BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

# FIFTY-EIGHTH ANNUAL REPORT
# AND
# STATEMENT OF ACCOUNTS
# 2025

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**Theme**
Where stability meets innovation, prosperity follows. Indeed, balancing stability with innovation is fundamental to achieving sustainable growth. Stability provides a trusted and resilient foundation, while innovation drives progress, challenges convention, and opens new pathways to prosperity. Together, they create the conditions for lasting economic strength and societal well-being. As a central bank, we remain committed in safeguarding monetary and financial stability while embracing digital innovation, ensuring our policies continue to serve as a trusted anchor in an increasingly dynamic and evolving financial landscape.

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*The cut-off date for information published in Part 1 of this Report is 27 February 2026. However, the cut-off date for euro area GDP and tourism has been extended to 6 and 9 March 2026, respectively, while that for residential property transactions has been extended to 11 March 2026. Figures in tables may not add up due to rounding.*

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## MISSION STATEMENT

The Central Bank of Malta (the Bank) is an independent institution, which forms an integral part of the Eurosystem and, as a member of the European System of Central Banks (ESCB), has the primary objective of maintaining price stability. It is entrusted with all major central banking tasks, particularly that of ensuring the stability of the financial system.

The Bank carries out its statutory responsibilities in the public interest and is committed to performing its functions effectively, efficiently and economically to the highest level of integrity, competence and transparency. In this regard, in accordance with the Central Bank of Malta Act, and in conformity with the Treaty on European Union and the Treaty on the Functioning of the European Union and the Protocol on the Statute of the ESCB and of the European Central Bank (ECB), it:

(i) **undertakes economic and financial analysis and research** to support the Governor's participation in the decision-making process of the ECB's Governing Council and provides independent advice to the Government on economic and financial policy issues;

(ii) **implements the ECB's monetary policy** through market operations conducted within the operational framework of the Eurosystem;

(iii) **contributes effectively to the stability of the financial system** by identifying and assessing systemic risks and imbalances, and making the appropriate policy recommendations;

(iv) **formulates and implements a macro-prudential policy** to fulfil its task as the national macro-prudential authority;

(v) **promotes and supports the development and integration of financial markets** in Malta through oversight of market infrastructures and by ensuring the availability of cost efficient securities settlement and payment systems;

(vi) **provides an adequate supply of banknotes and coins** to meet the demands of the public, while ensuring high quality and authenticity of the currency in circulation;

(vii) **collects, compiles and publishes economic and financial statistics** in line with international standards;

(viii) **acts as banker to Government and to the banking system**;

(ix) **holds and actively manages financial assets** with the aim of optimising returns, subject to prudent risk management practices;

(x) **actively participates in the ESCB, the Eurosystem and other relevant European Union bodies**, including their sub-structures;

(xi) **acts as the supervisory authority** of credit reference agencies for the purpose of overseeing and regulating the issuance of credit scores.

**In addition, as a member of the Eurosystem, the Bank fully subscribes to the Eurosystem's mission, strategic intents and organisational principles.**

## BOARD OF DIRECTORS*

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Mr Ian Borg (ad interim)
*Economic Analysis*

Mr Edward Magro (ad interim)
*Payments and Banking*

**as at 27 March 2026*

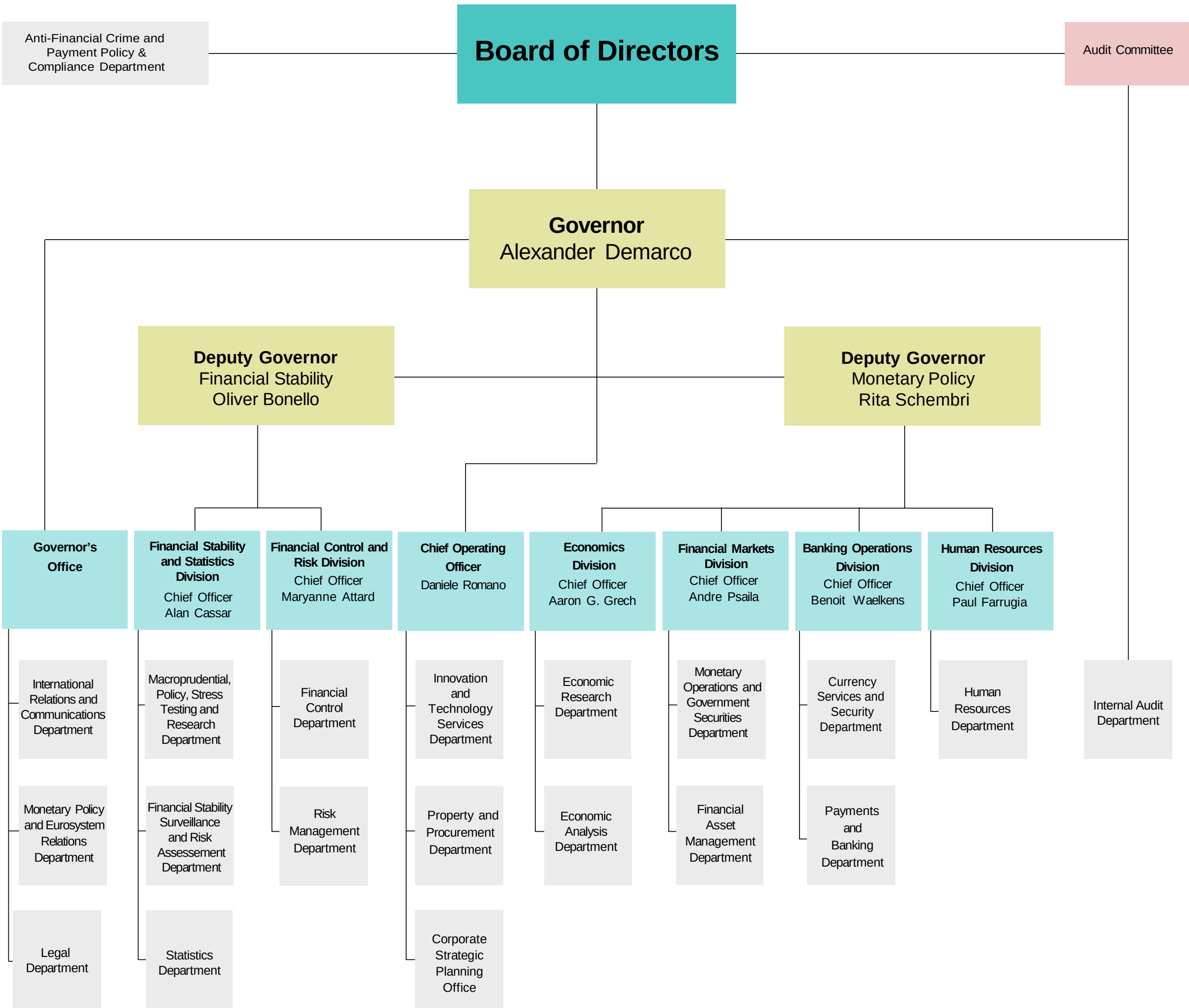
## THE BOARD OF DIRECTORS*

*(left to right)*

*Top row: Oliver Bonello (Deputy Governor), Alexander Demarco (Governor), Rita Schembri (Deputy Governor),*
*Bottom row: Lauren Ellul (Director), Peter J. Baldacchino (Director), Frank Bezzina (Director), Romina Borg (Director), Francis Bugeja (Secretary).*

*as at 27 March 2026

# ORGANISATION CHART*




*as at 27 March 2026

BANK ĊENTRALI TA' MALTA
EUROSISTEMA

Gvernatur

CENTRAL BANK OF MALTA
EUROSYSTEM

Governor

27 March 2026

Hon. Clyde Caruana
Minister for Finance
Maison Demandols
South Street
Valletta VLT 1102

Dear Minister,

**LETTER OF TRANSMITTAL**

In terms of Article 21 of the Central Bank of Malta Act (Cap. 204), I have the honour to transmit to you, in your capacity as Minister responsible for finance, a copy of the Annual Report of the Bank for the financial year ended 31 December 2025.

Yours sincerely,

Alexander Demarco

# CONTENTS



**LIST OF BOXES**

## ABBREVIATIONS LIST

| | |
|---|---|
| APP | asset purchase programme |
| BCI | Business Conditions Index |
| BLS | Bank Lending Survey |
| BOP | balance of payments |
| CCI | construction cost index |
| CCR | Central Credit Register |
| CCyB | countercyclical capital buffer |
| COICOP | Classification of Individual Consumption by Purpose |
| CORE | Corporate Citizenship for Responsible Enterprise |
| CPI | consumer price index |
| CRA | Credit Reference Agency |
| CRR | Capital Requirements Regulation |
| CSPP | Corporate Sector Purchase Programme |
| CSR | Corporate Social Responsibility |
| CSRD | Corporate Sustainability Reporting Directive |
| DCS | Depositor Compensation Scheme |
| DFR | deposit facility rate |
| DORA | Digital Operational Resilience Act |
| DSA | debt sustainability analysis |
| EA | euro area |
| EC | European Commission |
| ECB | European Central Bank |
| ECMS | Eurosystem Collateral Management System |
| EEI | employment expectations indicator |
| EFC | Economic and Financial Committee |
| EPU | Economic Policy Uncertainty |
| ESA | European System of Accounts |
| ESG | environmental, social and governance |
| ESI | Economic Sentiment Indicator |
| ESRB | European Systemic Risk Board |
| €STR | euro short-term rate |
| EU | European Union |
| EUI | Economic Uncertainty Indicator |
| EURIBOR | euro interbank offered rate |
| FC | financial corporation |
| FCI | Financial Conditions Index |
| FIAU | Financial Intelligence Analysis Unit |
| FMI | Financial Market Infrastructure |
| FOMC | Federal Open Market Committee |
| FSR | Financial Stability Report |
| FX | Foreign Exchange |
| GDP | gross domestic product |
| GFCF | gross fixed capital formation |
| GRQ | General Review of Quotas |
| GVA | gross value added |
| HCI | Harmonised Competitiveness Indicator |
| HFCS | Household Finance and Consumption Survey |
| HICP | Harmonised Index of Consumer Prices |
| HISTVCM | historical variance-covariance method |
| IAC | Internal Auditors Committee |
| IIP | international investment position |
| IMF | International Monetary Fund |

| | |
|---|---|
| IPC | Investment Policy Committee |
| JFSB | Joint Financial Stability Board |
| LFS | Labour Force Survey |
| LNG | liquefied natural gas |
| LTRO | long-term refinancing operations |
| MCH | Malta Clearing House |
| MFI | monetary financial institution |
| MFSA | Malta Financial Services Authority |
| MGS | Malta Government Stocks |
| MIA | Malta International Airport |
| MoU | Memorandum of Understanding |
| MPC | Monetary Policy Committee |
| MQF | Malta Qualification Framework |
| MRO | main refinancing operation |
| MSE | Malta Stock Exchange |
| NCB | national central bank |
| NDSF | National Development and Social Fund |
| NEER | nominal effective exchange rate |
| NEIG | non-energy industrial goods |
| NFC | non-financial corporation |
| NGFS | Network for Greening the Financial System |
| NHPAB | Numismatics and Historical Publications Advisory Board |
| NMPP | non-monetary policy portfolio |
| NSO | National Statistics Office |
| O-SIIs | Other Systemically Important Institutions |
| PBC | People's Bank of China |
| PEPP | pandemic emergency purchase programme |
| PPI | Producer Price Index |
| PSD2 | Payment Services Directive |
| PSPP | Public Sector Purchase Programme |
| RPI | Retail Price Index |
| RPPI | Residential Property Price Index |
| sDSA | stochastic debt sustainability analysis |
| SEPA | Single Euro Payments Area |
| SGP | Stability and Growth Pact |
| SSS | Securities Settlement System |
| SWIFT | Society for Worldwide Interbank Financial Telecommunication |
| TARGET | Trans-European Automated Real-Time Gross Settlement Express Transfer System |
| TIPS | TARGET Instant Payment Settlement |
| TLTRO | targeted longer-term refinancing operation |
| UK | United Kingdom |
| ULC | unit labour cost |
| US | United States |
| VAR | vector autoregression |
| VAT | value added tax |
| WBG | World Bank Group |

## FOREWORD

*In 2025, Malta's economic growth remained robust and well exceeded that of its euro area peers.*

Global inflationary pressures eased further and economic activity remained broadly stable during 2025 amid heightened and prolonged uncertainty surrounding global trade policies. Despite this uncertainty, economic conditions in the euro area showed increasing signs of stabilisation as the year progressed.

Against this backdrop, the Governing Council of the European Central Bank (ECB) adjusted its monetary policy stance through a series of interest rate reductions during the first half of the year. In its first four monetary policy meetings of 2025, it lowered the three key ECB interest rates by a cumulative 100 basis points. However, the outbreak of war in the Middle East has led ECB staff in March 2026 to revise downwards euro area economic growth to less than 1% for 2026, recovering only moderately thereafter, while near-term inflation has been revised markedly upwards to 2.6% for 2026, to eventually stabilise at around the two per cent medium term target. These projections were nevertheless characterised by significant uncertainty, creating upside risks for inflation and downside risks to economic growth, with the medium-term implications on inflation and growth critically depending on the intensity and duration of the conflict in the Middle East, which at the time was as yet highly unclear, and on how energy prices will affect consumer prices and economic activity through indirect and second round effects.

Inflation in Malta remained contained during the year under review. According to the Harmonised Index of Consumer Prices (HICP), the average rate of inflation held steady at 2.4%, significantly below the peak observed in the post-pandemic era when inflation was close to 6.0%. Maltese economic growth moderated but remained robust and continued to exceed by far that recorded in the euro area. Real gross domestic product (GDP) rose by 4.0% in 2025, supported primarily by domestic demand, with net exports also contributing positively. Growth was largely driven by services, particularly wholesale and retail trade, accommodation and related activities, partly reflecting the continued strength of tourism.

Labour market conditions remained tight, although the rate of hiring slowed down from the previous year. The unemployment rate remained low from a historical perspective.

The Bank's latest projections, published in February 2026, which pre-date the start of the military conflict in the Middle East, indicate that growth is expected to ease further. Real GDP growth is projected to moderate to 3.7% in 2026, and to stabilise around this rate in the following two years. Employment growth is projected to ease further while the unemployment rate is forecast to edge down marginally to 2.8% over the projection horizon. At the same time, annual HICP inflation is projected to remain contained and decrease marginally to 2.3% in 2026. However, in the same vein of the projections for the euro area, these forecasts are also similarly characterised by high uncertainty, with upside risks to inflation and downside risks to economic growth.

