the Maltese Banking Act (Cap. 371), we are also required to report whether:<br>• we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;<br>• proper books of account have been kept by the bank, so far as appears from our examination of those books;<br>• the bank's financial statements are in agreement with the books of account; | In our opinion:<br><br>• we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;<br>• proper books of account have been kept by the bank, so far as appears from our examination of those books;<br>• the bank's financial statements are in agreement with the books of account; and<br>• to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any |

**Independent auditor's report** - continued
To the Shareholders of Merkanti Bank Limited

| Area of the *Annual Report and Financial Statements 2025* and the related Directors' responsibilities | Our responsibilities | Our reporting |
|---|---|---|
| | • in our opinion, and to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law which may from time to time be in force in the manner so required. | law in force in the manner so required. |
| | **Other matters on which we are required to report by exception**<br>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:<br>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. | We have nothing to report to you in respect of these responsibilities. |

## Other matter - use of this report

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

## Appointment

We were first appointed as auditors of the Bank on 10 August 2016 for the year ended 31 December 2016. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 10 years.

**Norbert Paul Vella**
Principal

*For and on behalf of*
**PricewaterhouseCoopers**
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

9 April 2026

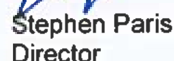
## Statement of financial position

| | Notes | As at 31 December 2025 € | As at 31 December 2024 € |
|---|---|---|---|
| **ASSETS** | | | |
| Balances with Central Bank of Malta and cash | 4 | **24,036,080** | 20,314,638 |
| Loans and advances to banks and other financial institutions | 5 | **2,913,090** | 6,900,569 |
| Loans and advances to customers | 6 | **3,115,708** | 13,018,573 |
| Financial assets mandatorily measured at fair value through profit or loss | 7 | **792,600** | 792,600 |
| Financial assets measured at fair value through other comprehensive income | 8 | **192,060** | 5,145,690 |
| Property, plant and equipment | 9 | **-** | 28,645 |
| Intangible assets | 10 | **-** | 881,195 |
| Accrued income and other assets | 11 | **103,183** | 558,800 |
| **Total assets** | | **31,152,721** | 47,640,710 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 12 | **10,000,000** | 10,000,000 |
| Capital contribution | 13 | **89,485** | 28,460 |
| Fair value reserve | 14 | **(1,441)** | (90,201) |
| Retained earnings | | **6,057,082** | 9,686,351 |
| **Total equity** | | **16,145,126** | 19,624,610 |
| **Liabilities** | | | |
| Amounts owed to banks | 15 | **-** | 4,965,200 |
| Amounts owed to customers | 16 | **13,513,986** | 22,919,949 |
| Provisions | 17 | **1,337,811** | - |
| Other liabilities | 18 | **155,798** | 130,951 |
| **Total liabilities** | | **15,007,595** | 28,016,100 |
| **Total equity and liabilities** | | **31,152,721** | 47,640,710 |

The notes on pages 19 to 71 are an integral part of these financial statements.

The financial statements on pages 14 to 71 were authorised for issue by the board on 9 April 2026 and were signed on its behalf by:

Christian Farrugia
Director



Stephen Paris
Director

## Income statement

| | Notes | Year ended 31 December 2025 € | 2024 € |
|---|---|---|---|
| Interest and similar income | 19 | **2,148,490** | 2,993,434 |
| Interest and similar expense | 20 | **(431,665)** | (539,708) |
| **Net interest income** | | **1,716,825** | 2,453,726 |
| Fee and commission income | 21 | **61,637** | 1,531,504 |
| Fee and commission expense | 21 | **(4,124)** | (12,948) |
| **Net fee and commission income** | | **57,513** | 1,518,556 |
| Net trading income | 22 | **92,983** | (174,624) |
| Loss on disposal of financial assets measured at fair value through other comprehensive income | | **(21,837)** | - |
| **Operating income** | | **1,845,484** | 3,797,658 |
| Changes in expected credit losses | 23 | **313,173** | (108,810) |
| Administrative expenses | 24 | **(3,320,085)** | (3,137,505) |
| Depreciation and impairment of property, plant and equipment and right-of-use assets | 9 | **(244,357)** | (95,270) |
| Amortisation and impairment of intangible assets | 10 | **(885,673)** | (40,571) |
| Movement in provisions | 17 | **(1,337,811)** | - |
| **(Loss)/profit for the year** | | **(3,629,269)** | 415,502 |

The notes on pages 19 to 71 are an integral part of these financial statements.

## Statement of comprehensive income

| | Note | Year ended 31 December 2025 € | 2024 € |
|---|---|---|---|
| **Profit for the year** | | **(3,629,269)** | 415,502 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Fair valuation of financial assets measured at fair value through other comprehensive income: | | | |
| Net changes in fair value arising during the year, before tax | 8 | **69,559** | 223,350 |
| Amounts reclassified to profit or loss upon disposal | | **21,837** | - |
| Changes in expected credit losses attributable to debt instruments measured at fair value through other comprehensive income | | **(2,636)** | 1,147 |
| **Other comprehensive income for the year, net of tax** | | **88,760** | 224,497 |
| **Total comprehensive income for the year** | | **(3,540,509)** | 639,999 |

The notes on pages 19 to 71 are an integral part of these financial statements.

## Statement of changes in equity

| | Notes | Share capital | Capital contribution reserve | Fair value reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | | € | € | € | € | € |
| **Balance at 1 January 2024** | | **10,000,000** | **-** | **(314,698)** | **9,270,849** | **18,956,151** |
| **Comprehensive income** | | | | | | |
| Profit for the year | | - | - | - | 415,502 | 415,502 |
| Other comprehensive income: | | | | | | |
| *Fair valuation of available-for-sale financial assets* | | | | | | |
| Net changes in fair value arising during the year, net of tax | 8 | - | - | 223,350 | - | 223,350 |
| Net change attributable to changes in credit risk | | | | 1,147 | - | 1,147 |
| **Total comprehensive income** | | **-** | **-** | **224,497** | **415,502** | **639,999** |
| **Transactions with owners** | | | | | | |
| Unabsorbed tax losses utilised by parent entity | 13 | - | 28,460 | - | - | 28,460 |
| **Total transactions with owners recognized directly in equity** | | **-** | **28,460** | **-** | **-** | **28,460** |
| **Balance at 31 December 2024** | | **10,000,000** | **28,460** | **(90,201)** | **9,686,351** | **19,624,610** |
| **Comprehensive income** | | | | | | |
| Loss for the year | | - | - | - | (3,629,269) | (3,629,269) |
| Other comprehensive income: | | | | | | |
| *Fair valuation of available-for-sale financial assets* | | | | | | |
| Net changes in fair value arising during the year, net of tax | 8 | - | - | 69,559 | - | 69,559 |
| Net amounts reclassified to profit or loss upon disposal | | - | - | 21,837 | - | 21,837 |
| Net change attributable to changes in credit risk | | - | - | (2,636) | - | (2,636) |
| **Total comprehensive income** | | **-** | **-** | **88,760** | **(3,629,269)** | **(3,540,509)** |
| **Transactions with owners** | | | | | | |
| Unabsorbed tax losses utilised by parent entity | 13 | - | 61,025 | - | - | 61,025 |
| **Total transactions with owners recognized directly in equity** | | **-** | **61,025** | **-** | **-** | **61,025** |
| **Balance at 31 December 2025** | | **10,000,000** | **89,485** | **(1,441)** | **6,057,082** | **16,145,126** |

The notes on pages 19 to 71 are an integral part of these financial statements.

## Statement of cash flows

| | Notes | As at 31 December 2025 € | 2024 € |
|---|---|---|---|
| **Operating activities** | | | |
| Interest and commission income received | | **2,631,469** | 5,789,299 |
| Interest and commission expense paid | | **(415,052)** | (551,014) |
| Cash payments to employees and suppliers | | **(3,077,382)** | (3,226,518) |
| | | **(860,965)** | 2,011,767 |
| **Cash flows generated from operating activities before changes in operating assets and liabilities** | | | |
| Changes in operating assets and liabilities: | | | |
| Net decrease in reserve deposit with Central Bank | 4 | **86,446** | 141,310 |
| Net decrease/(increase) in money market placement with Central Bank | 4 | **10,588,122** | (10,588,122) |
| Net decease/(increase) in loans and advances to banks and other financial institutions | 5 | **5,000,000** | (5,415) |
| Net decrease in loans and advances to customers | 6 | **10,195,620** | 253,710 |
| Net decrease in amounts owed to banks | 15 | **(4,965,200)** | (400) |
| Net decrease in amounts owed to customers | 16 | **(9,405,963)** | (11,415,982) |
| **Net cash generated from / (used in) operating activities** | | **10,638,060** | (19,603,132) |
| **Cashflows from investing activities** | | | |
| Proceeds from or redemption of financial assets measured at fair value through other comprehensive income | 8 | **5,005,568** | 2,000,000 |
| Purchase of property, plant and equipment | 9 | **(112,660)** | (17,365) |
| Purchase of intangible assets | 10 | **(7,670)** | - |
| **Net cash generated from investing activities** | | **4,885,238** | 1,982,635 |
| **Cashflows from financing activities** | | | |
| Repayment of finance leases | | **(163,958)** | (102,578) |
| **Net cash used in financing activities** | | **(163,958)** | (102,578) |
| **Net movement in cash and cash equivalents** | | **15,359,340** | (17,723,075) |
| Effect of exchange rate changes on cash and cash equivalents | | **31,409** | (37,307) |
| **Cash and cash equivalents at beginning of year** | | **11,525,282** | 29,285,664 |
| **Cash and cash equivalents at end of year** | 26 | **26,916,031** | 11,525,282 |

The notes on pages 19 to 71 are an integral part of these financial statements.

## Notes to the financial statements

### 1. Summary of material accounting policies

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

#### 1.1 Basis of preparation

Following a strategic decision made by the parent company of the Bank, by virtue of a resolution dated 19 December 2025, the Board of Directors approved the voluntary surrender of the credit institution licence issued under the Banking Act (Cap. 371) and to proceed with the wind-down of the banking business activities of the Bank.

As part of the wind-down process, in December 2025 the Bank initiated the process of closing all active customer deposit accounts and disposing to the market all of its financial investment portfolio. The financial investment portfolio was fully de-recognised on 2 February 2026, whereas the process of closing all customer deposit accounts was finalised on 18 February 2026.

The Board, after taking into account the above decision, is of the opinion that the use of the going concern assumption in the preparation of the current year financial statements is inappropriate. Accordingly, the financial statements have been prepared using the break-up basis of accounting in accordance with the accounting policies as described in this note.