The outlook for both the euro area and Malta is subject to considerable uncertainty as the impact of the war in the Middle East on international commodity prices will much depend on the severity of the damage to the oil and gas infrastructure in the region and the duration of the conflict. This war will yet again test the resilience of the Maltese economy to global shocks, which it had shown in recent global crisis. In this light, the Bank still expects GDP growth to remain significantly above that of the euro area, while Government energy support measures should help reduce the impact of possible rises in foreign inflation, although such measures will require greater restraint on public expenditure to achieve the set fiscal targets.

Against this macroeconomic and monetary backdrop, the Bank continues to carry out its operational, regulatory and oversight responsibilities within the Eurosystem framework.

Last year witnessed the fruition of work to enhance the effectiveness of payment systems. The new Instant Payments Regulation (EU) 2024/886 was fully rolled out for banks in October 2025 (both for receiving and sending payments).

The Bank also amended Directive No. 8 on Monetary Policy Instruments and Procedures to implement measures following the go live of the new Eurosystem Collateral Management System (ECMS) in June 2025, a unified system for managing collateral for monetary policy operations.

During 2025, the Bank maintained its strategic exposure to a diversified variety of financial assets, benefitting from its exposure in gold and equities given the strong rally in both markets, together with a positive and more stable return from fixed income.

As Malta's macroprudential authority responsible for safeguarding the stability of the country's financial system, the Bank continued to monitor and evaluate systemic risks, while designing and maintaining stress testing frameworks. The Bank is also the designated authority tasked with carrying out specific assessments under the revised Capital Requirements Regulation (CRR III). During this year it acted to limit risks related to the exposure of the domestic banking system to the real estate sector. In collaboration with the Malta Financial Services Authority (MFSA) and under the auspices of the Joint Financial Stability Board (JFSB), the Bank decided to extend the current Sectoral Systemic Risk Buffer of 1.5% to all exposures secured by immovable property in Malta, with effect from end-June 2026.

The Central Bank of Malta continued to closely monitor and evaluate economic trends and prospects to support its core policy-making responsibilities. A new Discussion Paper series was launched, while the Bank's staff concluded a major revamp of STREAM, the Bank's macroeconometric model.

The Bank also improved the robustness of the reported real estate data in line with the European Systemic Risk Board's (ESRB) Recommendation on closing real estate data gaps. In November 2025, an updated Memorandum of Understanding (MoU) was signed between the Central Bank of Malta, the Malta Statistics Authority and the National Statistics Office (NSO), focusing on the exchange of statistical information and strengthening cooperation in economic and financial statistics. The Bank published a revamped Central Bank of Malta Directive No. 14 entitled The Establishment and Operation of the Central Credit Register (CCR), thereby extending the register's coverage. Central Bank of Malta Directive No. 15, on the Supervision of the Credit Reference Agencies (CRAs) was also amended, allowing the latter, inter alia, to use certain anonymised data held by the Bank in the provision of creditworthiness assessment products.

In line with its commitment to provide an equal and diverse workplace, the Central Bank of Malta signed the Malta Diversity and Inclusion Charter. It also conducted an employee satisfaction survey with participation of staff up to the Senior Executive grade.

During 2025, the Bank's profitability strengthened significantly, building on the turnaround achieved in 2024. This improvement was primarily driven by the impact of the monetary policy decisions on key ECB interest rates, which resulted in a lower monetary income expense. As a result, the Bank registered a profit of €38.9 million before transfer to risk provision and profit distribution to the Government of Malta.

Looking ahead, the Bank will continue to ensure compliance with any amendments that may be introduced to the ECB's monetary policy framework. Given the growing threat posed by cyberattacks, the Bank plans to integrate cyber-related stress testing of payment systems leveraging tools developed by peer central banks while also developing its own in-house models for payment system stress testing.

As part of the Bank's commitment to decarbonise its portfolio, we aim to reach total holdings of €500.0 million in green social, and sustainable bonds by end-2026, thereby directing capital toward financial assets that deliver environmental benefits and address social challenges.

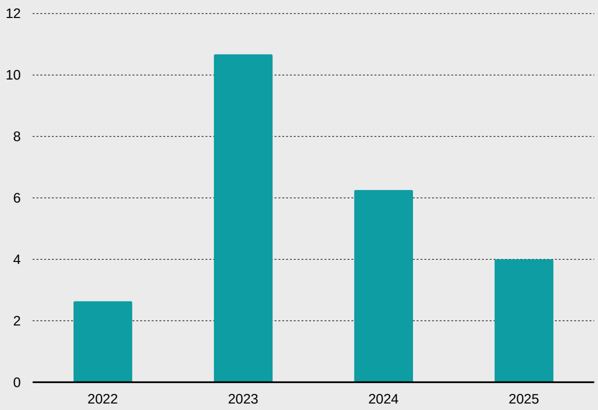
On behalf of the Board of Directors, I would like to thank the Bank's staff for their effort and commitment to achieving the Bank's objectives during 2025.

Alexander Demarco

# I. Financial and Economic Developments

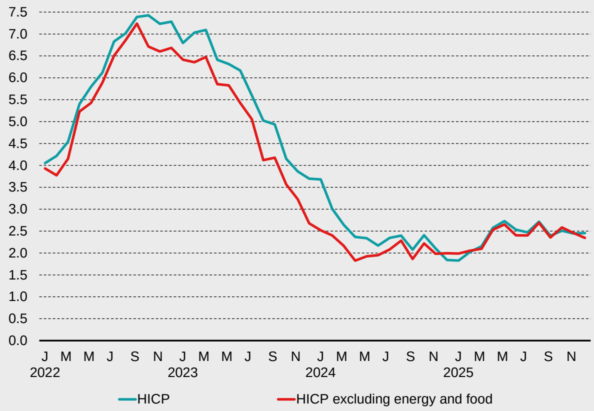
## 2025: THE MALTESE ECONOMY AT A GLANCE

**REAL GDP GROWTH**
*(annual percentage change)*



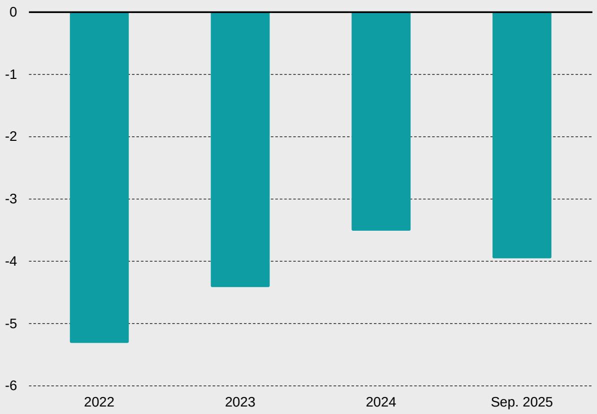

Source: NSO.

**HICP IN MALTA: OVERALL AND CORE MEASURE**
*(annual percentage changes)*



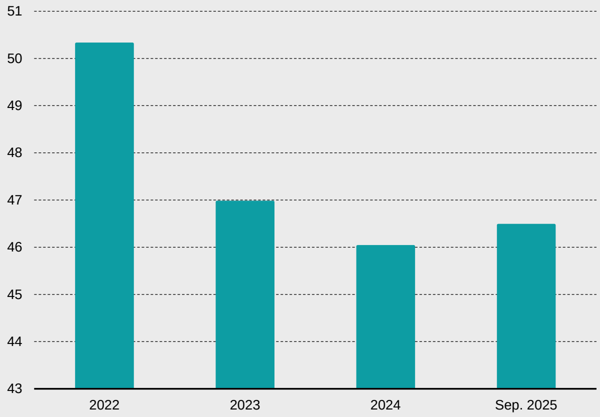

Source: Eurostat.

**GENERAL GOVERNMENT BALANCE**
*(% of GDP)*



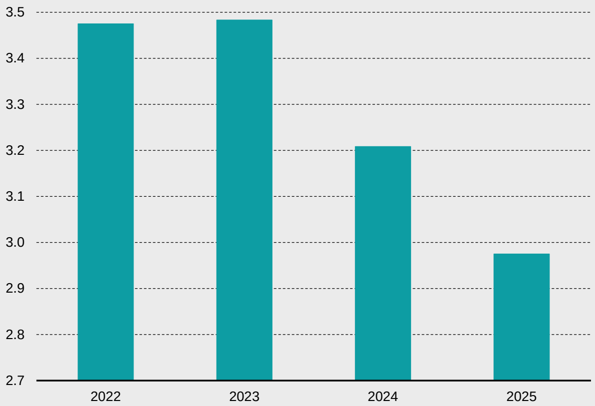

Source: NSO.

**GENERAL GOVERNMENT DEBT**
*(% of GDP)*



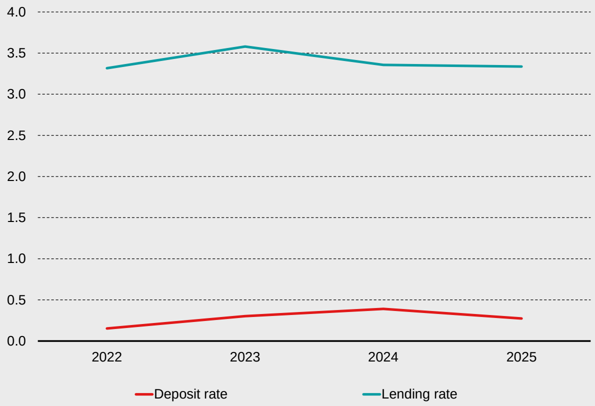

Source: NSO.

**UNEMPLOYMENT RATE**
*(not seasonally adjusted; per cent)*




Source: Eurostat.

**DEPOSIT AND LENDING RATES ON OUTSTANDING AMOUNTS**
*(per cent; end of period)*




Source: Central Bank of Malta.

# 1. THE EURO AREA AND THE EXTERNAL ENVIRONMENT

*During 2025, the euro area economy grew by 1.4%, up from 0.9% in 2024. Employment continued to increase, though at a slower pace than in the previous two years, while the unemployment rate declined marginally further, to 6.4%. Consumer price inflation, measured on the basis of the HICP, continued to abate during 2025, with the average for the year as a whole standing at 2.1%, compared to 2.4% in 2024.*

*During the year, the ECB continued to ease its monetary policy stance in the context of moderating inflation. The Governing Council lowered its key interest rates four times, such that by December the rate on the deposit facility (DFR), which is the key interest rate for steering the monetary policy stance, stood 100 basis points below its level at the end of 2024.*

*The United States (US) economy continued to expand during 2025, albeit at a slower pace than the year before, while in the United Kingdom (UK) economic growth picked up slightly further although it remained soft. Unemployment rose slightly further in the United States and in the United Kingdom. Price pressures, though remaining high, eased further in the United States but intensified in the United Kingdom. The annual rate of consumer price inflation fell to an average of 2.6% in the United States but picked up to 3.4% in the United Kingdom.*

*During the year, both the Federal Reserve and the Bank of England continued to lower their key policy rates in the context of easing, albeit still elevated, inflation. Both central banks also continued to unwind the stock of assets held on their balance sheets.*

*The price of oil declined further during 2025, reflecting weak demand and increasing supply. Similarly, the price of natural gas in Europe fell notably, amid lower demand in Europe, weak growth in overall non-European liquefied natural gas (LNG) demand and rising LNG supply. In contrast, prices of precious metals increased sharply.*

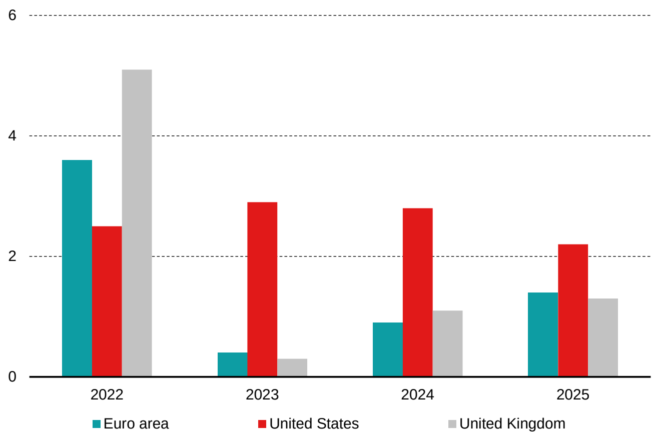
## Economic and financial developments in the euro area

### *Euro area GDP growth expands at a faster pace*[1]

Real GDP growth in the euro area rose to 1.4% in 2025, compared to 0.9% in 2024 (see Chart 1.1). In the early months of the year, a pre-emptive surge in exports to the United States ahead of the implementation of tariffs by the US administration underpinned markedly higher economic growth in the euro area. Growth then fell back in the second quarter, before recovering in the following two quarters. While the services sector was the main engine of economic activity, real gross value added (GVA) in manufacturing and, to a lesser extent, construction expanded in 2025.

The faster pace of growth in real GDP reflected a higher contribution from domestic demand that more than offset a drop in that of net exports of goods and services (see Table 1.1). Economic growth was driven by higher consumption expenditure by households, reflecting an increase in real disposable income. A rebound in both fixed investment and inventories as well

**Chart 1.1**
**REAL GDP GROWTH IN SELECTED ADVANCED ECONOMIES**
*(percentage changes over the preceding period)*




Sources: Eurostat; Bureau of Economic Analysis, US; Office for National Statistics, UK.

[1] The cut-off date for data on euro area GDP and the labour market in this chapter is 6 March 2026.

**Table 1.1**
**REAL GDP GROWTH IN THE EURO AREA**
*Chain-linked volumes*

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | | *Annual percentage changes* | | |
| Private consumption | 5.3 | 0.5 | 1.4 | 1.5 |
| Government consumption | 1.3 | 1.5 | 2.3 | 1.5 |
| GFCF | 2.1 | 2.4 | -2.5 | 2.9 |
| Exports | 7.3 | -1.2 | 0.5 | 2.0 |
| Imports | 8.4 | -2.0 | -0.1 | 3.6 |
| **GDP** | **3.6** | **0.4** | **0.9** | **1.4** |
| | | *Percentage point contributions* | | |
| Private consumption | 2.7 | 0.3 | 0.7 | 0.8 |
| Government consumption | 0.3 | 0.3 | 0.5 | 0.3 |
| GFCF | 0.5 | 0.5 | -0.6 | 0.6 |
| Changes in inventories | 0.4 | -1.1 | -0.1 | 0.3 |
| Exports | 3.6 | -0.7 | 0.3 | 1.0 |
| Imports | -3.7 | 1.0 | 0.1 | -1.6 |
| **GDP** | **3.6** | **0.4** | **0.9** | **1.4** |

Source: Eurostat.

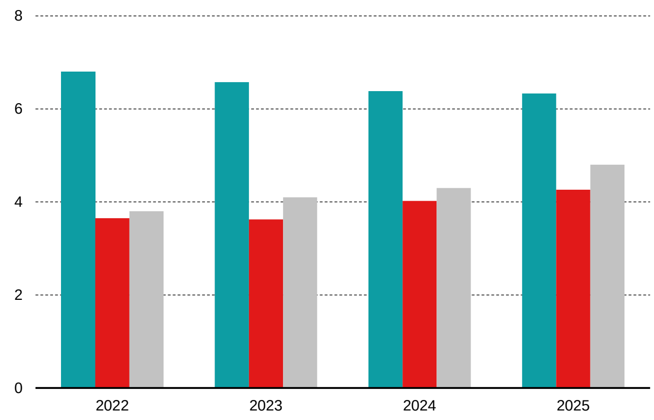
as higher government consumption expenditure also contributed. By contrast, net exports deducted from GDP growth. Private and government consumption rose by 1.5% each over the previous year and contributed 0.8 and 0.3 percentage points, respectively, to GDP growth. Additionally, gross fixed capital formation (GFCF) and an increase in inventories supported GDP growth during 2025. By contrast, net exports deducted 0.6 percentage points from GDP growth, as a 3.6% increase in imports outpaced a 2.0% expansion in exports.

Real GVA expanded in most economic sectors during 2025, with contributions to overall growth larger than the year before. Notably, GVA in industry expanded last year, following two years of contraction. Construction contributed slightly to GDP growth in 2025 in contrast to a negative contribution recorded in the previous year. As to services, wholesale and retail trade as well as information and communication, increased their contribution to GDP growth last year. Meanwhile, GVA in other major services sub-sectors continued to expand, albeit at a slower pace than in the previous year.

*Labour market conditions soften, while remaining favourable*

Labour market conditions in the euro area remained favourable during the year under review, although they weakened slightly. Employment increased by 0.7% in 2025, as against 1.0% in 2024. Meanwhile, unemployment dropped marginally further, with the seasonally-adjusted unemployment rate averaging 6.3% during the year, compared to 6.4% in 2024 (see Chart 1.2).

**Chart 1.2**
**UNEMPLOYMENT RATE**
*(percentage of the labour force; seasonally adjusted)*




Sources: Eurostat; US Bureau of Labor Statistics; Office for National Statistics, UK.

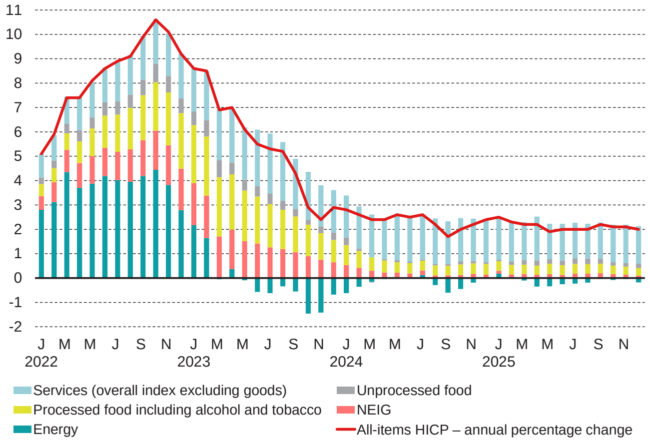
*HICP inflation, although still above target, eases further*

The annual rate of HICP inflation in the euro area, albeit still above the

ECB's medium-term target, continued to ease during 2025, with the average for the entire year standing at 2.1%, down from 2.4% in 2024.

HICP inflation declined further during the first half of 2025, reaching a low of 1.9% in May. It rebounded slightly in the third quarter before resuming its downward trend in the later months of the year. Overall, the annual rate of HICP inflation fell to 2.0% in December from 2.4% a year earlier (see Chart 1.3).

**Chart 1.3**
**CONTRIBUTIONS TO HICP INFLATION IN THE EURO AREA**
*(percentage points; annual percentage change)*




Source: ECB.

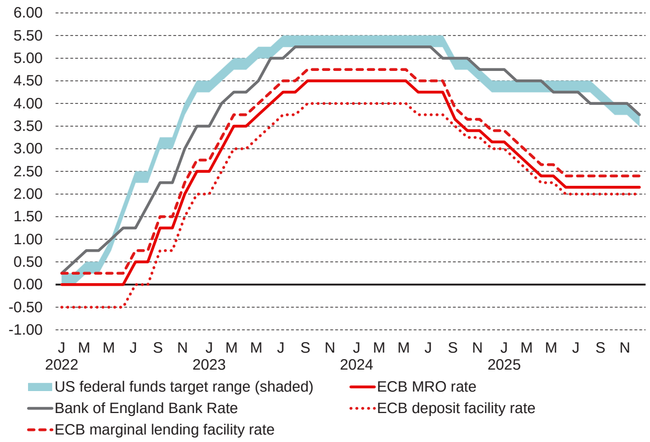
The drop in the average rate of inflation during 2025 mainly reflected developments in prices of processed food, services and non-energy industrial goods (NEIG), which together outweighed increased contributions to inflation from unprocessed food and energy. Processed food (including alcohol and tobacco) inflation decelerated to 2.6% on average in 2025, from 3.2% the year before. As a result, the processed food contribution to overall inflation eased to 0.4 percentage points, from 0.5 percentage points a year before. Services inflation eased to 3.4% on average in 2025, from 4.0% in the previous year, as wage pressures eased. Consequently, the contribution of services to HICP inflation eased to 1.6 percentage points, from 1.8 percentage points in 2024. NEIG inflation eased to 0.6% on average in 2025, from 0.8% in 2024, marginally lowering its contribution to overall inflation. By contrast, unprocessed food inflation rose to 3.4% on average in 2025, from 2.1% in 2024, increasing its contribution to HICP inflation to 0.2 percentage points. Energy prices also exerted an upward impact on overall HICP inflation, with energy inflation rising to an average of -1.4%, compared to -2.2% in 2024, partly reflecting lagged developments in commodity markets as well as base effects. As a result, the contribution of energy to overall inflation rose slightly to -0.1 percentage points.

HICP inflation excluding energy and food averaged 2.4% during 2025, 0.4 percentage points lower than that recorded in 2024. This measure of inflation moderated steadily during 2025, falling to 2.3% in December from 2.7% a year earlier.

### *ECB lowers key interest rates further*

The ECB's Governing Council continued to ease its monetary policy stance in 2025 amid consistent evidence that inflation was moving sustainably towards the 2% medium-term target. Thus, the Council cut policy rates four times during the year, so that the interest rates on the deposit facility, the MRO and the MLF ended 2025 at 2.00%, 2.15% and 2.40%, respectively (see Chart 1.4 and Box 1).[2]

**Chart 1.4**
**OFFICIAL INTEREST RATES**
*(percentages per annum; end of month)*




Sources: ECB; Federal Reserve; Bank of England.

[2] In its meeting held on 4-5 February 2026, the Governing Council kept the three key ECB interest rates unchanged. The Council's updated assessment confirmed that inflation should stabilise at its 2% target in the medium term. The Council reaffirmed that it was not pre-committing to a particular rate path.

## BOX 1: CHRONOLOGY OF ECB MONETARY POLICY DECISIONS IN 2025

### 30 January

The Governing Council decided to lower the three key ECB interest rates by 25 basis points. Accordingly, the deposit facility rate (DFR), the rate on the main refinancing operations (MROs) and the marginal lending facility rate were decreased to 2.75%, 2.90% and 3.15%, respectively. The Governing Council restated that the decision to cut interest rates, and in particular the DFR – the rate through which it steered the monetary policy stance – was based on its updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission. The Council noted again that the disinflation process was well on track, with inflation set to return to the 2% medium-term target over the course of 2025. It added that wage growth was moderating as expected and profits were partially buffering the impact on inflation. The Governing Council reiterated its determination to ensure that inflation stabilised sustainably around the 2% medium-term target. The Council reaffirmed that it was not pre-committing to a particular rate path.

The Governing Council restated that the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) portfolios were declining at a measured and predictable pace, as the Eurosystem no longer reinvested the principal payments from maturing securities.

As to refinancing operations, the Governing Council stated that, on 18 December 2024, banks repaid the amounts borrowed under the targeted longer-term refinancing operations (TLTROs). Consequently, this part of the balance sheet normalisation process was concluded.

### 6 March

The Governing Council decided to again lower the three key ECB interest rates by 25 basis points as the disinflation process remained well on track. Accordingly, the interest rates on the deposit facility, the MROs and the marginal lending facility were decreased to 2.50%, 2.65% and 2.90%, respectively. The Council stated that monetary policy was becoming meaningfully less restrictive, as the interest rate cuts were making new borrowing less expensive for firms and households while loan growth was picking up. The Governing Council stated that, especially in prevailing conditions of rising uncertainty, it would follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance.

### 17 April

The Governing Council decided to lower the three key ECB interest rates by a further 25 basis points. Hence, the interest rates on the deposit facility, the MROs and the marginal lending facility were decreased to 2.25%, 2.40% and 2.65%, respectively. The Governing Council noted that inflation continued to develop as expected and most measures of underlying inflation suggested that inflation would settle around the 2% medium-term target on a sustained basis. Especially in light of exceptional uncertainty, it would continue to follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance.

### 5 June

The Governing Council decided to lower the three key policy rates by 25 basis points. Accordingly, the DFR, the rate on the MROs and the marginal lending facility rate were decreased to 2.00%, 2.15% and 2.40%, respectively. The Council affirmed that inflation was then at around its 2% medium-term target and that most measures of underlying inflation suggested that inflation would settle at around the target on a sustained basis. The Council affirmed its previous communication on the monetary policy stance given the still exceptionally high uncertainty.

### 24 July

The Governing Council decided to keep the three key ECB interest rates unchanged, as incoming information was broadly in line with the previous assessment of the inflation outlook and inflation was at the 2% medium-term target. Meanwhile, since the environment remained exceptionally uncertain, especially because of trade disputes, the Council reiterated that it was not pre-committed to a particular rate path. It also stated that its interest rate decisions would be based on its assessment of the inflation outlook and the risks surrounding it in light of incoming economic and financial data, the dynamics of underlying inflation and the strength of monetary policy transmission.

### 11 September

The Governing Council decided to keep the three key ECB interest rates unchanged. The Council reaffirmed that inflation was at around the 2% medium-term target and stated that its assessment of the inflation outlook was broadly unchanged.

### 30 October

The Governing Council decided to keep the three key ECB interest rates unchanged. Whereas inflation remained close to the 2% medium-term target and the Governing Council's assessment of the inflation outlook was broadly unchanged, the Council stated that the outlook was still uncertain, owing particularly to ongoing global trade disputes and geopolitical tensions.

### 18 December

The Governing Council decided to keep the three key ECB interest rates unchanged. Consequently, the interest rates on the deposit facility, the MROs and the marginal lending facility ended the year at 2.00%, 2.15% and 2.40%, respectively.

The Governing Council's updated assessment reconfirmed that inflation should stabilise at the 2% target in the medium term. The Council restated that it would follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. The Governing Council reiterated that its interest rate decisions would be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission.

As regards the APP and the PEPP portfolios, the Governing Council reaffirmed that these were declining at a measured and predictable pace.

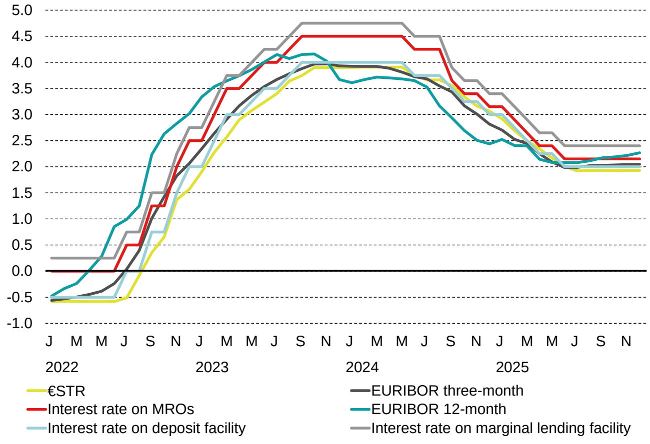
The Governing Council restated that it stood ready to adjust all of its instruments within its mandate to ensure that inflation would stabilise at its 2% target in the medium term and to preserve the smooth functioning of monetary policy transmission.

## *Money market rates decline*

Money market rates in the euro area fell in the first half of 2025 in anticipation of further ECB interest rate cuts. Subsequently, however, they rebounded marginally as market participants increasingly considered that the current monetary policy easing cycle had probably run its course.

The euro short-term rate (€STR) stood at 3.06%, on average, in December 2024 and later it fell consistently up to July 2025, when it averaged 1.92%. The €STR remained broadly stable over the rest of the year, and averaged 1.93% in December 2025.[3]

**Chart 1.5**
**KEY MONEY MARKET INTEREST RATES**
*(percentages per annum; market rates − monthly averages; ECB rates − end of month)*




Source: ECB.

The three-month euro interbank offered rate (EURIBOR) averaged 2.82% in December 2024 and dropped until June 2025, when it averaged 1.98%. In the following months, however, it rose slightly and averaged 2.05% in December. The 12-month EURIBOR declined until May 2025, but rebounded modestly thereafter, as market players increasingly priced out further cuts in official interest rates in the euro area. As a result, it fell from an average of 2.44% in December 2024 to 2.27% 12 months later (see Chart 1.5).[4]

## *Euro area bond yields rise*

The ten-year benchmark government bond yield in the euro area increased in 2025. This occurred on the back of higher policy uncertainty, monetary policy developments, the prospect of higher infrastructure and defence spending in Europe as well as a more favourable economic outlook for the euro area. After reaching a peak for the year in March, it eased in the second quarter but then rebounded, amid some fluctuations, in the second half of the year. Overall, the euro area ten-year benchmark government bond yield rose to 3.24% in December 2025 from 2.81% a year before.

Looking at individual sovereign bonds, German ten-year bond yields followed an upward trend in 2025, hitting a peak of 2.81% in December, or 64 basis points higher than 12 months before. Thus, German bond yields recorded the highest increase among the sovereign bonds in the euro area, reflecting prospects of higher fiscal spending. French bond yields followed, rising by 55 basis points to 3.56% at the year end. The rise in French sovereign bond yields reflected a period of protracted political instability in France after a package of budget cuts and tax hikes failed to win parliamentary support, which contributed to downgrades in the country's credit rating.[5] Government bond yields also rose in most other jurisdictions, including in Spain and, to a lesser degree, in Italy.