The Bank's accounting policies are based on the requirements of the Banking Act 1994, Chapter 371 and the Maltese Companies Act, Chapter 386 and of International Financial Reporting Standards (IFRSs) as adopted by the EU, with the exception that certain standards and interpretations have been modified to ensure that upon applying them, the emphasis shifts from reporting about the entity's economic performance and position to reporting about the amount of cash that an investor might reasonably expect to receive after liquidation.

In this respect, taking into account the break-up basis of accounting, assets and liabilities are presented as current assets and current liabilities respectively, and provisions are recognised for any further liabilities that may arise as a result of the decision to wind down the Bank.

Assets are measured at the estimated amount of cash or other consideration that the Bank expects to collect from settling or disposing those assets. Accordingly, financial assets such as balances with Central Bank of Malta, loans and advances to banks and other financial institutions, loans and advances to customers and accrued income and other assets are measured at amortised cost, in accordance with IFRS 9 requirements. The other financial assets are measured at fair value, in accordance with IFRS 9 requirements. Other assets (predominantly property, plant and equipment and intangible assets) have been reduced to a value of zero, which represents the expected recoverable value of such assets.

Liabilities are measured in accordance with the measurement principles established within IFRS as adopted by EU that would otherwise apply to those liabilities for going concern entities, in accordance with IAS 37, which requires the provision for contractual commitments associated with the decision to wind down the Bank, and in accordance with IAS 19, which requires termination benefits to be recognised when an entity recognises costs for restructuring.

## 1. Summary of material accounting policies - continued

### 1.1 Basis of preparation - continued

In addition, upon the adoption of the break-up basis of accounting, the Bank has provided for costs that are expected to be incurred through the end of its wind-down to the extent that there is a reasonable basis for estimating these amounts.

These expenses and commitments did not exist at the end of the reporting period and are therefore attributable to the financial reporting period subsequent to the end of the reporting period. Such expenses include, for example, staff costs and directors' fees for services required to be provided following the end of the reporting period to support the Bank's operations until final wind-down.

In this respect, the Bank has recorded the following adjustments to net assets and provided for identifiable wind-down costs as at the date of adoption:

| | € |
|---|---|
| Adjustments to non-financial assets recoverable amount: | |
| - Impairment of intangibles | 866,233 |
| - Impairment of property, plant and equipment and right-of-use assets | 110,783 |
| - Loss on the modification of the lease | 19,981 |
| | |
| Costs expected to be settled after the end of the reporting period: | |
| - Termination benefits | 323,666 |
| - Provisions for professional and other fees expected to be incurred to wind-down the Bank | 85,426 |
| - Estimated staff costs and directors' fees related to the conduct of business subsequent to the end of the reporting period | 746,827 |
| - Estimated professional and other fees for services related to the running of the business subsequent to the end of the reporting period | 181,892 |
| | **2,334,808** |

The estimated staff costs and directors' fees related to the conduct of business subsequent to the end of the reporting period includes service costs and retention fees that the Bank is expected to pay upon rendering future services and tenure by virtue of their employment or appointment as directors. This does not include termination fees.

Estimated professional and other fees pertain to costs relating to professional and IT services arising from service and advisory agreements that the Bank expects to be incurred during 2026 in order to run the business until wind-down.

Costs to dispose of assets in liquidation and income expected to be incurred through the end of the wind-down are deemed immaterial.

The break-up basis of accounting has been adopted prospectively from the end of the financial reporting period. Accordingly, the Bank did not restate comparative amounts.

## 1. Summary of material accounting policies - continued

### 1.1 Basis of preparation - continued

The preparation of financial statements in conformity with the break-up basis of accounting requires the use of certain accounting estimates in determining the wind-down values of assets and liabilities, including the disclosure of contingent assets and liabilities at the date of financial statements and actual results could differ from those estimates.

The material accounting policies adopted are set out below.

### 1.2 Foreign currency transactions

*a) Functional and presentation currency*

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

*b) Transactions and balances*

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

### 1.3 Financial assets

#### 1.3.1 Initial recognition and measurement

The Bank recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the asset. Accordingly, the Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

At initial recognition, the Bank measures a financial asset at its fair value plus or minus, in the case of a financial asset not carried at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance ('ECL') is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

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

**1.3 Financial assets** - continued

**1.3.2 Classification and subsequent measurement**

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

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

*Debt instruments*

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

Classification and subsequent measurement of debt instruments depend on:

(i) the Bank's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

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

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 1.4. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method. As at 31 December 2025 and 31 December 2024, the Bank's 'Balances with Central Bank of Malta and cash', 'Loans and advances to banks and other financial institutions', and 'Loans and advances to customers' are measured at amortised cost.

- *Fair value through other comprehensive income ('FVOCI'):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net trading income'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method. As at 31 December 2025 and 31 December 2024, the Bank's financial investments are measured at FVOCI (Note 8).

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

**1.3 Financial assets** - continued

**1.3.2 Classification and subsequent measurement** - continued

*Debt instruments* - continued

- *Fair value through profit or loss ('FVTPL'):* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the income statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net trading income'. Debt instruments that contain contractual terms that give rise on specified dates to cash flows that are not consistent with a basic lending arrangement and thus fail the solely payments of principal and interest test are 'mandatorily' measured at FVTPL. As at 31 December 2025 and 31 December 2024, the Bank mandatorily measured at FVTPL a financial asset on the basis that it failed the SPPI test (Note 7).

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

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

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

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

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

*(a) Business model assessment*

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

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

**1.3 Financial assets** - continued

**1.3.2 Classification and subsequent measurement** - continued

*Debt instruments* - continued

*(a) Business model assessment* - continued

The information that will be considered in such assessment includes:

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

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

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

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

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

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

**1.3 Financial assets** - continued

**1.3.2 Classification and subsequent measurement** - continued

*Debt instruments* - continued

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

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

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

**1.3.3 Derecognition of financial assets**

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

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

**1.4 Impairment of financial assets**

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

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

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

## 1. Summary of material accounting policies - continued

### 1.4 Impairment of financial assets - continued

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

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

### 1.5 Write-off policy

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

### 1.6 Offsetting financial instruments

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

### 1.7 Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.10).

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

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

**1.8 Leases**

*The Bank is the lessee*

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

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

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

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

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

Right-of-use assets relating to items of property are presented within these financial statements with 'Property, plant and equipment'. The corresponding lease liabilities are similarly presented within these financial statements with 'Other liabilities'.

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

**1.9 Intangible assets**

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

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

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

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

**1.9 Intangible assets** - continued

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

At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable (Note 1.10).

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

**1.10 Impairment of non-financial assets**

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

**1.11 Current and deferred tax**

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 1. Summary of material accounting policies - continued

### 1.11 Current and deferred tax - continued

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

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

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

For any unutilised tax losses brought forward that are set off by the principal taxpayer against the Bank's notional tax expense and liability in a given year, the payment receivable from the Principal Taxpayer for the utilisation of such tax losses is credited to the tax charge in the Bank's Income Statement in the year in which the relevant taxable profits arise (Note 24).

Entitlement to compensation to be received by the Bank with respect to unutilised tax losses set off by the principal taxpayer against its own (i.e. the parent entity's) notional tax liability are treated as a capital contribution from the principal taxpayer within the equity reserves in the year in which the Fiscal Unit files its consolidated tax return, which may be in year(s) subsequent to the financial year in which the Principal Taxpayer's taxable profit arises (Note 13).

Conversely, deferred tax in respect of other temporary differences do not represent receivables from or payables to the parent.

### 1.12 Financial liabilities

#### 1.12.1 Initial recognition and measurement

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

## 1. Summary of material accounting policies - continued

### 1.12 Financial liabilities - continued

### 1.12.2 Classification and subsequent measurement

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

- financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and

- financial guarantee contracts and loan commitments.

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

### 1.12.3 Derecognition

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

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

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

## 1. Summary of material accounting policies - continued

### 1.13 Interest income and expense

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

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

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

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

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

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

### 1.14 Fee and commission income and expense

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

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

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

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

**1.14 Fee and commission income and expense** - continued

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

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

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. The timing of revenue recognition may differ from customer invoicing. If the services rendered exceed the payment, a contract asset is recognised. Contract assets are subject to impairment for credit risk. If the payments exceed the services rendered, a contract liability is recognised.

**1.15 Cash and cash equivalents**

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

**2. Financial risk management**

**2.1 Introduction**

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

The most important types of risk include financial risk, which comprises credit risk, market risk, liquidity risk and capital risk. These categories of risk are described in Note 2.2, Note 2.3, Note 2.5 and Note 2.6 respectively.

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

**2.2 Credit risk**

**2.2.1 Introduction**

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

## 2. Financial risk management - continued

### 2.2 Credit risk - continued

#### 2.2.1 Introduction - continued

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

In addition, the Bank continues to integrate climate risk into its credit risk management activities, with physical and transition risks considered to be the key climate risks impacting credit risk. As at 31 December 2025, the Bank determined that the impact of climate risk on credit risk is immaterial on the basis that the Bank's exposures have a short-term maturity.

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

#### 2.2.2 Credit risk measurement

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

The Bank measures credit risk using Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD'). The Bank calculates the ECL at instrument level across all portfolios.

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

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

**2. Financial risk management** - continued

**2.2 Credit risk** - continued

**2.2.3 Expected credit loss ('ECL') measurement**

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

i. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.

ii. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 2.2.3.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.

iii. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 2.2.3.2 for a description of how the Bank defines credit-impaired and default.

iv. Financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in 'Stage 2' or 'Stage 3' have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 2.2.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

v. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 2.2.3.4 includes an explanation of how the Bank has incorporated this in its ECL models.

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

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

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

## 2. Financial risk management - continued

### 2.2 Credit risk - continued

### 2.2.3 Expected credit loss measurement - continued

#### 2.2.3.1 Significant increase in credit risk

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

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

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

#### 2.2.3.2 Definition of default and credit impaired assets

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

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

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

- contractual payments of either principal or interest are past due for more than 90 days for any material credit obligations to the Bank;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons of an enduring nature relating to the borrower's financial condition, which indicates the borrower is in significant financial difficulty (unlikeliness to pay criteria); and
- the loan is otherwise considered to be in default. If unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is more than 90 days past due.