Consequently, spreads between yields on ten-year German bonds and those on comparable securities issued by most other euro area sovereigns narrowed over the year (see Chart 1.6). By the end of 2025, spreads on Italian bonds had narrowed by 40 basis points, mainly on the back of renewed investor confidence and the improvement in Italy's sovereign credit rating, while those on Greek and Spanish bonds each tightened by 25 basis points. The narrowing of spreads was more contained in Portugal and Ireland, and even more so in France where yield spreads lessened by 9 basis points. As the Chart shows, French

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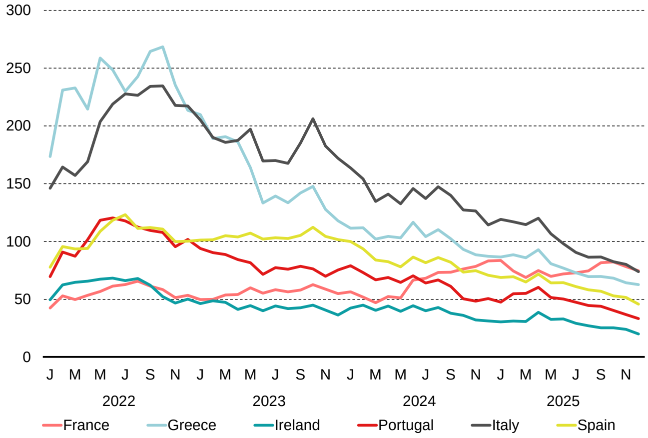
[3] The €STR is a reference rate based on money market data collected by the Eurosystem, reflecting the wholesale euro unsecured overnight borrowing costs of banks located in the euro area.
[4] The EURIBOR is an interest rate benchmark indicating the average rate at which principal European banks lend unsecured funds on the interbank market in euro for a given period.
[5] The French budget for 2026 won parliamentary approval on 2 February 2026.

and Italian spreads converged by the end of the year (see Chart 1.6).

### *The euro appreciates notably against the US dollar and in nominal effective terms*

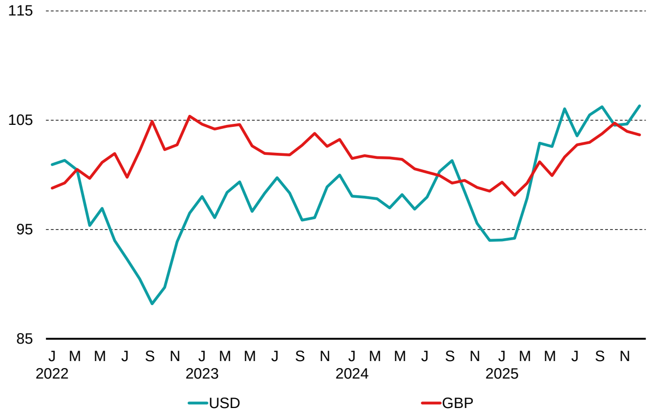
The euro exchange rate appreciated during 2025, with the nominal effective exchange rate (NEER) rising by 5.8% from its end-2024 level.[6] This contrasted with a depreciation of 1.9% in 2024. The increase in the external value of the euro occurred mainly in the first nine months of 2025, in particular during the second quarter, though the NEER then weakened in the later months of the year. The appreciation of the euro in nominal effective terms in 2025 was largely influenced by gains against the US dollar.

**Chart 1.6**
**SELECTED EURO AREA GOVERNMENT BOND YIELD SPREADS**
*(difference vis-à-vis German ten-year government bond yields in basis points)*




Sources: ECB; Central Bank of Malta calculations.

**Chart 1.7**
**EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES**
*(index of end-of-month rates; Jan. 2020=100; an increase in the index implies euro appreciation)*




Source: ECB.

On a bilateral basis, the euro appreciated by 13.1% versus the US dollar in 2025, as against a 6.0% decline recorded in the previous year (see Chart 1.7). The euro strengthened notably against the US unit in the first half of 2025, as the latter fell across the board. The US currency was mainly undermined by heightened uncertainty brought about by the US administration's import tariff announcements. On the other hand, the euro was underpinned by the publication of German spending plans. Over the summer, the euro fluctuated in a narrow range against the US dollar, it weakened in autumn, but subsequently recovered into the year end, mainly reflecting narrowing interest-rate differentials between the euro area and the United States as well as indications that the Federal Reserve could cut interest rates further.

The euro also rose versus the pound sterling, recording a 5.2% gain in 2025, as against a drop of 4.6% the year before. The euro followed a general upward trend during the year, supported by more favourable macroeconomic data and a narrowing interest-rate gap. In 2025, the euro strengthened even more notably than the year before against the Japanese yen, mainly in light of the Japanese political situation, weak economic activity in Japan, very low interest rates and the country's trade deficit. Meanwhile, the euro appreciated versus several other currencies including the Korean won, the Hong Kong and Canadian dollars, the Chinese renminbi, the Singapore and Australian dollars, as well as, but to a much lower extent, the Romanian leu, the Norwegian krone and the Danish krone.

[6] The NEER-17 is based on the weighted averages of the euro exchange rate against the currencies of Australia, Canada, China, Czech Republic, Denmark, Hong Kong, Hungary, Japan, Norway, Poland, Romania, Singapore, South Korea, Sweden, Switzerland, the United Kingdom and the United States.

By contrast, over the year as a whole, the euro incurred losses against the Hungarian forint, the Swedish krona, the Czech koruna and the Polish zloty.

The euro remained broadly stable against the Swiss franc, as both benefitted from safe-haven inflows during periods of high geopolitical risk and trade-related market volatility.

## Other advanced economies

### *US economy expands further, albeit at a slower pace*

During 2025, the US economy expanded further, even though the pace of economic growth slowed down under the impact of trade policy shifts and policy uncertainty (see Chart 1.1). Real GDP increased by 2.2% in 2025, compared to 2.8% in 2024. The increase in real GDP mainly reflected higher personal consumption expenditures, a substantial part of which represented an increase in spending on services. Private fixed investment also rose, reflecting increases in non-residential investment expenditures, driven by the rapid growth in Artificial Intelligence, which more than offset a decline in residential investment. Government consumption expenditures and gross investment increased as well. By contrast, net trade reduced GDP growth as a rise in imports outweighed an increase in exports. Meanwhile, a slight drop in private inventories also deducted from GDP growth.

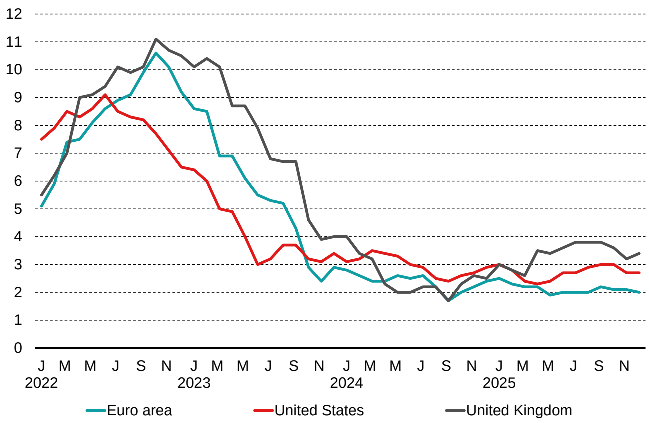
Economic growth in the United States took place against the backdrop of a reasonably strong labour market. Job creation increased notably, with employment rising by 1.4% on average during the year, after having increased by 0.2% in 2024. Having said that, incipient signs of weakness in the labour market have started to appear.

Non-farm payrolls data suggest that during 2025 employment growth was mainly generated by services, with the strongest level increases recorded in education and health as well as in the leisure and hospitality sectors. Employment in manufacturing decreased slightly. The labour force participation rate averaged 62.4% in 2025, down from 62.6% a year earlier, while the unemployment rate averaged 4.3% in 2025, up from 4.0% in 2024, indicating that the labour market was losing momentum (see Chart 1.2).

Inflationary pressures declined slightly further during 2025, with the average annual inflation rate based on the Consumer Price Index (CPI) falling to 2.6% from 2.9% in 2024. Annual inflation fell to 2.7% in December, from 2.9% a year earlier (see Chart 1.8).

The decline in inflation reflected a slowdown in services inflation, which outweighed higher inflation in the other major components. Services inflation averaged 3.6% in 2025, compared to 4.9% in the previous year. By contrast, the inflation rate of goods excluding food and energy averaged 0.7% in 2025, as against -1.1% a year earlier, amid some signs that higher tariffs were being passed on to consumers. Food and beverages price inflation also picked up, averaging 2.7% in 2025 from 2.2% a year earlier. Energy price inflation also rose, averaging -0.1%, compared to -1.3% in 2024. As a result, inflation excluding food and energy eased to 2.8% in 2025, from 3.4% a year earlier.

**Chart 1.8**
**CONSUMER PRICE INFLATION**
*(annual percentage changes)*




Sources: Bureau of Labor Statistics, US; Eurostat; Office for National Statistics, UK.
Note: US Consumer Price Inflation data for October 2025 are unavailable.

As regards monetary policy, during the first eight months of 2025 the Federal Open Market Committee (FOMC) kept official interest rates unchanged against the backdrop of an expanding economy and somewhat elevated inflation, also in light of high, though diminishing, uncertainty. In the later months of the year, however, the FOMC resumed its monetary policy easing stance, and effected three 25 basis-point interest rate cuts, namely in September, October and December (see Chart 1.4). The Committee noted that while uncertainty about the economic outlook remained elevated and inflation moved up, activity moderated and downside risks to employment had risen. The FOMC reaffirmed that it was attentive to the risks to both price stability and employment and reiterated its commitment to supporting maximum employment and returning inflation to its 2% objective over the longer run. Accordingly, by the end of the year, the target range for the federal funds rate stood between 3.50%-3.75%.[7]

During most of the year, the FOMC continued to reduce its holdings of Treasury securities and agency debt and agency mortgage-backed securities. However, in March, the FOMC announced that, beginning in April, the Committee would slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from USD 25 billion to USD 5 billion, while keeping that on agency debt and agency mortgage-backed securities unchanged at USD 35 billion. Moreover, in the October meeting, the FOMC decided to conclude the reduction of its aggregate securities holdings on 1 December 2025, when it would start to roll over all principal payments from maturing holdings of Treasury securities and to reinvest all maturing agency securities into US Treasury bills.

### *UK economic growth continues to pick up, albeit remaining soft*

Real GDP growth in the United Kingdom rebounded in the first quarter of 2025, but it lost momentum during the subsequent two quarters and remained tepid in the final quarter of the year. Overall, real GDP grew by 1.3% in 2025, up from 1.1% in the previous year (see Chart 1.1). Consumption expenditure by households, which rebounded in 2025, was the main contributor to economic growth. Business investment also increased, while government expenditure rose as well, though at a slower pace than in the previous year. On the other hand, a decline in inventories and net trade deducted from GDP growth.

In 2025, labour market indicators were mixed. The number of people in employment in the United Kingdom rose by 1.6%, a faster rate of increase than the 0.8% recorded a year earlier. The employment rate also rose, to 75.1%, on average, compared to 74.8% in 2024. However, the unemployment rate averaged 4.8%, up from 4.3% a year earlier (see Chart 1.2).

CPI in the United Kingdom picked up in 2025, after it had declined steadily in the previous two years (see Chart 1.8). Average annual inflation, based on the CPI, rose to 3.4%, from 2.5% in 2024. Inflationary pressures intensified across all the major components of the CPI except services. The decline in energy prices was markedly smaller as the year progressed, averaging -0.9% in 2025, compared to -12.9% the year before. NEIG inflation averaged 1.4% in 2025, compared to 0.8% in 2024. Food, alcoholic beverages and tobacco price inflation averaged 4.5% in 2025, compared to 4.0% in the previous year. By contrast, services inflation, though remaining high, eased as it averaged 4.8% in 2025, compared to 5.5% a year earlier. Consequently, the annual rate of inflation based on the CPI excluding energy, food, alcoholic beverages and tobacco averaged 3.5% in 2025, down from 3.7% in 2024.

In the context of progress on disinflation in the previous two years, in 2025 the Bank of England's Monetary Policy Committee (MPC) lowered the Bank Rate by a total of 100 basis points, effected in four 25 basis-point cuts (see Chart 1.4). In February, the MPC reduced the Bank Rate to 4.5%. This was followed by additional rate cuts in May, August and December. Thus, the Bank Rate ended the year at 3.75%. Following its December meeting, the MPC stated that elevated CPI inflation was expected to fall back towards target more quickly in the near term. It also affirmed that, based on the evidence at the time, the Bank Rate was likely to continue on a gradual downward path.[8]

[7] In its meeting held on 27-28 January 2026, the FOMC kept the target range for the federal funds rate unchanged. The Committee reiterated its strong commitment to supporting maximum employment and returning inflation to its 2% objective.
[8] On 4 February 2026, the MPC decided closely to maintain the Bank Rate at 3.75%. The Committee stated that although CPI inflation was above the 2% target, it was then expected to fall back to around the target from April.

In September, the Committee decided to reduce the stock of UK government bond purchases held for monetary policy purposes by GBP 70 billion over the 12-month period starting October 2025, compared to a reduction amounting to GBP 100 billion effected during the previous 12 months.

## Commodities

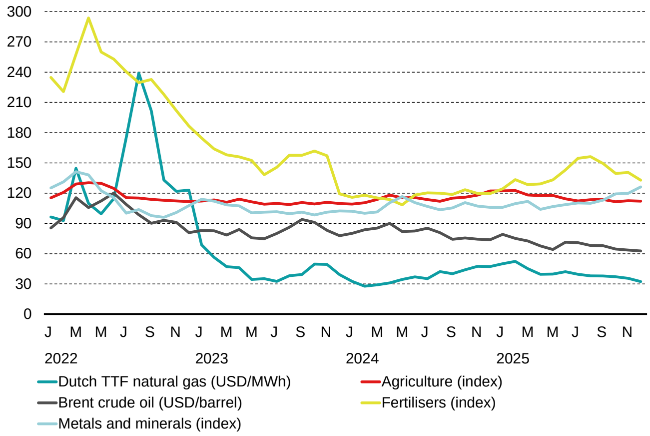
*Oil prices fall further, natural gas prices decline but precious metals rise sharply*

During most of 2025, Brent crude prices generally fell, extending the downward trend evident since 2022. This was mainly driven by weak demand and increasing supply, with some volatility reflecting developments in the Middle East. The price of Brent crude oil ended 2025 at USD 62.7 a barrel, 15.1% below the level prevailing at the end of 2024 (see Chart 1.9).

After rising in the early months of 2025, the price of European natural gas eased, mainly reflecting a slowdown in demand and rising global LNG supply. The price of Dutch TTF natural gas averaged USD 32.4 per megawatt hour in December 2025, 31.6% lower than 12 months earlier.

Non-energy commodity prices rose slightly during 2025, with World Bank data showing an increase of 0.3%. The rise mainly reflected higher prices for metals and minerals as well as fertilisers, which outpaced lower prices for agricultural products. Meanwhile, by the end of the year, prices of precious metals were up by 68.9%. Gold prices surged to historical highs, with the London Bullion Market Association gold price trading above USD 4,000 an ounce in late 2025, mainly on the back of heavy purchases by central banks and safe-haven flows from the private sector.[9]

**Chart 1.9**
**COMMODITY PRICES**
*(monthly averages, USD, indices: 2010 = 100)*




Sources: World Bank; Central Bank of Malta calculations.

[9] https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2025

## 2. MONETARY AND FINANCIAL DEVELOPMENTS

*According to the Bank's Financial Conditions Index (FCI), in 2025 financing conditions remained loose from a historical perspective, although less when compared to the previous year.*

*Maltese residents' deposits rose at a broadly similar pace when compared to 2024. As a result of less attractive remuneration on time deposits with a maturity of less than two years, the composition of deposits shifted somewhat towards overnight deposits, which remained the main component of resident's deposits.*

*Credit to residents rose at a faster pace, mainly reflecting faster growth in credit to residents outside general government. Lending to households increased at a faster pace, mainly on account of strong increases in loans for house purchases. Similarly, lending to non-financial corporations (NFCs) picked up in most sectors.*

*The outstanding amount of corporate debt and equity listed on the Malta Stock Exchange (MSE) increased at a more moderate pace compared to 2024.*

*The weighted interest rates on outstanding deposits held by Maltese residents decreased since December 2024, while the weighted rate on outstanding loans fell only marginally. As a result, the spread between the two widened. Interest rate data on new business, also shows a widening in the spread between the deposit and lending rate, driven by higher rates on new loans and decreasing rates on new deposits.*

*In the primary money market, domestic yields fell during 2025. Meanwhile, the yield on five-year Maltese government bonds rose, as did that on the ten-year bonds. The MSE Equity Price Index closed the year above the level registered at the end of December 2024.*

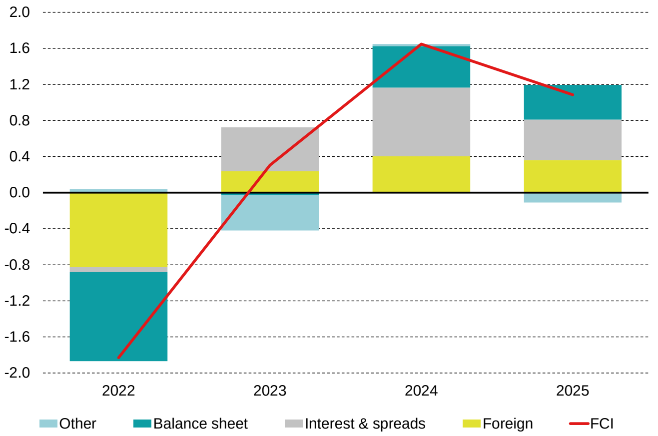
### Financial conditions

#### *Financial conditions remain loose*

The Bank's FCI monitors domestic financial conditions through a summary measure of relevant domestic and international financial variables.[1]

Financial conditions for 2025 were loose from a historical perspective, although less loose when compared to 2024. This was primarily due to movements in domestic factors, though the contribution from foreign factors was also marginally less positive compared to the previous year (see Chart 2.1).

**Chart 2.1**
**CONTRIBUTIONS TO THE FCI**
*(contributions to the index)*




Source: Central Bank of Malta estimates.

The shift in domestic factors was mainly driven by the 'interest and spreads' and 'other' components. The 'interest and spreads' component was affected by lower positive contributions from the lending-to-policy rate spread and deposit interest rate. The 'other' component yielded a negative contribution, after it had been broadly neutral in 2024, as the contribution of issues of NFC securities turned

[1] The analysis in this section is based on the Bank's FCI, as described in Micallef, B., and Borg, I., "A Financial Conditions Index for the Maltese Economy", in Grech, A.G., & Zerafa, S. (eds.), *Challenges and Opportunities of Sustainable Economic Growth: the case of Malta*, Central Bank of Malta, 2017, and later updated in the Central Bank of Malta *Annual Report* 2017.

negative during the year in review. The ‘balance sheet’ component also registered a less positive contribution, stemming from a negative contribution from the banks’ return on equity.

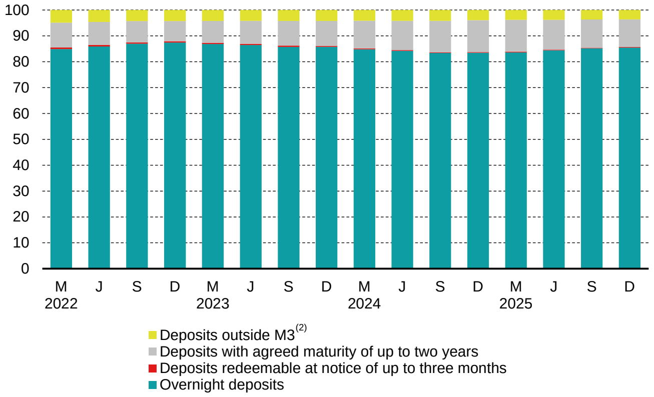
## Monetary aggregates

### *Residents’ deposits in 2025 grew at a broadly similar pace to the previous year*

Total deposits held by residents with monetary financial institutions (MFIs) in Malta rose by 7.5% during 2025, reaching €27,472.8 million by the end of the year (see Table 2.1). Growth was broadly comparable to 2024, when total deposits grew by 7.6%.

Overnights deposits grew by 10.1% over the 12 months to December, growing at a faster pace compared to 4.7% growth a year earlier. Their share in total deposits rose to 85.4% from 83.5% in December 2024 (see Chart 2.2). The latest increase in overnight deposits largely reflected growth in balances held by households.

**Chart 2.2**
**DISTRIBUTION OF TOTAL RESIDENT DEPOSITS[1]**
*(percentage points)*




Source: Central Bank of Malta.
[1] Deposits exclude those belonging to central government.
[2] Deposits outside M3 include deposits redeemable at notice of more than three months and deposits with an agreed maturity of over two years.

**Table 2.1**
**DEPOSITS OF MALTESE RESIDENTS**
*Annual percentage changes; EUR millions*

| | 2023 Dec. | 2024 Dec. | 2025 Dec. | 2025 Amount outstanding | 2025 Absolute change |
|---|---|---|---|---|---|
| **Overnight deposits** | **-0.2** | **4.7** | **10.1** | **23,474.1** | **2,147.4** |
| *of which* | | | | | |
| Households | 1.8 | 4.2 | 12.7 | 16,753.9 | 1,891.4 |
| NFCs | -5.2 | 13.9 | 2.7 | 4,012.6 | 106.4 |
| **Deposits redeemable at notice up to three months** | **-26.0** | **-16.8** | **3.0** | **74.0** | **2.2** |
| *of which* | | | | | |
| Households | -98.6 | 1202.6 | -96.9 | 0.2 | -7.4 |
| NFCs | 30.4 | -19.7 | -9.1 | 44.6 | -4.5 |
| **Deposits with agreed maturity up to two years** | **25.7** | **37.4** | **-6.9** | **2,931.2** | **-215.6** |
| *of which* | | | | | |
| Households | 34.0 | 34.4 | -11.0 | 2,170.6 | -267.1 |
| NFCs | 23.1 | 62.6 | -21.7 | 299.0 | -82.7 |
| **Deposits outside M3[1]** | **0.8** | **-0.3** | **-1.2** | **993.6** | **-12.5** |
| *of which* | | | | | |
| Households | -4.5 | -2.4 | -0.1 | 877.3 | -0.6 |
| NFCs | -2.8 | -9.4 | -38.9 | 18.7 | -11.9 |
| **Total residents deposits[2]** | **1.7** | **7.6** | **7.5** | **27,472.8** | **1,921.4** |

Source: Central Bank of Malta.
[1] Deposits outside M3 include deposits redeemable at notice of more than three months and deposits with an agreed maturity of over two years.
[2] Total residents deposits exclude deposits belonging to Central Government.

Time deposits with a maturity of up to two years – the second largest category – registered a year-on-year decline of 6.9% in the year to December, following an increase of 37.4% a year earlier. This dynamic may reflect the fact that these deposits lost some of their attractiveness following cuts in the ECB policy rate, although transmission of these cuts to retail deposit rates remained partial. As a result, the share of this deposit category in overall deposits decreased to 10.7% from 12.3% in December 2024. The share of deposits redeemable at notice of up to three months, remained unchanged at 0.3%.

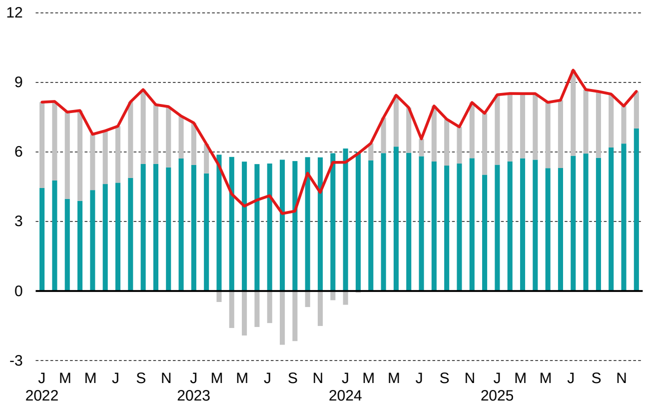
Additionally, deposits classified outside M3 contracted by 1.2% when compared with their end-2024 level, following a 0.3% contraction a year earlier. Overall, their share in total deposits decreased to 3.6% at the end of 2025, from 3.9%.

### *Credit to residents expands at a faster rate*

Credit to residents of Malta increased by 8.6% in 2025, following an increase of 7.7% in 2024 (see Table 2.2). The latest expansion was driven mainly by developments in credit to residents outside general government (see Chart 2.3). This component increased by 9.4%, from 6.6% a year earlier. Meanwhile, credit to general government rose by 6.4%, following an increase of 10.8% in 2024. MFIs increased their holdings of Treasury bills, and, to a lesser extent, Malta Government Stocks (MGS).

The expansion of credit to residents outside general government was driven by loans to households.

**Chart 2.3**
**CONTRIBUTIONS TO GROWTH IN CREDIT TO MALTESE RESIDENTS**
*(percentage points; annual percentage change)*




Source: Central Bank of Malta.

**Table 2.2**
**MFI CREDIT TO MALTESE RESIDENTS**
*Annual perentage changes; EUR millions*

| | 2023 Dec. | 2024 Dec. | 2025 Dec. | 2025 Amount outstanding | 2025 Absolute change |
|---|---|---|---|---|---|
| **Credit to general government** | **-1.5** | **10.8** | **6.4** | **5,574.7** | **333.5** |
| **Credit to residents outside general government** | **8.0** | **6.6** | **9.4** | **17,098.5** | **1,464.4** |
| Securities & equity | -4.6 | -5.0 | -5.9 | 276.7 | -16.8 |
| Loans | 8.4 | 6.9 | 9.7 | 16,821.8 | 1,481.2 |
| *of which:* | | | | | |
| Loans to households | 8.2 | 9.2 | 9.7 | 10,006.2 | 883.7 |
| *Mortgages* | *7.9* | *9.2* | *9.8* | *9,242.6* | *826.8* |
| *Consumer credit* | *20.4* | *15.8* | *6.6* | *541.3* | *33.4* |
| *Other lending* | *-1.8* | *-5.7* | *11.8* | *222.2* | *23.5* |
| Loans to NFCs[(1)] | 8.8 | 2.2 | 11.5 | 5,682.3 | 585.3 |
| **Total credit to residents** | **5.5** | **7.7** | **8.6** | **22,673.2** | **1,797.9** |

Source: Central Bank of Malta.
[(1)] NFCs include sole proprietors and non-profit institutions serving households.

These rose by 9.7% in 2025, following a 9.2% increase in 2024. Lending to NFCs also grew strongly, rising by 11.5%. This followed an increase of 2.2% in 2024.

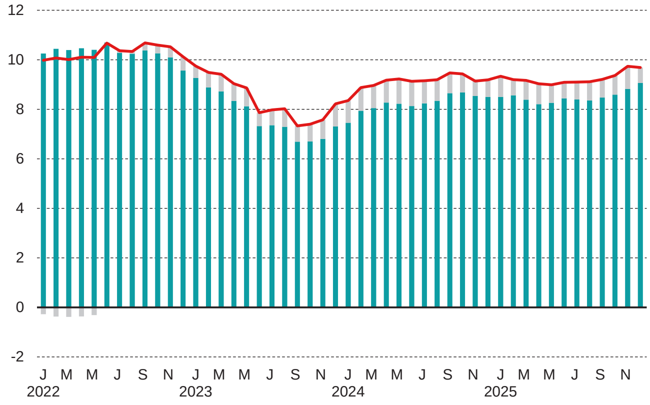
Loans to households were mostly supported by lending for house purchases (see Chart 2.4). Indeed, mortgage lending grew by 9.8% during 2025, compared with a 9.2% increase in 2024. Growth in consumer credit and other lending moderated to 8.1%, following an 8.8% increase in the previous year.

As regards the increase in loans to NFCs, sectoral data show that this was mainly driven by a strong increase in lending to the real estate sector, followed by the sector comprising transport, storage, information and communication activities (see Chart 2.5).

Supplementary data suggest that corporate issuance of bonds and stocks continued to increase. By the end of 2025, €2,675.9 million in corporate debt was outstanding on the MSE, 15.8% higher than the amount listed 12 months earlier (see Chart 2.6). 65.0% of the outstanding stock of corporate debt was issued by financial entities other than credit institutions.