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

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

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

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

**2. Financial risk management** - continued

**2.2 Credit risk** - continued

**2.2.3 Expected credit loss measurement** - continued

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

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

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

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

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

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

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

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

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

**2. Financial risk management** - continued

**2.2 Credit risk** - continued

**2.2.3 Expected credit loss measurement** - continued

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

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

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

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

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

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

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

The calculation of ECL incorporates forward-looking information. The Bank selected the macro-economic variables deemed to be effective indicators of global default rates by authoritative sources. The key drivers, for 2025 and 2024 are predominantly the unemployment rate in the US and high-yield spreads in the US.

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

As at 31 December 2025 and 31 December 2024, two possible scenarios are considered to capture non-linearity across credit portfolios. The 'Base' scenario represents the most-likely outcome. It is based on authoritative sources forecasting these economic variables referred to above and providing the best estimate view of the economy. Apart from the base scenario, the Bank considers one other macro-economic scenario – 'Downside' scenario – which represents a more pessimistic outcome. The downside scenario is economically plausible and will not necessarily be as severe as scenarios used in stress testing.

2. **Financial risk management** - continued

**2.2 Credit risk** - continued

**2.2.3 Expected credit loss measurement** - continued

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

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

*Base scenario*

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

*Downside scenario*

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

As at 31 December 2025, the weightings assigned to each economic scenario were 61% (2024: 61%) for the base scenario and 39% (2024: 39%) for the downside scenario. The number of scenarios and their attributes are reassessed at each reporting date to ensure that non-linearities are captured.

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

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

## 2. Financial risk management - continued

### 2.2 Credit risk - continued

### 2.2.3 Expected credit loss measurement - continued

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

As at 31 December 2025, considering the Board's decision to voluntarily surrender the credit institution license of the Bank and to proceed with the wind down of the banking business activities of the Bank, the sensitivity of the ECL outcome to the economic forecasts was not deemed significant.

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

### 2.2.4 Maximum exposure to credit risk

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

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

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

The following table sets out the Bank's credit risk exposures relating to on-balance sheet assets and off-balance sheet instruments, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, as well as an analysis by staging classification:

## 2. Financial risk management - continued

### 2.2 Credit risk - continued

### 2.2.3 Expected credit loss measurement - continued

### 2.2.4 Maximum exposure to credit risk - continued

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | **Stage Classification** | **Gross Exposure €** | **ECL allowance €** | **Stage Classification** | **Gross Exposure €** | **ECL allowance €** |
| **Credit risk exposures relating to on-balance sheet assets:** | | | | | | |
| Financial assets mandatorily measured at FVTPL: | | | | | | |
| Non-fixed income instruments | | 792,600 | - | | 792,600 | - |
| *Subject to IFRS 9 impairment allowances* | | | | | | |
| Financial assets measured at FVOCI: | | | | | | |
| Debt securities | Stage 1 | 192,060 | (498) | Stage 1 | 5,145,690 | (3,134) |
| Financial assets measured at amortised cost: | | | | | | |
| Balances with Central Bank of Malta | Stage 1 | 24,035,080 | - | Stage 1 | 20,313,638 | - |
| Loans and advances to banks and other financial institutions | Stage 1 | 2,923,640 | (10,550) | Stage 1 | 6,928,902 | (28,333) |
| Loans and advances to customers | Stage 1 | 3,144,421 | (28,713) | Stage 1 | 8,787,500 | (18,153) |
| Loans and advances to customers | Stage 2 | - | - | Stage 2 | 4,552,541 | (303,315) |
| Accrued income and other assets | Stage 1 | 89,253 | - | Stage 1 | 341,896 | - |
| **Credit risk exposure** | | **31,177,054** | **(39,761)** | | **46,862,767** | **(352,935)** |

As at 31 December 2025 and 2024, the Bank did not have any loan commitments or financial guarantee contracts.

As at 31 December 2025 and 2024, there were no purchased or credit-impaired assets which are subject to the IFRS 9 impairment requirements.

### 2.2.5 Credit risk mitigation techniques

The Bank's approach when granting credit facilities is based on the customer's capacity to repay rather than placing primary reliance on credit risk mitigants. Notwithstanding, in certain cases, as part of the Bank's credit risk mitigation techniques, the Bank holds collateral against loans and advances to customers, the nature and level of which generally depends on the amount of the exposure, the type of facility provided, the term of the facility and the level of credit risk involved. Collateral utilised to secure loans and advances includes cash collateral. As at 31 December 2024, the Bank had cash collateral amounting to €6,000,000 against loans granted to related parties amounting to €8,787,500. As at 31 December 2024, the Bank also held other cash collateral amounting to €900,000 securing receivables due from third parties amounting to €4,000,000. As at 31 December 2025 total customer loans amounting to €3,144,421 were granted to related parties and were secured by non-cash collateral.

## 2. Financial risk management - continued

### 2.2 Credit risk - continued

### 2.2.6 Credit concentration risk

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

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

*Credit concentration risk by name*

At 31 December 2025 and 2024, loans granted to related parties amounting to €3,144,421 (2024: €8,787,500) and loans granted to a third party amounting to €4,552,541 in 2024 were considered to be reportable as large exposures, exceeding 10% of the Bank's Total Own Funds. In this respect, 100% (2024: 66%) of the Bank's gross lending exposures comprised exposures to entities within the Scully Royalty Group, and as at 31 December 2024 36% comprised exposures to a single third party.

*Credit concentration risk by geographical region*

The geographical concentration of the Bank's financial assets at their carrying amounts as at the end of the reporting period is analysed below. For the purposes of this table, the Bank has allocated exposures to regions based on the country of domicile of the respective counterparties or customers. As at 31 December 2025 and 2024, the rest of the world exposures mainly consist of exposures in Canada.

| | Malta | Other EU countries | Rest of world | Total |
|---|---|---|---|---|
| | € | € | € | € |
| **As at 31 December 2025** | | | | |
| Financial assets measured at FVTPL | - | 792,600 | - | 792,600 |
| Financial assets measured at FVOCI | 192,060 | - | - | 192,060 |
| Balances with Central Bank of Malta | 24,035,080 | - | - | 24,035,080 |
| Loans and advances to banks and other financial institutions | 2,913,090 | - | - | 2,913,090 |
| Loans and advances to customers | 3,115,708 | - | - | 3,115,708 |
| Accrued income and other assets | 89,253 | - | - | 89,253 |
| | **30,345,191** | **792,600** | **-** | **31,137,791** |
| **As at 31 December 2024** | | | | |
| Financial assets measured at FVTPL | - | 792,600 | - | 792,600 |
| Financial assets measured at FVOCI | 5,145,690 | - | - | 5,145,690 |
| Balances with Central Bank of Malta | 20,313,638 | - | - | 20,313,638 |
| Loans and advances to banks and other financial institutions | 6,900,569 | - | - | 6,900,569 |
| Loans and advances to customers | 4,249,226 | - | 8,769,347 | 13,018,573 |
| Accrued income and other assets | 159,773 | - | 210,603 | 370,376 |
| | **36,768,896** | **792,600** | **8,979,950** | **46,541,446** |

**2. Financial risk management** - continued

**2.2 Credit risk** - continued

**2.2.6 Credit concentration risk** - continued

*Credit concentration risk by industry sector*

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

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Financial activities | **3,144,421** | - |
| Manufacturing activities | - | 4,552,541 |
| Mining activities | - | 8,787,500 |
| | **3,144,421** | 13,340,041 |

**2.2.7 Information on credit quality of balances with banks and other financial assets**

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

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

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

| | **Balances with Central Bank of Malta** | **Loans and advances to banks and other financial institutions** | **Financial assets mandatorily measured at fair value through profit or loss** | **Financial assets measured at fair value through other comprehensive Income** |
|---|---|---|---|---|
| | **€** | **€** | **€** | **€** |
| **31 December 2025** | | | | |
| A1 to A3 | 24,035,080 | - | - | - |
| Baa1 - Baa3 | - | 799,293 | - | - |
| Unrated | - | 2,113,797 | 792,600 | 192,060 |
| **Total** | **24,035,080** | **2,913,090** | **792,600** | **192,060** |

2. **Financial risk management** - continued

**2.2 Credit risk** - continued

**2.2.7 Information on credit quality of balances with banks and other financial assets** - continued

| | Balances With Central Bank of Malta €| Loans and advances to banks and other financial institutions € | Financial assets mandatorily measured at fair value through profit or loss € | Financial assets measured at fair value through other comprehensive Income € |
|---|---|---|---|---|
| **31 December 2024** | | | | |
| A1 to A3 | 20,313,638 | - | - | 4,928,880 |
| Baa1 - Baa3 | - | 1,661,640 | - | - |
| Unrated | - | 5,238,929 | 792,600 | 216,810 |
| **Total** | **20,313,638** | **6,900,569** | **792,600** | **5,145,690** |

**2.2.8 Loss allowances**

*Reconciliation of 12-month and lifetime ECL provision*

The following disclosure provides a reconciliation by stage of the Bank's on balance sheet gross carrying/nominal amount and allowances for loans and advances to customers, including accrued interest.

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

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

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

The movement in ECL is illustrated in the following tables:

## 2. Financial risk management - continued

### 2.2 Credit risk - continued

#### 2.2.8 Loss allowances - continued

| | Stage 1 | | Stage 2 | | Total | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | Allowance for ECL | Gross Carrying amount | Allowance for ECL | Gross carrying amount | Allowance for ECL |
| | € | € | € | € | € | € |
| At 31 December 2024 | 8,787,500 | 18,153 | 4,552,541 | 303,315 | 13,340,041 | 321,468 |
| Net new and further lending/(repayments) | (5,665,579) | 10,560 | (4,552,541) | (303,315) | (10,218,120) | (292,755) |
| **At 31 December 2025** | **3,121,921** | **28,713** | - | - | **3,121,921** | **28,713** |

| | |
|---|---|
| Change in expected credit losses on loans and advances to customers | (292,755) |
| Change in expected credit losses attributable to: | |
| Loans and advances to banks and other financial institutions | (17,782) |
| Financial assets measured at fair value through other comprehensive income | (2,636) |
| Total expected credit loss charge for the year | **(313,173)** |

2. **Financial risk management** - continued

**2.2 Credit risk** - continued

**2.2.8 Loss allowances** – continued

| | Stage 1 | | Stage 2 | | Total | |
|---|---|---|---|---|---|---|
| | Gross carrying amount € | Allowance for ECL € | Gross Carrying amount € | Allowance for ECL € | Gross carrying amount € | Allowance for ECL € |
| At 31 December 2023 | 8,675,000 | 20,459 | 4,918,751 | 198,593 | 13,593,751 | 219,052 |
| New and further lending/(repayments) | 112,500 | 704 | (366,210) | (15,623) | (253,710) | (14,919) |
| Changes in risk parameters | - | (3,010) | - | 120,345 | - | 117,335 |
| **At 31 December 2024** | **8,787,500** | **18,153** | **4,552,541** | **303,315** | **13,340,041** | **321,468** |

| | |
|---|---|
| Change in expected credit losses on loans and advances to customers | 102,416 |
| Change in expected credit losses attributable to: | |
| Loans and advances to banks and other financial institutions | 5,247 |
| Financial assets measured at fair value through other comprehensive income | 1,147 |
| Total expected credit loss charge for the year | **108,810** |

## 2. Financial risk management - continued

### 2.2 Credit risk - continued

### 2.2.9 Modification of loans and advances to customers

The contractual terms of a loan may be revised for a number of reasons, including changes in market conditions, customer retention and other factors that are not related to the credit quality of a customer. Forbearance measures comprise concessions made on the contractual terms of a loan in response to a customer's financial difficulties. As at 31 December 2025, the Bank did not have any forborne loan, while as at 31 December 2024, the Bank had one forborne loan which was classified as Stage 2.

### 2.3 Market risk

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

*(a) Foreign exchange risk*

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

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

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

| | EUR | USD | CAD | GBP | Total |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| **As at 31 December 2025** | | | | | |
| **Financial assets** | | | | | |
| Financial assets measured at FVTPL | 792,600 | - | - | - | 792,600 |
| Financial assets measured at FVOCI | 192,060 | - | - | - | 192,060 |
| Balances with Central Bank of Malta | 13,635,443 | 10,399,637 | - | - | 24,035,080 |
| Loans and advances to banks and other financial institutions | 1,476,821 | 1,139,654 | 296,615 | - | 2,913,090 |
| Loans and advances to customers | 3,115,708 | - | - | - | 3,115,708 |
| Accrued income and other assets | 89,253 | - | - | - | 89,253 |
| **Total financial assets** | **19,301,885** | **11,539,291** | **296,615** | **-** | **31,137,791** |
| **Financial liabilities** | | | | | |
| Amounts owed to customers | 1,739,286 | 11,492,290 | 282,410 | - | 13,513,986 |
| Other liabilities | 1,493,607 | - | - | - | 1,493,607 |
| **Total financial liabilities** | **3,232,893** | **11,492,290** | **282,410** | **-** | **15,007,593** |
| **Net on-balance sheet position** | **16,068,992** | **47,001** | **14,205** | **-** | |

**2. Financial risk management** - continued

**2.3 Market risk** - continued

*(a) Foreign exchange risk* - continued

| | EUR<br>€ | USD<br>€ | CAD<br>€ | GBP<br>€ | Total<br>€ |
|---|---|---|---|---|---|
| **As at 31 December 2024** | | | | | |
| **Financial assets** | | | | | |
| Financial assets measured at FVTPL | 792,600 | - | - | - | 792,600 |
| Financial assets measured at FVOCI | 5,145,690 | - | - | - | 5,145,690 |
| Balances with Central Bank of Malta | 7,034,779 | 10,588,122 | 2,690,737 | - | 20,313,638 |
| Loans and advances to banks and other financial institutions | 6,011,315 | 264,087 | 623,284 | 1,883 | 6,900,569 |
| Loans and advances to customers | 13,018,573 | - | - | - | 13,018,573 |
| Accrued income and other assets | 340,546 | 1,191 | 159 | - | 341,896 |
| **Total financial assets** | **32,343,503** | **10,853,400** | **3,314,180** | **1,883** | **46,512,966** |
| **Financial liabilities** | | | | | |
| Amounts owed to banks | 4,965,200 | - | - | - | 4,965,200 |
| Amounts owed to customers | 9,825,171 | 10,876,604 | 2,218,174 | - | 22,919,949 |
| Other liabilities | 130,951 | - | - | - | 130,951 |
| **Total financial liabilities** | **14,921,322** | **10,876,604** | **2,218,174** | **-** | **28,016,100** |
| **Net on-balance sheet position** | **17,422,181** | **(23,203)** | **1,096,006** | **1,883** | |

The net unhedged on-balance sheet exposure to other currencies such as the CAD and USD, as at 31 December 2025 and 2024, is not considered significant taking into account the amounts reported in the statement of financial position and the Board's decision to voluntarily surrender the credit institution license of the Bank and to proceed with the wind down of the banking business activities of the Bank. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary since the directors are of the opinion that the net impact would be insignificant.

*(b) Interest rate risk*

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

## 2. **Financial risk management** – continued

**2.3 Market risk** - continued

| | Floating rates € | Fixed rates € | Total € |
|---|---|---|---|
| **At 31 December 2025** | | | |
| *Interest-bearing assets* | | | |
| Financial assets measured at FVTPL | - | 792,600 | 792,600 |
| Financial assets measured at FVOCI: | | | |
| Debt securities | - | 192,060 | 192,060 |
| Financial assets measured at amortised cost: | | | |
| Balances with Central Bank of Malta | - | 24,035,080 | 24,035,080 |
| Loans and advances to customers | 3,115,708 | - | 3,115,708 |
| | **3,115,708** | **25,019,740** | **28,135,448** |

| | Floating rates € | Fixed rates € | Total € |
|---|---|---|---|
| **At 31 December 2024** | | | |
| *Interest-bearing assets* | | | |
| Financial assets measured at FVTPL | - | 792,600 | 792,600 |
| Financial assets measured at FVOCI | | | |
| Debt securities | - | 5,145,690 | 5,145,690 |
| Financial assets measured at amortised cost: | | | |
| Balances with Central Bank of Malta | - | 20,313,638 | 20,313,638 |
| Loans and advances to banks and other financial institutions | 4,979,626 | - | 4,979,626 |
| Loans and advances to customers | 9,272,170 | 3,746,403 | 13,018,573 |
| | **14,251,796** | **29,998,331** | **44,250,127** |
| *Interest-bearing liabilities* | | | |
| Amounts owed to customers | - | 6,900,000 | 6,900,000 |
| | **-** | **6,900,000** | **6,900,000** |
| **Net exposure** | **14,251,796** | **23,098,331** | **37,350,127** |

As at 31 December 2025, 'Loans and advances to banks and other financial institutions', 'Amounts owed to customers' and 'Other liabilities' are non-interest bearing and accordingly not included in the above table. As at 31 December 2024, the remaining balance of 'Amounts owed to customers' and 'Other liabilities', are non-interest bearing and accordingly are not included in the above table. 'Amounts owed to banks' as at 31 December 2024 are non-interest bearing and are not included in the above.

Financial instruments issued at fixed rates potentially expose the Bank to fair value interest rate risk. Balances with Central Bank of Malta, loans and advances to banks and customers, amounts owed to customers and lease liabilities are measured at amortised cost and are therefore not subject to fair value interest rate risk.

The Bank's instruments which are subject to fixed interest rates and that are fair valued comprise the Bank's investments in debt securities amounting to €192,060 (2024: €5,145,690). This exposes the Bank to the risk of losses arising from fair value interest rate risk.

2. **Financial risk management** - continued

**2.3 Market risk** - continued

*(b) Interest rate risk* - continued

As at 31 December 2025, considering the balance subject to such risks is not significant and further considering the Board's decision to voluntarily surrender the credit institution license of the Bank and to proceed with the wind down of the banking business activities of the Bank, a sensitivity analysis for fair value interest rate risk disclosing how profit or loss and equity would have been affected by changes in interest rates that were reasonably possible at the end of the reporting period is not deemed necessary since the directors are of the opinion that the net impact would be insignificant.

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

In this respect, at the end of the reporting period, a sensitivity analysis for variable interest rates disclosing how profit or loss and equity would have been affected with all other variables held constant, in particular foreign currency rates, is not deemed necessary since the directors are of the opinion that the net impact would be insignificant (2024: €391,905).

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

| | Within one month<br>€ | Within three months but over one month<br>€ | Within one year but over three months<br>€ | More than one year<br>€ | Total<br>€ |
|---|---|---|---|---|---|
| **As at 31 December 2025** | | | | | |
| **Financial assets** | | | | | |
| Financial assets measured at FVTPL | - | - | 792,600 | - | 792,600 |
| Financial assets measured at FVOCI | - | - | 192,060 | - | 192,060 |
| Balances with Central Bank of Malta | 23,991,390 | 43,690 | - | - | 24,035,080 |
| Loans and advances to customers | - | - | 3,115,708 | - | 3,115,708 |
| | **23,991,390** | **43,690** | **4,100,368** | **-** | **28,135,448** |
| **Interest rate gap** | 23,991,390 | 43,690 | 4,100,368 | - | |
| **Cumulative gap** | **23,991,390** | **24,035,080** | **28,135,448** | **28,135,448** | |

## 2. Financial risk management – continued

### 2.3 Market risk - continued

*(b) Interest rate risk - continued*

| | Within one month € | Within three months but over one month € | Within one year but over three months € | More than one year € | Total € |
|---|---|---|---|---|---|
| **As at 31 December 2024** | | | | | |
| **Financial assets** | | | | | |
| Financial assets measured at FVTPL | - | - | 792,600 | - | 792,600 |
| Financial assets measured at FVOCI | - | - | 3,965,100 | 1,180,590 | 5,145,690 |
| Balances with Central Bank of Malta | 9,595,380 | 130,136 | 10,588,122 | - | 20,313,638 |
| Loans and advances to banks and other financial institutions | - | - | - | 4,979,626 | 4,979,626 |
| Loans and advances to customers | - | 3,746,403 | 9,272,170 | - | 13,018,573 |
| | **9,595,380** | **3,876,539** | **24,617,992** | **6,160,216** | **44,250,127** |
| **Financial liabilities** | | | | | |
| Amounts owed to customers | - | 900,000 | 6,000,000 | - | 6,900,000 |
| | **-** | **900,000** | **6,000,000** | **-** | **6,900,000** |
| **Interest rate gap** | **9,595,380** | **2,976,539** | **18,617,992** | **6,160,216** | |
| **Cumulative gap** | **9,595,380** | **12,571,919** | **31,189,911** | **37,350,127** | |

### 2.4 Other risk attributable to the Bank's investments that are mandatorily measured at FVTPL

As at 31 December 2025 and 31 December 2024, the Bank's financial assets that are mandatorily measured at fair value through profit or loss comprise of a fixed rate loan to a customer that has failed the SPPI test due to a profit participation feature that enables the Bank to participate in any profit earned as a result of the activity being financed.