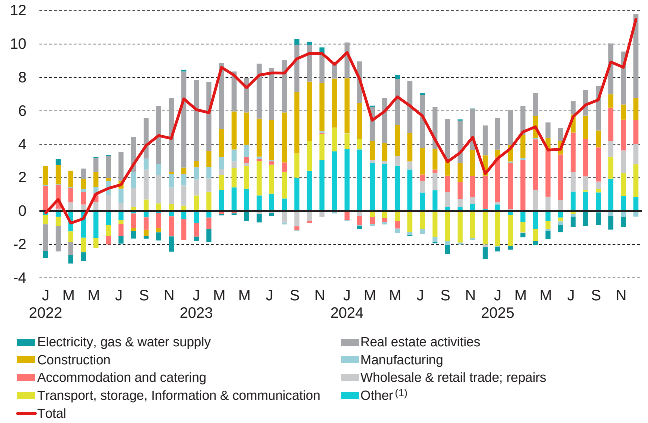
Meanwhile, the outstanding amount of equity listed on the MSE increased by 1.4%, in annual terms, to €3,427.5 million. Around three-fourths of the outstanding stock was issued by NFCs, with financial corporations (FCs) playing a secondary role. The largest equity issues during 2025 were in companies within the technology and communications sectors. Overall, the value of listed equity outstanding at the end of 2025 exceeded that of bonds by around 28.1%.[2]

**Chart 2.4**
**CONTRIBUTIONS TO GROWTH IN LOANS TO HOUSEHOLDS**
*(percentage points; annual percentage change)*



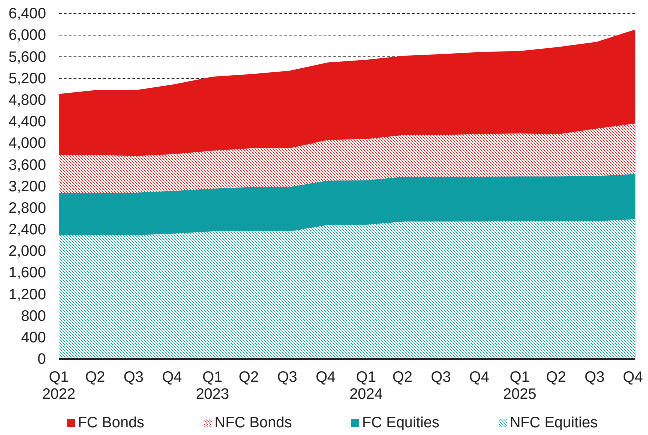

Source: Central Bank of Malta.

**Chart 2.5**
**LOANS TO NFCs BY SECTOR**
*(percentage points; annual percentage change)*




Source: Central Bank of Malta.
(1) Mainly includes entertainment, health, education, professional services, and administration.

**Chart 2.6**
**OUTSTANDING SECURITIES OF NFCs AND FCs LISTED ON MSE**
*(EUR millions outstanding as at end-period)*




Sources: MSE; Central Bank of Malta estimates.

[2] Apart from the official MSE platform, small and medium-sized enterprises can also obtain finance through the specifically-geared platform – Prospects.

## *Interest rates decrease*

Interest rates on outstanding residents' deposits held with MFIs in Malta decreased over the 12 months to December 2025, with the weighted average deposit rate offered to households and NFCs on such balances decreasing by 12 basis points, to 0.27% by the end of the year (see Table 2.3).[3]

The largest decreases, year-on-year, were recorded for rates on time deposits with a maturity of up to two years belonging to NFCs and households. These fell by 79 and 53 basis points respectively, reflecting the lagged response to the policy rate easing by the ECB in late 2024 and early 2025.

By contrast interest rates on time deposits with a maturity of over two years rose, in large part driven by the remuneration of balances belonging to NFCs.

At the same time, the weighted average lending rate paid by households and NFCs to resident MFIs on outstanding loans decreased by 2 basis points, to 3.34%. This was mainly driven by lower rates paid by NFCs, which decreased by 9 basis points. Rates paid by households remained unchanged from the previous year.

The spread between the weighted average lending rate and the deposit rate closed the year under review at 306 basis points, above the 297 basis points recorded a year prior.

Meanwhile, the weighted average deposit rate offered on new balances held by households and NFCs in Malta decreased by 62 basis points, to 1.83%. The weighted average lending rate paid by households and

**Table 2.3**
**INTEREST RATES ON OUTSTANDING DEPOSITS AND LOANS**
*Percentages per annum to residents of Malta; weighted average rates as at end of period*

| | 2022 | 2023 | 2024 | 2025 | | | |
|---|---|---|---|---|---|---|---|
| | Dec. | Dec. | Dec. | Mar. | June | Sep. | Dec. |
| **Total deposits**[(1)] | **0.15** | **0.30** | **0.39** | **0.37** | **0.33** | **0.30** | **0.27** |
| *of which* | | | | | | | |
| **Overnight deposits** | | | | | | | |
| Households | 0.02 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
| NFCs | 0.03 | 0.10 | 0.05 | 0.08 | 0.03 | 0.03 | 0.03 |
| **Time deposits (less than two years)** | | | | | | | |
| Households | 0.72 | 1.79 | 2.17 | 2.04 | 1.87 | 1.72 | 1.64 |
| NFCs | 0.74 | 1.85 | 2.18 | 1.79 | 1.50 | 1.47 | 1.38 |
| **Time deposits (more than two years)** | | | | | | | |
| Households | 1.73 | 1.79 | 2.07 | 2.11 | 2.12 | 2.16 | 2.08 |
| NFCs | 1.60 | 1.74 | 1.81 | 1.84 | 1.88 | 2.56 | 2.46 |
| **Total Loans**[(1)] | **3.32** | **3.58** | **3.36** | **3.29** | **3.30** | **3.28** | **3.34** |
| *of which* | | | | | | | |
| **Households and NPISH** | **2.87** | **2.85** | **2.75** | **2.72** | **2.70** | **2.68** | **2.75** |
| Lending for house purchses | 2.66 | 2.68 | 2.60 | 2.57 | 2.54 | 2.51 | 2.48 |
| Consumer credit and other lending | 4.66 | 4.26 | 4.08 | 4.09 | 4.13 | 4.21 | 4.19 |
| **NFCs** | **4.16** | **4.95** | **4.54** | **4.41** | **4.49** | **4.45** | **4.45** |
| **Spread**[(2)] | **3.16** | **3.28** | **2.97** | **2.92** | **2.98** | **2.98** | **3.06** |

Source: Central Bank of Malta.

[(1)] Annualised agreed rates on outstanding euro-denominated amounts belonging to households (incl. NPISH) and NFCs.

[(2)] Difference between composite lending rate and composite deposit rate.

[3] Basis points are rounded to the nearest whole number.

NFCs to resident MFIs increased by 39 basis points, to 3.59%. This was driven by higher lending rates for households, which increased by 2 basis points, driven by higher rates for consumer credit and other lending.

As a result, the spread between the weighted average lending rate and the deposit rate for new business, increased to 176 basis points, wider than the 75 basis points recorded at the end of 2024.

### *Bank Lending Survey (BLS) indicates unchanged credit standards*

Results from the BLS show that credit standards on loans to NFCs in Malta were unchanged in 2025. Most banks also reported unchanged credit terms and conditions. Replies with regards to demand for this type of credit were more mixed.

Credit standards for house purchases were unchanged, as were those for consumer credit and other lending. Terms and conditions for these credit categories were generally unchanged during the year. Demand was mostly unchanged, although selected banks did report some changes in the fourth quarter.

## The money market

In the domestic primary market, the yield on three-month Treasury bills fell to 2.10% at the end of 2025, from 3.01%, 12 months earlier.

In total, the Treasury issued €2,056.2 million worth of bills in 2025, which is higher than the amount of €1,677.4 million issued in 2024. The majority of bills issued had a maturity of three months, followed by those with a maturity of six months; together they made up over 95% of all bills issued. The value of Treasury bills issued in 2025 was higher than that of maturing bills, which stood at €1,947.7 million.

## The capital market

In the capital market, total issues of bonds by the Government and the private sector amounted to €1,987.3 million in 2025, up from €1,598.9 million in 2024 (see Table 2.4). After taking into account redemptions, roll-overs and buybacks made during the year, positive net issues were recorded in 2025. These stood at €1,442.5 million, mostly consisting of net issuances of MGSs, as against €1,005.2 million in 2024.

**Table 2.4**
**ISSUES OF LONG-TERM SECURITIES[1]**
*EUR millions [2]*

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Government** | | | | |
| Total issues | 1,044.7 | 1,394.2 | 1,186.9 | 1,264.0 |
| Redemptions & roll-overs[3,4] | 374.6 | 355.8 | 395.1 | 369.2 |
| Net issues | 670.1 | 1,038.4 | 791.8 | 894.8 |
| **Corporate sector** | | | | |
| Total issues | 436.6 | 397.6 | 412.0 | 723.3 |
| Redemptions, roll-overs, buy-backs[4,5] | 161.1 | 140.9 | 198.6 | 175.6 |
| Net issues | 275.5 | 256.7 | 213.4 | 547.7 |
| **Total net issues** | **945.6** | **1,295.1** | **1,005.2** | **1,442.5** |

Sources: Central Bank of Malta; MSE; Treasury.

[1] Banks, non-MFIs and public NFCs are included with corporate issuers. Long-term securities are those with an original term to maturity exceeding one year, and include preference shares.

[2] Amounts denominated in foreign currency are converted to euro according to the exchange rate prevailing on the day of transactions.

[3] Redemptions exclude the redemption of MGSs that were issued directly to the Foundation for Church Schools.

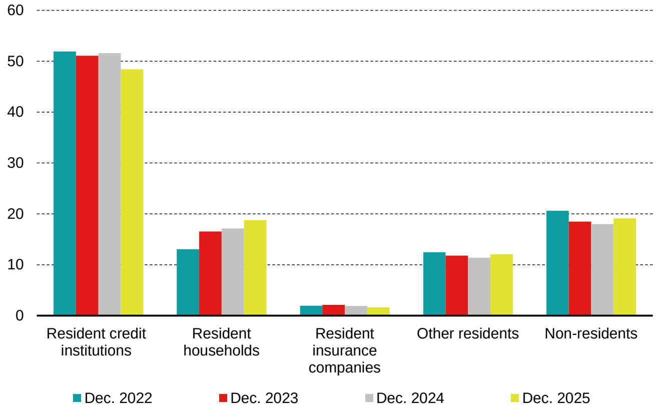
[4] Roll-overs refer to the reinvesting of funds from a maturing security into a new issue of the same or a similar security. They are therefore deducted from new issues.

[5] Buy-backs, which consist of the purchase of corporate bonds by the issuing company are also deducted from new issues.

*Total issues of MGSs and corporate bonds (before redemptions) increase*

In 2025, the Government issued €1,264.0 million in MGSs and redeemed €369.2 million (see Table 2.4). Thus, net issues of MGSs for the year were positive for the sixth consecutive year.[4] The Treasury tapped the bond market three times in 2025, through seven individual issues. These issues had maturity dates ranging from five to 15 years.

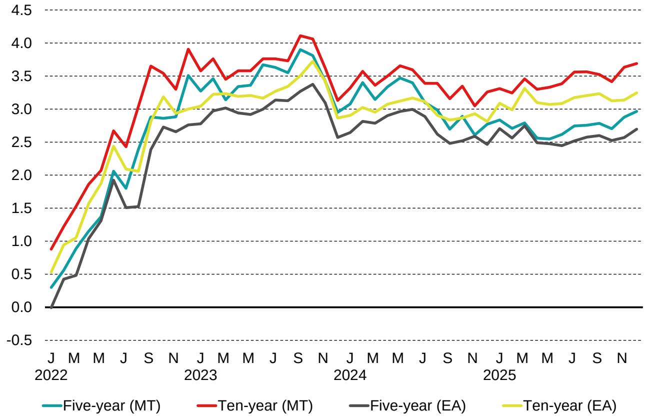
**Chart 2.7**
**OUTSTANDING MGSs BY INVESTOR BASE(1)**
*(per cent)*




Sources: Central Bank of Malta; MSE.
(1) Incorporates both fixed-rate and floating-rate MGSs.

The nominal amount of outstanding MGSs increased to €10,029.1 million at the end of 2025, of which 80.9% was held domestically with the rest being held by non-residents (see Chart 2.7). Resident credit institutions held 48.4% of outstanding MGSs, compared to 51.6% in 2024. The share of MGSs held by resident households reached a six-year high of 18.8%.

**Chart 2.8**
**GOVERNMENT BOND YIELDS**
*(percentages per annum; end of month)*




Sources: Central Bank of Malta; ECB.

The yield on five-year Government bonds rose to 2.97% at the end of December, from 2.77% a year earlier (see Chart 2.8). On the other hand, the yield on ten-year bonds rose by 43 basis points, to reach 3.69%.

Meanwhile, in the euro area, the benchmark five-year yield increased by 23 basis points compared with its end-2024 level and ended the year at 2.70%. The euro area ten-year yield rose by 43 basis points to 3.24%. As the increase in the domestic ten-year yield was roughly equal to the rise in the euro area yield, the spread between the two fell by just one basis point to 44 basis points.

In the corporate bond market, new issues of long-term securities listed on the MSE stood at €723.3 million in 2025. As the amount of redemptions and buybacks stood at €175.6 million, net issues for the year were positive and higher than a year earlier. During 2025, 20 private companies had new bonds listed on the MSE.

By the end of 2025, 17 firms had listed bonds through Prospects, two less compared with end-2024.[5]

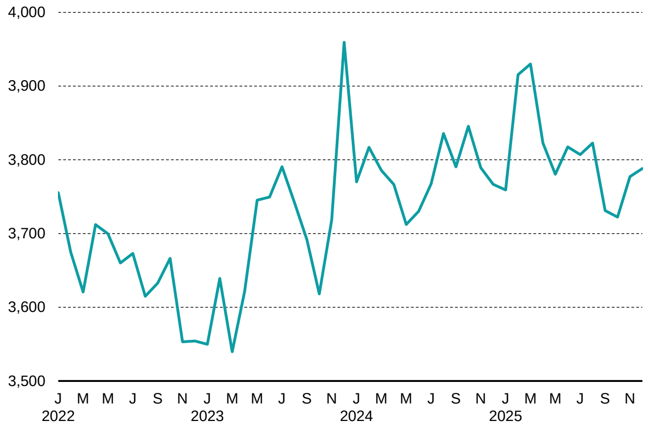
4 Figure excludes the rollover of the maturing 62+ Malta Government Savings Bond and explains difference from figure quoted in the chapter on Monetary Policy and Financial Market Operations in Part II of this report.
5 Prospects is a multi-lateral trading facility operated by the MSE with the aim of facilitating access to capital markets for SMEs.

During 2025, secondary market turnover for MGSs rose while that for corporate bonds declined. Further details are available in the chapter on 'Monetary Policy and Financial Market Operations' in Part II of this report.

### *MSE index increases marginally*

In 2025, turnover in the equity market fell. After having declined in the preceding year, the MSE Equity Price Index increased by 0.6% during 2025 and ended the year at 3788.1 (see Chart 2.9). Meanwhile, the MSE Equity Total Return Index increased by 5.5%.

**Chart 2.9**
**MSE EQUITY PRICE INDEX**
*(end of month)*




Source: MSE.

# 3. OUTPUT AND EMPLOYMENT

*The Bank's Business Conditions Index (BCI) and the Bank's Economic Policy Uncertainty (EPU) Index stood above their long-term average.*

*Real GDP growth moderated to 4.0% in 2025, following an increase of 6.2% a year earlier. The expansion in economic activity was mainly driven by domestic demand, although net exports also contributed positively to growth. When adjusting for imports, the growth in GDP was mainly driven by external trade. Real GVA data show that the increase in real GDP was largely driven by the services sector. The largest gain within the services sector stemmed from the sector comprising wholesale and retail trade, repair of motor vehicles and accommodation. GVA in construction rose marginally while that in the manufacturing sector shows a small decrease.*

*Meanwhile, the Bank's estimate of the output gap narrowed slightly, but remained positive, indicating that the economy continued to operate above potential.*

*Labour market demand remained strong in 2025. Labour Force Survey (LFS) data for the first three quarters of 2025 show that employment continued to increase at a solid rate, albeit at a slower pace when compared with the same period of 2024. Outflows of foreign workers declined steadily since January 2025, reversing the upward trend observed since 2022, while inflows were broadly stable over this period.*

*The unemployment rate remained low from a historical perspective and was around half of that reported for the euro area. It was also lower than the Bank's estimate of structural unemployment. Meanwhile, administrative data show that in 2025, the average number of registered unemployed persons remained broadly flat at a historically low level.*

*Against the backdrop of persistently high labour demand and low unemployment, the labour market remained exceptionally tight. Indeed, in view of the increase in the job vacancy rate as well as the decline in the unemployment rate, the ratio of the job vacancy rate to the unemployment rate rose and remained elevated from a historical perspective.*

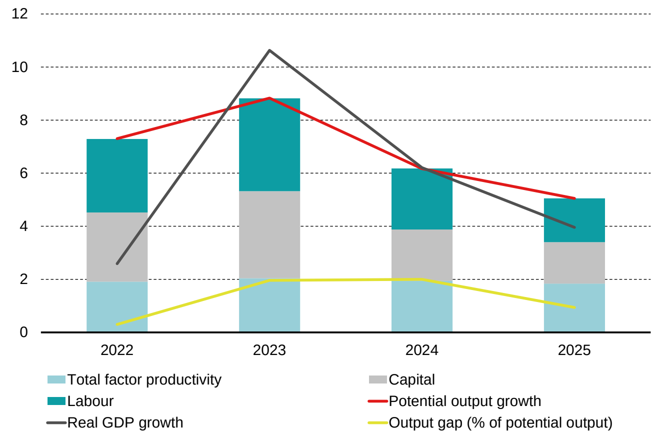
## Potential output and economic indicators

### *Malta's output gap narrows*

The Central Bank of Malta estimates that in 2025, potential output growth declined to 5.1% from 6.2% in 2024 (see Chart 3.1).[1] GDP growth also slowed down during 2025. Moreover, it showed a weaker increase relative to that in potential output. Hence, the output gap narrowed to 0.9% from 2.0% in 2024. This implies an easing of the degree of overutilisation of the economy's productive capacity.[2]

The contributions to potential output growth in 2025 were broadly similar across the three components but the contribution from total factor productivity was the largest.

**Chart 3.1**
**CYCLICAL POSITION OF THE MALTESE ECONOMY**
*(annual percentage change; percentage of potential output; percentage points)*




Sources: NSO; Central Bank of Malta estimates.

[1] Potential output measures the medium-to-long-term level of real output which is sustainable in an economy. The estimates presented here are derived using a production function approach. For further details on the methodology adopted see Micallef, B., and Ellul, R. (2017), "Medium-term Estimates of Potential Output Growth in Malta", in Grech, A. G., and Zerafa, S. (Eds.), *Challenges and Opportunities of Sustainable Economic Growth: the Case of Malta*, Central Bank of Malta.

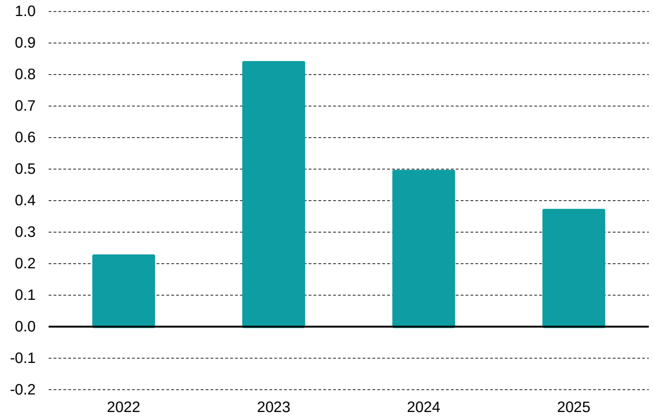
[2] The output gap may be viewed as a gauge of the degree to which the productive capacity of the economy is utilised over the business cycle. A positive gap signals over-utilisation of resources, whereas a negative one indicates underutilised resources.

The contribution from both labour and capital is estimated to have declined compared with 2024. The latter reflects a decline in investment outlays during the year.

*BCI slightly above its long-term average*

The Bank's BCI continued to stand close to its long-run average measure of economic growth. The index averaged 0.4 during 2025, compared with 0.5 in 2024 (see Chart 3.2).[3] The slight decrease in the index mainly reflects the moderation in GDP growth. Nevertheless, the BCI remained slightly above its long-term average as it was supported by continued strong growth in inbound tourism and building permits, as well as above-average improvement in economic sentiment.

**Chart 3.2**
**BCI**
*(standardised)*

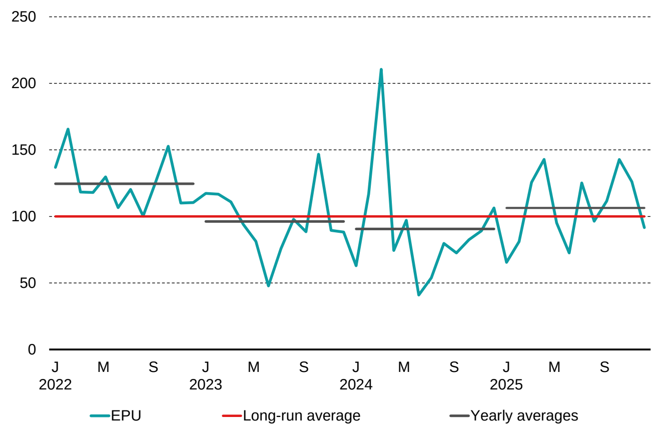



Source: Central Bank of Malta.

*Economic policy uncertainty above its long-term average*

In 2025, Malta's EPU Index averaged 112.0, standing above both its long-term historical average and the 95.0 recorded in 2024 (see Chart 3.3).[4]

**Chart 3.3**
**EPU INDEX**




Source: Central Bank of Malta.
The index is normalized to 100. Higher values reflect elevated economic and political uncertainty in Malta, while lower values indicate reduced levels of uncertainty.

Domestic developments were the primary drivers of the index throughout the course of the year, particularly due to media coverage relating to developments in the banking sector, the labour market and environmental issues. The index was also influenced by international developments, especially during the first half of 2025, reflecting heightened geopolitical and trade tensions.

## GDP and industrial production

*Real GDP growth is mainly driven by domestic demand*

In 2025, economic activity moderated when compared to 2024 but remained strong. Real GDP rose by 4.0%, down from 6.2% a year earlier, as growth in domestic demand and net export components slowed down. Economic growth in 2025 was mostly supported by domestic demand, although net exports also contributed positively to growth (see Table 3.1).[5]

[3] The BCI is a synthetic indicator, which includes information from a number of economic variables such as the term-structure of interest rates, industrial production, an indicator for the services sector, economic sentiment, tax revenues and private sector credit. By construction, it has an average value of zero over the estimation period since 2000. A full time series can be found at https://www.centralbankmalta.org/business-conditions-index. For further details on the methodology underlying the BCI, see Ellul, R. (2016), "A real-time measure of business conditions in Malta," *Working Paper* 05/2016.

[4] The EPU index is based on a framework described in Sant, K., and Spiteri, S. (2024), "Economic Policy Uncertainty: An Index for Malta", *Working Paper* WP/07/2024, Central Bank of Malta.

[5] The analysis of GDP in this Chapter is based on data published in *News Release* NR 033/2026 published on 26 February 2026.

**Table 3.1**
**GROSS DOMESTIC PRODUCT**(1)

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | *Annual percentage changes* | | | |
| Private final consumption expenditure | 9.5 | 12.8 | 5.8 | 3.3 |
| Government final consumption expenditure | -0.2 | 3.7 | 4.8 | 5.9 |
| GFCF | 14.4 | -15.8 | 4.0 | -0.1 |
| **Domestic demand** | **9.5** | **2.0** | **4.9** | **3.6** |
| Exports of goods and services | 11.6 | 5.2 | 6.3 | 4.5 |
| Imports of goods and services | 18.8 | -1.9 | 5.2 | 4.4 |
| **GDP** | **2.6** | **10.6** | **6.2** | **4.0** |
| | *Percentage point contributions* | | | |
| Private final consumption expenditure | 3.9 | 5.6 | 2.6 | 1.5 |
| Government final consumption expenditure | 0.0 | 0.7 | 0.8 | 1.0 |
| GFCF | 3.2 | -3.9 | 0.8 | 0.0 |
| Changes in inventories | 0.7 | -0.6 | -0.2 | 0.4 |
| **Domestic demand** | **7.8** | **1.8** | **4.0** | **2.9** |
| Exports of goods and services | 13.8 | 6.6 | 7.5 | 5.4 |
| Imports of goods and services | -19.1 | 2.2 | -5.3 | -4.4 |
| **Net exports** | **-5.3** | **8.9** | **2.2** | **1.0** |
| **GDP** | **2.6** | **10.6** | **6.2** | **4.0** |

Sources: NSO; Central Bank of Malta calculations.

(1) Chain-linked volumes, reference year 2020.

Domestic demand rose by 3.6% during 2025, following a 4.9% increase in 2024. Overall, it contributed 2.9 percentage points to GDP growth in the year under review.

Private consumption rose by 3.3%, following a 5.8% increase in 2024, and added 1.5 percentage points to GDP growth. Data on the Classification of Individual Consumption by Purpose (COICOP) show a broad-based increase across all categories of private consumption except for a significant decrease in spending on insurance and financial services. This is due to the impact of the calculation of the financial intermediation services indirectly measured (FISIM), which in turn reflects the easing of monetary policy combined with its weak transmission to retail lending and deposit rates offered by domestic banks.

In 2025, government consumption grew by 5.9%, above the 4.8% recorded in 2024. This acceleration is mostly due to higher growth in spending on intermediate consumption. This offset slower growth in compensation of employees, which in 2024 was especially high due to the signing of a new collective agreement for educators. This base effect dampened the impact of a new civil service collective agreement, which came into force in 2025. Overall, government consumption added 1.0 percentage point to annual GDP growth.

Following an increase of 4.0% in 2024, GFCF contracted by 0.1% in 2025. This reflected lower expenditure on machinery and equipment and non-residential buildings which offset increases in residential buildings and higher investment in intellectual property products. Investment in cultivated biological resources remained broadly stable.

Meanwhile, changes in inventories had a small positive contribution to GDP growth in 2025.

During 2025, imports grew by 4.4% and exports increased by 4.5% on a year earlier. As exports outpaced imports, net exports added 1.0 percentage point to annual real GDP growth. This reflected a larger trade surplus in services.

The contributions shown in Table 3.1 are consistent with the approach traditionally followed in official databases and economic publications. However, this approach does not account for the fact that the import content varies across different expenditure components. Consequently, it does not accurately represent the true underlying relative contribution of domestic and external demand to economic growth.

**Table 3.2**
**IMPORT-ADJUSTED CONTRIBUTIONS TO GDP GROWTH**[1]

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | *Percentage point contributions* | | | |
| Private final consumption expenditure | 1.4 | 4.4 | 1.8 | 0.9 |
| Government final consumption expenditure | -0.2 | 0.7 | 0.7 | 0.8 |
| GFCF | 0.4 | -0.9 | 0.4 | 0.0 |
| Changes in inventories | 0.4 | -0.5 | -0.1 | 0.2 |
| **Domestic demand** | **1.9** | **3.8** | **2.7** | **1.9** |
| **Exports of goods and services** | **0.7** | **6.8** | **3.5** | **2.1** |
| **GDP** | **2.6** | **10.6** | **6.2** | **4.0** |

Source: Central Bank of Malta estimates.

[1] Chain-linked volumes, reference year 2020.

Table 3.2 addresses this limitation by apportioning imports to the respective domestic demand components and exports. This approach confirms that growth was driven by both domestic demand and net exports. However, in contrast with the traditional approach, the import-adjusted contribution from external trade exceeded that of domestic demand. Within domestic demand components, private and government consumption remained the largest contributors to GDP growth.

### *Sectoral developments in GVA*

GDP data from the output approach show that real GVA grew by 3.8%, following a 5.2% increase in 2024, and added 3.5 percentage points to real GDP growth (see Table 3.3).

Services remained the main driver behind the rise in economic activity, adding 3.6 percentage points to real GDP growth. Within services, the largest contribution stemmed from the sector comprising wholesale and retail trade, repair of motor vehicles and accommodation which contributed 1.5 percentage points.

**Table 3.3**
**CONTRIBUTION OF SECTORAL GVA TO REAL GDP GROWTH**
*Percentage points*

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Agriculture, forestry and fishing | -0.2 | -0.7 | 0.4 | -0.1 |
| Mining and quarrying; utilities | 0.1 | 0.4 | 0.0 | 0.0 |
| Manufacturing | 0.2 | 0.3 | 0.4 | -0.1 |
| Construction | -0.4 | 0.3 | 0.1 | 0.1 |
| Services | 3.9 | 8.2 | 3.9 | 3.6 |
| *of which:* | | | | |
| Wholesale and retail trade; repair of motor vehicles; transportation; accommodation and related activities | 3.1 | 2.3 | 1.2 | 1.5 |
| Information and communication | 1.8 | 2.3 | 0.7 | 0.8 |
| Financial and insurance activities | -1.2 | -0.3 | 0.4 | 0.1 |
| Real estate activities | -0.2 | 1.5 | 0.6 | -0.1 |
| Professional, scientific, administrative and related activities | 1.6 | 1.5 | 0.2 | 0.3 |
| Public administration and defence; education; health and related activities | 0.6 | 0.4 | 0.9 | 0.8 |
| Arts, entertainment; household repair and related services | -1.8 | 0.5 | 0.0 | 0.2 |
| **GVA** | **3.6** | **8.5** | **4.8** | **3.5** |
| **Net taxation on products** | **-1.0** | **2.1** | **1.4** | **0.5** |
| **Annual real GDP growth (%)** | **2.6** | **10.6** | **6.2** | **4.0** |

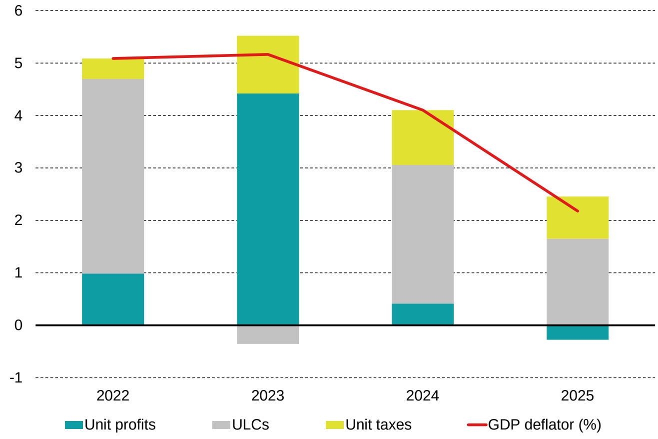
Sources: NSO; Central Bank of Malta estimates.