The interest rate element to which the Bank is exposed by virtue of originating the profit participating fixed income loan, is assessed as part of the Bank's interest rate risk management framework and considered within the respective disclosures in section 2.3. In addition, the Bank is also exposed to model risk, which is the risk of the potential for adverse consequences from business decisions informed by models, which can be exacerbated by errors in methodology, design or the way they are used.

In this respect, the model risk disclosing the effects of changes to key unobservable inputs is further explained in section 2.7.

## 2. Financial risk management – continued

### 2.5 Liquidity risk

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

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

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

- short term placements with the Central Bank of Malta; and
- as at 31 December 2024, unencumbered Malta Government stocks amounting to €4,928,880 that are readily acceptable as collateral for open market operations with the European Central Bank.

Liquidity is managed by the Bank's treasury function through the Bank's liquidity management process. Liquidity management includes:

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

Moreover, sources of liquidity are regularly reviewed by the treasury function to maintain a diversification by provider, product and term. Monitoring takes the form of cash flow projections for the next day, week and month respectively, as these are key periods for short-term liquidity management. Medium-term liquidity management is a regular subject at the meetings of the Board of directors. Built on cash flow projections on a monthly and quarterly basis, the Board steers the medium-term liquidity position of the Bank and proactively sets actions to avoid any liquidity gaps.

(i) Liquidity Coverage Ratio

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

As at 31 December 2025 and 2024 and during the respective financial years, the LCR was within both the regulatory minimum and the risk appetite set by the Bank.

## 2. Financial risk management - continued

### 2.5 Liquidity risk - continued

(ii) Net stable funding ratio

The NSFR requires institutions to maintain sufficient stable funding relative to required stable funding, and reflects a bank's long-term funding profile (funding with a term of more than a year). It is designed to complement the LCR. During 2021, the Bank updated its methodology for the calculation of the NSFR to conform with the provisions of the amendments to Regulation (EU) No.575/2013, known as the Capital Requirements Regulation ('CRR II'), which became effective as from 28 June 2021. CRR II mandates a minimum NSFR requirement of 100%.

As at 31 December 2025 and 2024 and during the respective financial periods, the NSFR was within both the regulatory minimum and the risk appetite set by the Bank.

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

| | Within one month € | Within three months but over one month € | Within one year but over three months € | More than one year € | No maturity € | Total € |
|---|---|---|---|---|---|---|
| **As at 31 December 2025** | | | | | | |
| **Financial assets** | | | | | | |
| Financial assets measured at FVTPL | - | - | 792,600 | - | - | 792,600 |
| Financial assets measured at FVOCI | - | - | 192,060 | - | - | 192,060 |
| Balances with Central Bank of Malta | 23,991,390 | - | - | - | 43,690 | 24,035,080 |
| Loans and advances to banks | 2,913,090 | - | - | - | - | 2,913,090 |
| Loans and advances to customers | - | - | 3,115,708 | - | - | 3,115,708 |
| Accrued income and other assets | - | 75,258 | 13,995 | - | - | 89,253 |
| | **26,904,480** | **75,258** | **4,114,363** | **-** | **43,690** | **31,137,791** |
| **Financial liabilities** | | | | | | |
| Amounts owed to customers | 13,513,986 | - | - | - | - | 13,513,986 |
| Other liabilities | 187 | 155,611 | - | - | - | 155,798 |
| | **13,514,173** | **155,611** | **-** | **-** | **-** | **13,669,784** |
| **Maturity gap** | **13,390,307** | **(80,353)** | **4,114,363** | **-** | | |
| **Cumulative gap** | **13,390,307** | **13,309,954** | **17,424,317** | **17,424,317** | | |

At 31 December 2025, financial assets measured at fair value through other comprehensive income amounting to €192,060, which principally mature within one year but over three months, were available for immediate sale. These financial assets were fully disposed of on 2 February 2026.

## 2. Financial risk management - continued

### 2.5 Liquidity risk - continued

| | Within one month € | Within three months but over one month € | Within one year but over three months € | More than one year € | No maturity € | Total € |
|---|---|---|---|---|---|---|
| **As at 31 December 2024** | | | | | | |
| **Financial assets** | | | | | | |
| Financial assets measured at FVTPL | - | - | 792,600 | - | - | 792,600 |
| Financial assets measured at FVOCI | - | - | 3,965,100 | 1,180,590 | - | 5,145,690 |
| Balances with Central Bank of Malta | 9,595,380 | - | 10,588,122 | - | 130,136 | 20,313,638 |
| Loans and advances to banks | 1,920,943 | - | - | 4,979,626 | - | 6,900,569 |
| Loans and advances to customers | - | 3,746,403 | 9,272,170 | - | - | 13,018,573 |
| Accrued income and other assets | 159 | 327,740 | 42,476 | - | - | 370,375 |
| | **11,516,482** | **4,074,143** | **24,660,468** | **6,160,216** | **130,136** | **46,541,445** |
| **Financial liabilities** | | | | | | |
| Amounts owed to banks | - | 4,965,200 | - | - | - | 4,965,200 |
| Amounts owed to customers | 16,019,949 | 900,000 | 6,000,000 | - | - | 22,919,949 |
| Other liabilities | 122,045 | 8,906 | - | - | - | 130,951 |
| | **16,141,994** | **5,874,106** | **6,000,000** | **-** | **-** | **28,016,100** |
| **Maturity gap** | **(4,625,512)** | **(1,799,963)** | **18,660,468** | **6,160,216** | | |
| **Cumulative gap** | **(4,625,512)** | **(6,425,475)** | **12,234,993** | **18,395,209** | | |

At 31 December 2024, deposits payable on demand or at short notice amounted to €16,019,949. This amount is disclosed within the 'Within one month' maturity grouping. However, in practice these deposits are maintained with the bank for longer periods. Hence, the effective behavioural date of repayment is later than the contractual date. This amount represents a significant part of the bank's funding. The bank places considerable importance on maintaining the stability of these deposits.

As at 31 December 2024, financial assets measured at fair value through other comprehensive income amounting to €5,145,690, which principally mature after more than one year, were available for immediate sale in case the need arises, including under stress.

**2. Financial risk management** – continued

**2.5 Liquidity risk** - continued

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

| | Within one month € | Within three months but over one month € | Within one year but over three months € | Total € | Carrying amount € |
|---|---|---|---|---|---|
| **As at 31 December 2025** | | | | | |
| Amounts owed to customers | 13,513,986 | - | - | 13,513,986 | 13,513,986 |
| Other liabilities | 187 | 155,611 | - | 155,798 | 155,798 |
| | **13,514,173** | **155,611** | **-** | **13,669,784** | **13,669,784** |
| **As at 31 December 2024** | | | | | |
| Amounts owed to banks | - | 4,965,200 | - | 4,965,200 | 4,965,200 |
| Amounts owed to customers | 16,019,949 | 906,114 | 6,081,822 | 23,007,885 | 22,919,949 |
| Other liabilities | 130,951 | - | - | 130,951 | 130,951 |
| | **16,150,900** | **5,871,314** | **6,081,822** | **28,104,036** | **28,016,100** |

Following the decision to wind-down the Bank, provisions amounting to €1,337,811 have been recognised. These costs are expected to be paid within one year.

As at 31 December 2025 and 2024 all of the Bank's assets were unencumbered.

**2.6 Capital risk management**

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

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

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

In terms of its banking licence conditions, the Bank is required to maintain at all times a minimum ratio of total regulatory capital to risk-weighted assets ("Capital requirements ratio") of 20%. This consists of an overall capital requirement ("OCR") of 18%, together with a Pillar 2 Guidance ("P2G") of 2%. During the year, the Bank has met all externally imposed capital requirements.

As at 31 December 2025 and 2024 and during the respective financial periods, the capital adequacy ratio was within the regulatory minimum and the risk appetite set by the Bank.

## 2. Financial risk management - continued

### 2.7 Fair value of financial instruments

*Financial instruments measured at fair value*

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

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

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

| | Level 1<br>€ | Level 2<br>€ | Level 3<br>€ | Total<br>€ |
|---|---|---|---|---|
| **As at 31 December 2025** | | | | |
| **Assets** | | | | |
| Financial assets measured at FVTPL | - | - | 792,600 | 792,600 |
| Financial assets measured at FVOCI | 192,060 | - | - | 192,060 |
| **Total financial assets at fair value** | **192,060** | - | **792,600** | **984,660** |

| | Level 1<br>€ | Level 2<br>€ | Level 3<br>€ | Total<br>€ |
|---|---|---|---|---|
| **As at 31 December 2024** | | | | |
| **Assets** | | | | |
| Financial assets measured at FVTPL | - | - | 792,600 | 792,600 |
| Financial assets measured at FVOCI | 5,145,690 | - | - | 5,145,690 |
| **Total financial assets at fair value** | **5,145,690** | - | **792,600** | **5,938,290** |

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

*(a) Financial instruments in level 1*

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

As at 31 December 2025, instruments included in level 1 comprise of debt instruments issued by local credit institutions which are listed on the Malta Stock Exchange. As at 31 December 2024, instruments included in level 1 comprise debt instruments issued by the Government of Malta and debt instruments issued by local credit institutions which are listed on the Malta Stock Exchange.

**2. Financial risk management** - continued

**2.7 Fair value of financial instruments** - continued

*Financial instruments measured at fair value* - continued

*(b) Financial instruments in level 2*

Fair values of instruments included in level 2 are based on quoted prices but in markets that are not active. As at 31 December 2025 and 2024, there were no instruments included under this hierarchy.

*(c) Financial instruments in level 3*

Fair values of instruments included in level 3 consist of instruments for which a valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes a loan to a customer that has failed the SPPI test and is therefore mandatorily measured at fair value. In view of the absence of quoted market prices or observable inputs for modelling value, the fair value of the instrument held is derived using an internal model. Unobservable inputs and assumptions in this regard include cash inflows under different scenarios, the timing of cashflows, the probability outcomes under the different scenarios and the discount rate.

There were no movement between the opening balance to the closing balance of financial assets mandatorily measured at fair value through profit or loss.

On 14 April 2020, the Bank granted a non-revolving term loan facility which was utilised by a company incorporated in Germany to acquire claims to an insolvent estate of a company incorporated in Switzerland which is currently in administration. The terms of the loan includes a profit participation feature that enables the Bank to participate in any profit earned as a result of loans advanced to fund the claim. Presently, the claims have the status of "suspended claims" as per latest creditor letter from the administrator. Suspended claims will be legally assessed at a later stage in the bankruptcy proceedings as certain information related to the claims is still pending receipt by the Administrator.

Considering such status of the Claims, the discounted cash flow valuation takes into consideration a scenario where the Claims are accepted by the Administrator and a scenario where the Claims are rejected by the Administrator, applying a 50% probability weight to each scenario based on reasonably possible information available from the Administrator. In the scenario where the Claims are rejected by the Administrator, the expected cash flows/recovery from the loan to customer is nil, whilst in the scenario where the Claims are accepted by the Administrator, an expected cash flow of approximately €1.5 million will be realised by the Bank from the loan to customer. The key inputs in the scenario where the Claims are accepted are further explained in the table below:

| | |
|---|---|
| Amount per claim | the amount per claim is based on the total assets in the estate divided by the total number of claims to the estate. |
| Discount rate | the discount rate is the risk-free rate adjusted for the credit risk spread of the exposure at origination. |
| Time to collect | based on the Bank's best estimate of the recovery of claims. |

2. **Financial risk management** - continued

**2.7 Fair value of financial instruments** - continued

*Financial instruments measured at fair value* - continued

(d) *Financial instruments in level 3* - continued

The higher the amount per claim, the higher the resultant fair valuation. Conversely, the lower the discount rate the higher the fair value. The longer the time to collect, the lower the resulting fair value. Notwithstanding the above considerations, the key assumption in the Bank's discounted cash flow calculation of the fair value is the acceptability of the Claims. Applying a 100% probability to the scenario where the Claims are rejected by the Administrator results in a fair value of nil, resulting in a loss of €792,600, before tax. Conversely, applying a 100% probability to the scenario where the Claims are accepted by the Administrator results in a fair value of approximately €1.5 million, resulting in a gain of approximately €750,000.

*Financial instruments not measured at fair value*

Loans and advances to banks and customers are carried at amortised cost in the statement of financial position. The directors consider the carrying amounts of loans and advances to customers and banks to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods.

The fair value of amounts owed to customers and amounts owed to banks and other financial institutions are estimated by reference to discounted cash flows, applying current interest rates offered for deposits of similar remaining maturities. The fair value of the Bank's amounts owed to customers and amounts owed to banks at 31 December 2024 are approximately equivalent to their carrying values in view of their short period to maturity.

3. **Critical estimates and judgments**

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

In the opinion of the directors, other than for estimates relating to the fair value of level 3 financial assets mandatorily measured at fair value through profit or loss, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Accordingly, the directors believe there are no areas involving a higher degree of judgement that would have a significant effect on the amounts recognised in the financial statements, and there are no key assumptions and other key sources of estimation uncertainty relating to estimates that require subjective or complex judgments.

The Bank's financial assets mandatorily measured at fair value through profit or loss are fair valued on the basis of an internal valuation model. The Level 3 valuations have been performed using the discounted cash flow approach. The valuation approach takes into account key judgments and assumptions, including the sensitivity of such, as outlined in Note 2.7.

## 4. Balances with Central Bank of Malta and cash

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| Cash in hand | **1,000** | 1,000 |
| Balances held with Central Bank of Malta | **24,035,080** | 20,313,638 |
| | **24,036,080** | 20,314,638 |

Balances held with Central Bank of Malta include reserve deposits relating to the Minimum Reserve Requirement in terms of Regulation (EC) No 1745/2003 of the ECB. The average reserve deposit held for the relevant maintenance period amounted to €43,690 (2024: €130,136). Deposits with the Central Bank amounting to €13,591,753 (2024: €6,904,642) are withdrawable on demand and were subject to an interest rate of 2% (2024: of 3%) per annum. The remaining deposits of €10,399,637 consisted of money market placements in USD with a contractual maturity of five days and with interest rates up to 3.49%. As at 31 December 2024, the remaining deposits of €13,278,860 consisted of money market placements in USD with a contractual maturity of six months and CAD with a contractual maturity of seven days and with interest rates of up to 4.2% and 2.3% per annum for USD and CAD respectively.

## 5. Loans and advances to banks and other financial institutions

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| Repayable on call and at short notice | **2,923,640** | 1,928,902 |
| Term loans and advances | **-** | 5,000,000 |
| Allowances for expected credit losses | **(10,550)** | (28,333) |
| | **2,913,090** | 6,900,569 |

Term loans and advances as at 31 December 2024 were unsecured, had been granted for an initial period of 18 months, and bore interest at a rate equal to the ECB deposit facility rate plus margin of 2.38% per annum. As at 31 December 2024, the interest rate was 5.38%. The loans are designated as lower ranking liabilities as referred to in regulation 108(4) of the Recovery and Resolution Regulations (Subsidiary Legislation 330.09).

## 6. Loans and advances to customers

| | 2025 € | 2024 € |
|---|---|---|
| Gross carrying amount | **3,144,421** | 13,340,041 |
| Allowances for expected credit losses | **(28,713)** | (321,468) |
| Net carrying amount | **3,115,708** | 13,018,573 |

| | | 2024 € |
|---|---|---|
| Credit loss allowances: | | |
| Allowances booked under Stage 1 | **28,713** | 18,153 |
| Allowances booked under Stage 2 | - | 303,315 |
| | **28,713** | 321,468 |

Gross loans and advances to customers as at 31 December 2025 include credit exposures with related parties amounting to €3,144,421 (2024: €8,787,500) (Note 27).

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

| | 2025 € | 2024 € |
|---|---|---|
| Loans and advances to customers | **792,600** | 792,600 |

| | 2025 € | 2024 € |
|---|---|---|
| **Analysed by issuer:** | | |
| - other issuers | **792,600** | 792,600 |
| **Listing status:** | | |
| - unlisted | **792,600** | 792,600 |

Financial assets mandatorily measured at fair value through profit or loss consist of an exposure to a customer that does not qualify for measurement at either amortised cost or fair value through other comprehensive income on the basis that it failed the SPPI test as a result of a profit participation feature that enables the Bank to participate in any residual profit earned from the activity being financed.

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

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Debt instruments | **192,060** | 5,145,690 |
| | **192,060** | 5,145,690 |
| **Analysed by issuer:** | | |
| - local general government | **-** | 4,928,880 |
| - local credit institutions | **192,060** | 216,810 |
| | **192,060** | 5,145,690 |
| **Listing status:** | | |
| - listed on Malta Stock Exchange | **192,060** | 5,145,690 |
| | **192,060** | 5,145,690 |

The movement in financial assets measured at fair value through other comprehensive income may be summarised as follows:

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| **Year ended 31 December** | | |
| At 1 January | **5,145,690** | 6,946,560 |
| Disposals/redemptions | **(5,005,568)** | (2,000,000) |
| Amortisation | **(17,621)** | (24,220) |
| Net fair value movements | **69,559** | 223,350 |
| At 31 December | **192,060** | 5,145,690 |

As at 31 December 2025, an expected credit loss allowance amounting to €498 was accounted for in terms of IFRS 9 (2024: €3,134).

## 9. Property, plant and equipment

| | Computer equipment € | Office improvements and equipment € | Right-of-Use asset € | Total € |
|---|---|---|---|---|
| **At 1 January 2024** | | | | |
| Cost | 147,430 | 80,922 | 367,351 | 595,703 |
| Accumulated depreciation | (123,698) | (74,969) | (290,486) | (489,153) |
| Net book amount | **23,732** | **5,953** | **76,865** | **106,550** |
| **Year ended 31 December 2024** | | | | |
| Opening net book amount | 23,732 | 5,953 | 76,865 | 106,550 |
| Additions | 14,557 | 2,808 | - | 17,365 |
| Disposals | (18,961) | (6,137) | - | (25,098) |
| Depreciation charge | (14,874) | (3,531) | (76,865) | (95,270) |
| Depreciation released on disposals | 18,961 | 6,137 | - | 25,098 |
| Closing net book amount | **23,415** | **5,230** | **-** | **28,645** |
| **At 31 December 2024** | | | | |
| Cost | 143,026 | 77,593 | 367,351 | 587,970 |
| Accumulated depreciation | (119,611) | (72,363) | (367,351) | (559,325) |
| Net book amount | **23,415** | **5,230** | **-** | **28,645** |
| **At 1 January 2025** | | | | |
| Cost | 143,026 | 77,593 | 367,351 | 587,970 |
| Accumulated depreciation | (119,611) | (72,363) | (367,351) | (559,325) |
| Net book amount | 23,415 | 5,230 | - | 28,645 |
| **Year ended 31 December 2025** | | | | |
| Opening net book amount | 23,415 | 5,230 | - | 28,645 |
| Additions | 90,608 | 22,052 | 614,530 | 727,190 |
| Disposals | (97,124) | (24,850) | - | (121,974) |
| Depreciation charge | (25,987) | (5,669) | (81,937) | (113,593) |
| Depreciation released on disposals | 96,038 | 24,850 | - | 120,888 |
| Remeasurement upon reassessment of lease term | - | - | (530,386) | (530,386) |
| Impairment charge | (86,950) | (21,613) | (2,220) | (110,783) |
| Closing net book amount | - | - | - | - |
| **At 31 December 2025** | | | | |
| Cost | - | - | - | - |
| Accumulated depreciation | - | - | - | - |
| Net book amount | - | - | - | - |

During 2025, the Bank disposed of computer and office equipment, in respect of which a loss of €1,086 was realised.

**9. Property, plant and equipment** - continued

On 16 January 2020, the Bank entered into a sub-lease agreement for office space with its immediate parent for a fixed period until 16 December 2024. The right-of-use asset in respect of this lease has been included within the above table. On 4 December 2024, the Bank entered into a short-term sub-lease agreement with its immediate parent until 16 June 2025 to continue to use the office space, for which the Bank has elected not to recognise right-of-use assets.

On 16 July 2025, the Bank entered into a new sub-lease agreement for office space with its immediate parent for a fixed period until 6 May 2030. On 30 December 2025, the expiry of the fixed lease period was amended to 6 May 2026, the lease liability of which was paid in 2025. As a result of the remeasurement, the Bank incurred a loss on the modification of the lease amounting to €19,981, which is included in the 'Depreciation and impairment of property, plant and equipment and right-of-use assets'.

Following the decision to wind-down the Bank, the carrying value of property, plant and equipment was tested for impairment and a full impairment charge of €110,783 was recognised in the income statement.

**10. Intangible assets**

| | **Computer software €** |
|---|---:|
| **At 1 January 2024** | |
| Cost | 1,469,894 |
| Accumulated amortisation | (548,128) |
| Net book amount | 921,766 |
| **Year ended 31 December 2024** | |
| Opening net book amount | 921,766 |
| Disposals | (4,158) |
| Amortisation charge | (40,571) |
| Amortisation released on disposals | 4,158 |
| Closing net book amount | 881,195 |
| **At 31 December 2024** | |
| Cost | 1,465,736 |
| Accumulated amortisation | (584,541) |
| Net book amount | 881,195 |
| **Year ended 31 December 2025** | |
| Opening net book amount | **881,195** |
| Additions | **7,670** |
| Disposals | **(31,777)** |
| Amortisation charge | **(19,440)** |
| Amortisation released on disposals | **28,585** |
| Impairment charge | **(866,233)** |
| Closing net book amount | **-** |

## 10. Intangible assets - continued

| | Computer software € |
|---|---|
| **At 31 December 2025** | |
| Cost | - |
| Accumulated amortisation | - |
| Net book amount | - |

During 2025, the Bank disposed computer equipment which included computer software, in respect of which a loss of €3,192 was realised.

As at 31 December 2024, computer software amounting to €699,580 related to the implementation of a new core banking system which was still in the course of development. As at 31 December 2024, the fully amortised computer software with an original cost of €263,238 is still in use.

Following the decision to wind-down the Bank, a full impairment charge of €866,233 was recognised in the income statement.

## 11. Accrued income and other assets

| | **2025 €** | 2024 € |
|---|---|---|
| Accrued interest receivable | **16,332** | 133,115 |
| Other receivables | **72,921** | 237,260 |
| Prepayments | **13,930** | 188,425 |
| | **103,183** | 558,800 |

Accrued interest receivables amounting to €16,332 (2024: €1,803) and other receivables amounting to €61,025 (2024: €237,260, including €208,800 relating to fees receivable) are due to the Bank from related parties (Note 27).

## 12. Share capital

| | **2025 €** | 2024 € |
|---|---|---|
| **Authorised** | | |
| 500,000,000 Ordinary shares of €1 each | **500,000,000** | 500,000,000 |
| **Issued and fully paid up** | | |
| 10,000,000 Ordinary shares of €1 each | **10,000,000** | 10,000,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

## 13. Capital contribution

During 2024 and by virtue of the Tax Sharing Agreement entered by the Bank with its immediate parent company, the Bank formed part of a Fiscal Unit for Maltese income tax purposes effective from 1 January 2023 being the Bank is the transparent subsidiary and the immediate parent company as the principal taxpayer.

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

As at 31 December 2025, the capital contribution amounting to €61,025 (2024: €28,460) represents the compensation receivable from the principal taxpayer on the "utilised" tax losses against the notional current tax liability of the principal taxpayer.

## 14. Fair value reserve

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

## 15. Amounts owed to banks

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Repayable at short notice | **-** | 4,965,200 |

Amounts owed to banks as at 31 December 2024 were repayable subject to a 35-day prior notice period and were not subject to interest.

## 16. Amounts owed to customers

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Repayable at call and short notice | **13,513,986** | 16,019,949 |
| Term deposits | **-** | 6,900,000 |
| | **13,513,986** | 22,919,949 |

Amounts owed to customers include amounts of €13,513,986 (2024: €22,900,678) due by the Bank to related parties (Note 27). At 31 December 2024, term deposits amounting to €6,900,000 were subject to fixed interest rates.

## 17. Provisions

Following the decision to wind-down the Bank, the following provisions have been accounted for as at 31 December 2025:

| | 2025 |
|---|---|
| | € |
| Costs expected to be settled after the end of the reporting period: | |
| - Termination benefits | 323,666 |
| - Provisions for professional and other fees expected to be incurred to wind-down the Bank | 85,426 |
| - Estimated staff costs and directors' fees related to the conduct of business subsequent to the end of the reporting period | 746,827 |
| - Estimated professional and other fees for services related to the running of the business subsequent to the end of the reporting period | 181,892 |
| | **1,337,811** |

## 18. Other liabilities

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| Accrued interest payable | **-** | 8,906 |
| Other payables and accrued expenses | **155,798** | 122,045 |
| | **155,798** | 130,951 |

As at 31 December 2024, accrued interest payable amounting to €8,906 and other payables and accrued expenses amounting to €382 were due by the Bank to related parties (Note 27).

## 19. Interest and similar income

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| On financial assets classified at fair value through other comprehensive income: | | |
| - coupon interest | **30,383** | 38,119 |
| - net amortisation of premiums and discounts | **(17,621)** | (24,221) |
| On loans and advances to banks and other financial institutions | **731,124** | 1,242,658 |
| On loans and advances to customers | **1,404,604** | 1,736,878 |
| | **2,148,490** | 2,993,434 |

## 20. Interest and similar expense

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| On amounts owed to customers | **410,928** | 538,066 |
| On lease liabilities | **20,737** | 1,642 |
| | **431,665** | 539,708 |

## 21. Fee and commission income and expense

*(a) Fee and commission income*

The Bank derives revenue from the provision of services, over time, as follows:

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Corporate services | **-** | 1,445,581 |
| Account maintenance, payment services and other related fees | **61,637** | 85,923 |
| | **61,637** | 1,531,504 |

*(b) Fee and commission expense*

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Other fee expense | **4,124** | 12,948 |

## 22. Net trading income

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Foreign exchange revaluation losses | **(31,409)** | (16,283) |
| Income from foreign exchange activities | **124,392** | 52,248 |
| Interest written down on financial assets mandatorily measured at fair value through profit and loss | **-** | (210,589) |
| | **92,983** | (174,624) |

## 23. Changes in expected credit losses

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| *Change in expected credit losses* | | |
| - loans and advances to banks and other financial institutions | **(17,782)** | 5,247 |
| - loans and advances to customers | **(292,755)** | 102,416 |
| - financial assets measured at fair value through other comprehensive income | **(2,636)** | 1,147 |
| | **(313,173)** | 108,810 |

## 24. Administrative expenses

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Staff costs | | |
| - Other staff salaries | **1,453,239** | 1,361,374 |
| - Social security costs | **36,047** | 32,624 |
| - Other staff costs | **164,821** | 198,051 |
| Directors' fees | **291,555** | 324,009 |
| Professional fees | **558,084** | 583,543 |
| Information technology | **421,423** | 350,634 |
| Repairs and maintenance | **84,202** | 62,833 |
| Licenses | **50,004** | 24,996 |
| Utilities and janitorial expenses | **7,688** | 4,693 |
| Insurance costs | **16,645** | 6,018 |
| Other expenses | **236,377** | 188,730 |
| | **3,320,085** | 3,137,505 |

Other expenses mainly comprise maintenance expenditure, marketing expenses and other services or expense items which are incurred during the Bank's operations.

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

| | **2025** | 2024 |
|---|---|---|
| - Managerial | **9** | 9 |
| - Clerical | **5** | 4 |
| | **14** | 13 |

*Auditor's remuneration*

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

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Annual statutory audit | **62,000** | 62,000 |
| Other non-assurance services | **13,000** | 48,020 |
| | **75,000** | 110,020 |

## 25. Tax expense

*Current taxation*

During 2024 the Bank and its immediate parent company (the "Parent") formed part of a Fiscal Unit for Maltese income tax purposes effective from 1 January 2023 being the Parent as the principal taxpayer and the Bank as the transparent subsidiary, which allows the Fiscal Unit to be treated as a single taxpayer. By virtue of the Tax Sharing Agreement, unabsorbed tax losses carried forward by the Bank amounting to €60.9 million as at 31 December 2022 were transferred to the principal taxpayer for utilisation against the Fiscal Unit's current and future taxable profits from the formation of the Fiscal Unit (Note 13).

Under the Tax Sharing Agreement and at the level of Fiscal Unit members' standalone financial statements, entitlement to compensation to be received by the Bank with respect to unutilised tax losses utilised by the Parent against its own notional tax liability are treated as an investment in subsidiary by the Parent and as a capital contribution within the equity reserves (Note 13) by the Bank in the year in which the Fiscal Unit files its consolidated tax return, which may be in year(s) subsequent to the financial year in which the Bank's taxable profit arises.

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

During 2025, following successful registration of the Parent's shareholder with the Commissioner for Tax and Customs for tax refund purposes in accordance with applicable Maltese tax legislation, owing to the fact that the Parent forms part of a fiscal unit as its shareholder, the profits of the Fiscal Unit is subject to a rate of 5% (being a rate that takes account of the tax refund that the shareholder would be entitled to receive in terms of Maltese tax legislation). As at 31 December 2024, the effective tax rate of 35% was applied because the shareholder was not yet registered for tax refund purposes.

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

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| (Loss)/Profit before tax | **(3,629,269)** | 415,502 |
| Tax on profit (2025 at 5%; 2024 at 35%) | **(181,463)** | 145,426 |
| Tax effect of: | | |
| Expenses not deductible for tax purposes | **181,463** | 100,985 |
| Utilisation of unabsorbed tax losses during the current year | **-** | (246,411) |
| | **-** | - |

*Deferred taxation*

During 2024 and by virtue of the Tax Sharing Agreement, unabsorbed tax losses carried forward by the Bank amounting to €60.9 million as at 31 December 2022 were transferred to the principal taxpayer for utilisation against the Fiscal Unit's current and future taxable profits from the formation of the Fiscal Unit.

## 26. Cash and cash equivalents

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

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Cash in hand | **1,000** | 1,000 |
| Balances held with Central Bank of Malta | **23,991,390** | 9,595,380 |
| Loans and advances to banks | **801,290** | 392,263 |
| Loans and advances to other financial institutions | **2,122,351** | 1,536,639 |
| | **26,916,031** | 11,525,282 |

## 27. Related party transactions

Related parties of the Bank include the ultimate parent company, Scully Royalty Ltd, all entities controlled by the ultimate parent, key management personnel, close family members of key management personnel and entities which are controlled or jointly controlled by key management personnel or their close family members.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Merkanti Bank Limited, being the directors of the Bank.

During the year, the Bank carried out the following transactions with the ultimate parent company, its controlled entities (referred to as other related parties), the Bank's immediate parent company and its subsidiaries referred to as fellow subsidiaries and at year end had the following balances with these entities:

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| **Assets** | | |
| Loans and advances to immediate parent | **3,115,708** | - |
| Loans and advances to other related parties | - | 8,787,500 |
| Accrued income and other assets | **75,257** | 239,063 |
| **Liabilities** | | |
| Amounts owed to ultimate parent company | - | 304,734 |
| Amounts owed to immediate parent company | **1,663,326** | 2,192,089 |
| Amounts owed to fellow subsidiaries | **186** | 7,551,464 |
| Amounts owed to other related parties | **11,850,474** | 12,852,391 |
| Other liabilities | - | 9,288 |

## 27. Related party transactions - continued

| | 2025 € | 2024 € |
|---|---|---|
| *Interest income:* | | |
| On loans to immediate parent | **80,318** | - |
| On loans to other related parties | **759,464** | 1,179,799 |
| *Fee and commission income:* | | |
| From ultimate parent company | **583** | 283,322 |
| From immediate parent company | **1,320** | 2,592 |
| From fellow subsidiaries | **440** | 3,485 |
| From other related parties | **46,753** | 1,221,822 |
| | | - |
| *Fee and commission expense:* | | |
| From immediate parent company | **-** | 12,948 |
| *Interest expense:* | | |
| On amounts owed to immediate parent company | **17,100** | 13,181 |
| On amounts owed to fellow subsidiaries | **103,375** | 175,375 |
| On amounts owed to other related parties | **290,453** | 349,510 |
| On lease liability with immediate parent company | **20,737** | 1,642 |
| *Net income from foreign exchange activities:* | | |
| On transactions with ultimate parent company | **1,114** | 10,385 |
| On transactions with immediate parent | **1,723** | 2,737 |
| On transactions with other related parties | **121,545** | 39,126 |
| Administrative expenses | **81,332** | 101,840 |

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 23 to these financial statements. Directors' emoluments comprise solely of short-term employee benefits.

## 28. Events after reporting date

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

## 29. Statutory information

Merkanti Bank Limited is a limited liability company and is incorporated in Malta, having its registered address at Level 13 Q2 Quad Central, Triq L-Esportaturi, Birkirkara CBD 1040, Malta.

The immediate parent company of Merkanti Bank Limited is Merkanti Holding p.l.c., a company registered in Malta that owns all the shares of Merkanti Bank Limited with the exception of one share held by Scully Royalty Ltd. Its registered address is Level 13 Q2 Quad Central, Triq L-Esportaturi, Birkirkara CBD 1040, Malta.

Merkanti Bank Limited is ultimately owned by Scully Royalty Ltd, a company registered in The Cayman Islands under registration number HS-323455 and having its registered office at Vistra (Cayman) Ltd, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman Ky1-1205, Cayman Islands. Scully Royalty Ltd is listed under the New York Stock Exchange (NYSE: SRL).

The financial statements of Merkanti Bank Limited are included in the consolidated financial statements of its immediate parent Merkanti Holding p.l.c. and ultimately of Scully Royalty Ltd, which are prepared in accordance with the requirements of International Financial Reporting Standards.

# 5 Year Summary

## Statement of financial position

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| **ASSETS** | | | | | |
| Balances with Central Bank of Malta and cash | **24,036,080** | 20,314,638 | 27,979,716 | 14,572,689 | 9,959,793 |
| Loans and advances to banks and other financial institutions | **2,913,090** | 6,900,569 | 6,548,893 | 6,969,817 | 3,779,362 |
| Loans and advances to customers | **3,115,708** | 13,018,573 | 13,374,699 | 13,958,012 | 15,773,875 |
| Financial assets designated as at fair value through profit or loss | **792,600** | 792,600 | 792,600 | 792,600 | 792,600 |
| Financial assets measured at FVOCI | **192,060** | 5,145,690 | 6,946,560 | 18,153,403 | 7,495,000 |
| Property, plant and equipment | **-** | 28,645 | 166,550 | 200,339 | 300,854 |
| Intangible assets | **-** | 881,195 | 861,766 | 942,660 | 646,935 |
| Accrued income and other assets | **103,183** | 558,800 | 1,879,765 | 1,110,237 | 449,688 |
| **Total assets** | **31,152,721** | 47,640,710 | 58,550,549 | 56,699,757 | 39,198,107 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | **10,000,000** | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Capital contribution | **89,485** | 28,460 | - | - | - |
| Fair value reserve | **(1,441)** | (90,201) | (314,698) | (587,930) | 48,706 |
| Retained earnings/(accumulated losses) | **6,057,082** | 9,686,351 | 9,270,849 | 6,883,602 | 4,935,255 |
| **Total equity** | **16,145,126** | 19,624,610 | 18,956,151 | 16,295,672 | 14,983,961 |
| **Liabilities** | | | | | |
| Amounts owed to banks | **-** | 4,965,200 | 4,965,600 | 4,966,000 | - |
| Amounts owed to customers | **13,513,986** | 22,919,949 | 34,335,931 | 30,457,884 | 19,045,858 |
| Subordinated liabilities | **-** | - | - | 4,500,000 | 4,500,000 |
| Provisions | **1,337,811** | - | - | - | - |
| Other liabilities | **155,798** | 130,951 | 292,867 | 480,201 | 668,288 |
| **Total liabilities** | **15,007,595** | 28,016,100 | 39,594,398 | 40,404,085 | 24,214,146 |
| **Total equity and liabilities** | **31,152,721** | 47,640,710 | 58,550,549 | 56,699,757 | 39,198,107 |
| **MEMORANDUM ITEMS** | | | | | |
| Contingent liabilities | **-** | - | - | 866,583 | 1,212,796 |

## Income statement

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| Interest income | **2,148,490** | 2,993,434 | 3,474,886 | 2,160,484 | 1,864,757 |
| Interest expense | **(431,665)** | (539,708) | (504,032) | (463,383) | (436,837) |
| **Net interest income** | **1,716,825** | 2,453,726 | 2,970,854 | 1,697,101 | 1,427,920 |
| Fee and commission income | **61,637** | 1,531,504 | 1,497,893 | 2,300,243 | 1,692,807 |
| Fee and commission expense | **(4,124)** | (12,948) | (57,802) | (2,864) | (126) |
| **Net fee and commission income** | **57,513** | 1,518,556 | 1,440,091 | 2,297,379 | 1,692,681 |
| Net trading gains/(losses) | **92,983** | (174,624) | 401,776 | 964,920 | 79,904 |
| (Losses)/gains on disposal of FVOCI financial assets | **(21,837)** | - | - | (216) | (423) |
| Other operating income/(expenditure) | - | - | 535,608 | 34,870 | 34,917 |
| **Operating income** | **1,845,484** | 3,797,658 | 5,348,329 | 4,994,054 | 3,234,999 |
| Changes in expected credit losses | **313,173** | (108,810) | (102,102) | (36,153) | 49,148 |
| Administrative expenses | **(3,320,085)** | (3,137,505) | (2,677,547) | (2,895,762) | (2,656,514) |
| Depreciation and impairment of property, plant and equipment and right-of-use assets | **(244,357)** | (95,270) | (98,012) | (108,676) | (124,396) |
| Amortisation and impairment of intangible assets | **(885,673)** | (40,571) | (83,421) | (5,116) | (183) |
| Movement in provisions | **(1,337,811)** | - | - | - | - |
| **(Loss)/profit before tax** | **(3,629,269)** | 415,502 | 2,387,247 | 1,948,347 | 503,054 |
| Tax expense | - | - | - | - | - |
| **(Loss)/profit for the year** | **(3,629,269)** | 415,502 | 2,387,247 | 1,948,347 | 503,054 |

## Statement of cash flows

| | 2025<br>€ | 2024<br>€ | 2023<br>€ | 2022<br>€ | 2021<br>€ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Interest and commission income received | **2,631,469** | 5,789,299 | 5,237,394 | 4,908,341 | 3,512,797 |
| Interest and commission expense paid | **(415,052)** | (551,014) | (536,256) | (457,141) | (511,596) |
| Cash payments to employees and suppliers | **(3,077,382)** | (3,226,518) | (2,787,815) | (2,979,346) | (2,312,757) |
| Cash flows generated from operating activities before changes in operating assets and liabilities | **(860,965)** | 2,011,767 | 1,913,323 | 1,471,854 | 688,444 |
| Changes in operating assets and liabilities: | | | | | |
| Net decrease/(increase) in reserve deposit with Central Bank of Malta | **86,446** | 141,310 | (19,011) | (153,841) | 13,418 |
| Net increase in money market placement with Central Bank | **10,588,122** | (10,588,122) | - | - | - |
| Net (increase)/decrease in loans and advances to banks and other financial institutions | **5,000,000** | (5,415) | (22,666) | (4,971,919) | - |
| Net decrease/(increase) in loans and advances to customers | **10,195,620** | 253,710 | 458,830 | 1,786,988 | 237,662 |
| Net increase in amounts owed to banks | **(4,965,200)** | (400) | (400) | 4,966,590 | - |
| Net (decrease)/increase in amounts owed to customers | **(9,405,963)** | (11,415,982) | 3,878,047 | 11,412,026 | (2,018,087) |
| Net cash used in operating activities | **10,638,060** | (19,603,132) | 6,208,123 | 14,511,698 | (1,078,563) |
| **Cash flows from investing activities** | | | | | |
| Payments to acquire securities | - | - | - | (11,454,000) | (1,119,300) |
| Proceeds from disposal and maturity of securities | - | - | 11,500,000 | 132,900 | 1,192,768 |
| Proceeds from maturity of redemption of financial assets measured at fair value through other comprehensive income | **5,005,568** | 2,000,000 | - | - | - |
| Purchase of property, plant and equipment | **(112,660)** | (17,365) | (16,816) | (13,277) | (28,355) |
| Purchase of intangible assets | **(7,670)** | - | (50,466) | (295,725) | (629,235) |
| Net cash (used in)/generated from investing activities | **4,885,238** | 1,982,635 | 11,432,718 | (11,630,102) | (584,122) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of subordinated liabilities | - | - | (4,500,000) | - | - |
| Principal element of lease payments | **(163,958)** | (102,578) | (101,658) | (79,381) | (87,207) |
| Net cash (used in)/generated from financing activities | **(163,958)** | (102,578) | (4,601,658) | (79,381) | (87,207) |
| Effect of exchange rate changes on cash and cash equivalents | **31,409** | (37,307) | (117,282) | (116,594) | 9,942 |
| **Net movement in cash and cash equivalents** | **15,359,340** | (17,723,075) | 13,039,183 | 2,685,621 | (1,749,892) |
| **Cash and cash equivalents at beginning of year** | **11,525,282** | 29,285,664 | 16,363,763 | 13,678,142 | 15,418,092 |
| **Cash and cash equivalents at end of year** | **26,916,031** | 11,525,282 | 29,285,664 | 16,363,763 | 13,678,142 |