Net taxes on products rose in annual terms, causing GDP growth to exceed GVA growth.

*Nominal GDP growth remains strong, domestic price pressures ease*

Nominal GDP rose by 6.2% in 2025, after increasing by 10.6% in the previous year. All components from the income side – compensation of employees, operating surplus and net taxes – contributed positively to nominal GDP growth. Compensation of employees exerted the largest impact on growth.

**Chart 3.4**
**CONTRIBUTIONS TO GDP DEFLATOR**
*(annual percentage change; percentage point contribution)*




Source: NSO.

Chart 3.4 shows the main contributors to growth in the GDP deflator. This rose by 2.2% in 2025, after increasing by 4.1% in the previous year. The slowdown in the GDP deflator reflects mainly slower growth in unit labour costs (ULCs), although weaker growth in unit taxes and a small decline in unit profits also contributed.

## Construction activity

The number of permits for residential units issued by the Planning Authority increased by 41.4% in 2025, following a 7.4% rise in 2024. Permits issued stood at just over 12,300, up from just over 8,700 in the previous year (see Table 3.4). The number of permits in 2025 exceeded the historical average of around 7,500 and was close to the number of permits issued in 2018 and 2019 which were the years when the largest number of permits were approved.

The latest increase in permits was spread across all property categories with the largest year-on-year increase in level terms being in permits for apartments. In 2025, permits for apartments accounted for almost nine out of every ten permits.

The number of development permits for commercial buildings increased by 28.7% in 2025, following an increase of 5.6% in the preceding year. In 2025, 3,441 commercial permits were issued, above the 2,673 permits approved in 2024, and also higher than the long-term average of around 2,800 permits.

National accounts data show that during 2025, construction investment increased by 0.2% in real terms, following a 5.5% increase in 2024. The increase was driven by a 2.2% rise in residential investment. On the other hand, non-residential investment declined by 1.7%.

**Table 3.4**
**PERMITS ISSUED FOR THE CONSTRUCTION OF DWELLING UNITS BY TYPE**

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Apartments | 8,280 | 7,026 | 7,543 | 10,745 |
| Maisonettes | 910 | 712 | 783 | 1,076 |
| Terraced houses | 331 | 292 | 283 | 350 |
| Other | 76 | 82 | 107 | 154 |
| **Total** | 9,597 | 8,112 | 8,716 | 12,325 |

Source: Planning Authority.

### *Industrial and services production*[6]

Industrial production rose by 3.6% in 2025, broadly in line with the 3.7% growth rate recorded a year earlier. After growing at robust rates in the beginning of the year, industrial production moderated and eventually contracted in the last quarter of the year.

The increase in production during the year under review was largely driven by the manufacturing and quarrying sectors as output in the energy sector, which excludes energy generated abroad and imported through the interconnector, rose marginally.

The volume of production in the manufacturing sector rose at a more moderate pace in 2025 – at 3.7% – compared with 4.5% a year earlier. Production rose strongly across firms that manufacture rubber and plastic products, wearing apparel, wood products, motor vehicles, trailers and semi-trailers as well as those involved in the repair and installation of machinery and equipment. These offset declines reported by firms that produce electrical equipment, paper products, textiles as well as chemicals and chemical products.

In 2025, the index of services production – which is a business indicator that measures the production volume of the services industries (excluding trade, financial and public services) – contracted by 0.8% on an annual basis compared with an 8.2% increase a year earlier. Output declined in the sectors related to professional, scientific and technical activities, information and communication as well as administrative and support services – offsetting increases in other sectors.

## The labour market[7]

### *Labour force growth remains high but moderating*

On average, the labour force expanded at the rate of 4.1% in the first nine months of 2025 (see Table 3.5). This was a slower rate than that of 5.1% registered in the same period of 2024.

The activity rate went up by 1.1 percentage points on a year earlier, to 82.8%, exceeding the euro area average of 75.7%.[8] The increase in the activity rate mostly reflects a higher female activity rate, which increased by 2.0 percentage points to 76.0%. At the same time, the male activity rate edged up by 0.4 percentage points to 88.3%. Both rates exceeded those for the euro area, which stood at 71.4% and 80.0%, respectively.[9]

In the first three quarters of 2025, the number of actual weekly hours worked averaged 34.7, broadly in line with the number of hours reported for the same period of 2024 and with levels reported since 2021.[10]

### *Employment growth remains strong but moderates*

During the first three quarters of 2025, employment expanded at an average annual rate of 4.4% (see Table 3.5). This compares with 5.5% during the corresponding period of 2024. While moderating, employment growth remains above its historic average and continues to indicate strong labour demand (see Chart 3.5).

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6 Industrial production data are based on samples of firms engaged in quarrying, manufacturing, and energy production. Methodological differences may account for divergences between developments in GVA in the manufacturing sector and industrial production. GVA nets input costs from output to arrive at value added. Industrial production measures the volume of output without considering input costs. The sectorial coverage also differs, as industrial production data include the output of the energy sector, as well as mining and quarrying.

7 This section draws mainly on labour market statistics from two sources: the LFS, which is a household survey conducted on a quarterly basis by the NSO based on definitions set by the International Labour Organization and Eurostat; and administrative records compiled monthly by Jobsplus, according to definitions established by domestic legislation on employment and social security benefits.

8 The activity rate measures the number of persons in the labour force aged 15-64 years (whether employed or seeking work) as a proportion of the working-age population, which is defined as all those aged 15-64 years.

9 The LFS defines the labour force as all persons aged 15 and over who are active in the labour market. This includes those in employment, whether full-time or part-time, and the unemployed, defined as those persons without work but who were actively seeking a job during the previous four weeks and available for work within two weeks of the reference period.

10 Actual hours refer to the number of hours actually spent at the place of work during the reference week for the main job. Data cited in this report are sourced from the NSO, which may differ from Eurostat data due to differences in methodology.

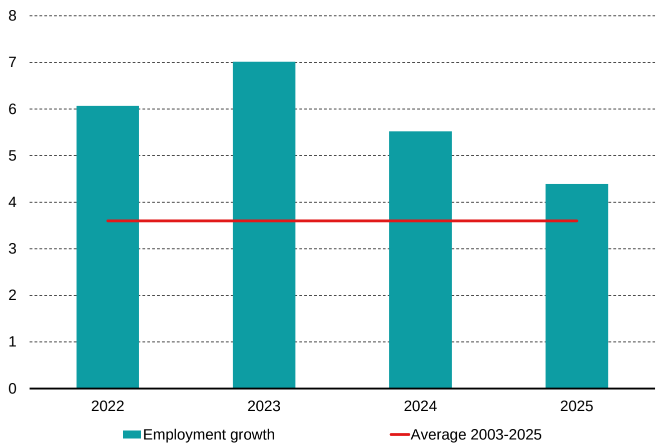
**Table 3.5**
**LABOUR MARKET INDICATORS BASED ON THE LFS**[(1)]
*Persons; annual percentage changes*

| | 2024 (revised) Jan.-Sep. | 2025 Jan.-Sep. | Annual change % |
|---|---|---|---|
| **Labour force** | **327,200** | **340,400** | **4.1** |
| Employed | 316,600 | 330,500 | 4.4 |
| *By type of employment:* | | | |
| Full-time | 280,900 | 294,000 | 4.7 |
| Part-time | 35,700 | 36,500 | 2.1 |
| Unemployed | 10,600 | 9,900 | -6.3 |
| **Activity rate (%)** | **81.7** | **82.8** | |
| Male | 87.9 | 88.3 | |
| Female | 74.0 | 76.0 | |
| **Employment rate (%)** | **79.0** | **80.3** | |
| Male | 84.9 | 85.6 | |
| Female | 71.8 | 73.8 | |
| **Unemployment rate (%)** | **3.3** | **2.9** | |
| Male | 3.4 | 3.0 | |
| Female | 3.0 | 2.8 | |
| **Actual hours worked (per week)** | **34.3** | **34.7** | |

Sources: NSO; Eurostat.
[(1)] Labour force figures are based on averages for the first three quarters published by Eurostat and are rounded to the nearest 100 persons. Growth rates reported in this Table are derived from Eurostat period averages.

In absolute terms, the rise in the number of employed persons during the first three quarters of the year was primarily driven by full-time jobs, which went up by around 13,100. Part-time employment also increased, with the number of such jobs rising by around 800. Over the same period, the number of unemployed persons fell by about 700, to around 9,900 persons – a decrease of 6.3%.

**Chart 3.5**
**EMPLOYMENT GROWTH BASED ON THE LFS: JANUARY-SEPTEMBER**
*(annual percentage changes)*



Sources: Eurostat; Central Bank of Malta estimates.

The overall employment rate rose by 1.3 percentage points to 80.3% in the first three quarters of 2025 (see Table 3.5), well above the 70.8% registered in the euro area.[11] The female employment rate registered the strongest increase, gaining 2.0 percentage points, to reach 73.8%. This compares with 66.6% in the euro area. The male employment rate rose by 0.7 percentage points, to 85.6%, remaining also higher than the average rate of 75.0% recorded for the euro area.

When looking at data on employment by occupation, the largest increases in absolute terms were recorded among the higher-skilled roles, particularly for technicians and associate professionals and persons in

[11] The employment rate measures the number of persons aged 15-64 years, employed on a full-time or part-time basis as a proportion of the working-age population, which is defined as all those aged 15-64 years.

professional jobs. Indeed, the share in total employment of the latter two occupations as well as that of managers rose when compared to 2024.

### *Unemployment rate reaches a new historic low*

The LFS unemployment rate reached 2.7% in the third quarter of the year, which was a historical low. During the first three quarters, it averaged 2.9% (see Table 3.5).

Monthly data up to December, which covers LFS data up to the third quarter as well as more recent administrative data show that the unemployment rate averaged 3.0% in 2025, lower than the rate of 3.2% recorded in 2024 (see Chart 3.6). The unemployment rate also remained well below the annual average rate of 6.3% recorded in the euro area.

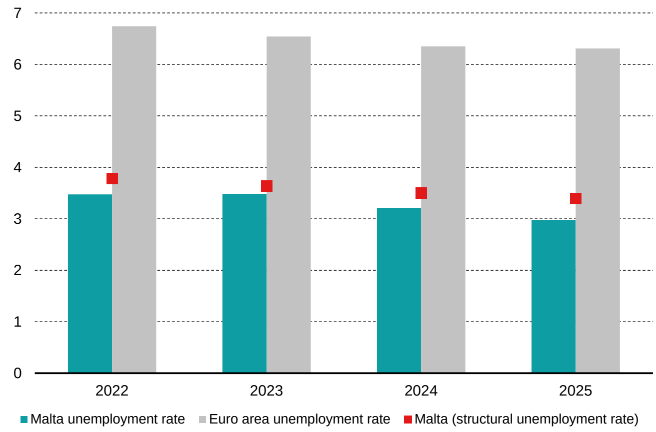
It also stood below the Bank's estimate of the structural unemployment measure of 3.4% for 2025.[12] This indicates a degree of labour market tightness, which is also confirmed by other indicators and the Bank's Business Dialogue publication.

According to Jobsplus data, on average in 2025, the number of registered unemployed persons decreased marginally by 41 persons, to 1,087 (see Chart 3.7).[13] Marginal declines were recorded in almost all age cohorts. In terms of duration, small decreases were registered in both short-term unemployment (unemployed for less than a year) and long-term unemployment (unemployed for more than a year).

During the year under review, around 30% of those on the unemployment register were looking for clerical support work. The second and third most sought-after occupations were those of technician or associate professionals and service and sales workers. Just under a third of persons on the unemployment register were interested in such roles.

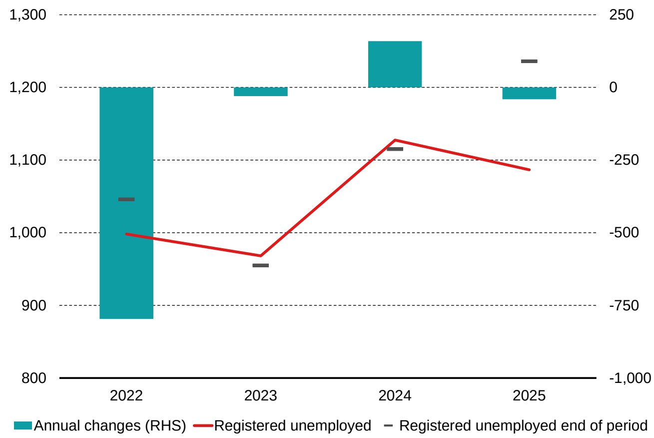
The job vacancy rate for industry, construction and services averaged 3.2% during the first three quarters of the year, slightly higher than the 3.1% recorded in the

**Chart 3.6**
**UNEMPLOYMENT RATE**
*(not seasonally adjusted; per cent)*




Sources: Eurostat; Central Bank of Malta estimates.

**Chart 3.7**
**REGISTERED UNEMPLOYED**
*(persons; absolute changes)*



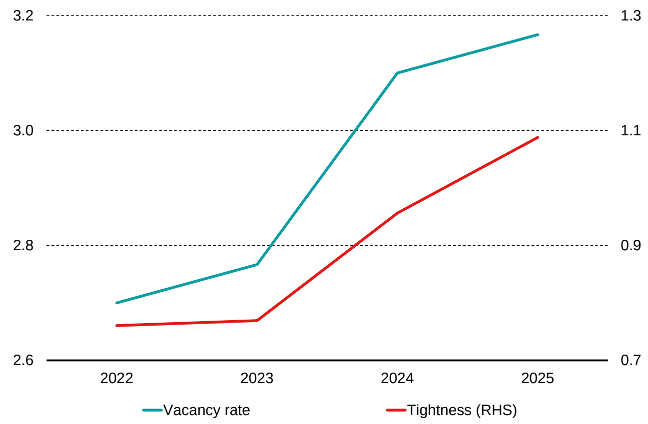

Source: NSO.

[12] The structural unemployment rate in this chapter refers to the non-accelerating inflation rate of unemployment (NAIRU), that is, the unemployment rate that is consistent with stable inflation. This measure of the unemployment rate is based on an unobserved components model as described in Ellul, R., (2019). "An Unobserved Components Model for potential output in Malta", Article published in the *Quarterly Review* 2019:2, pp. 17-21.

[13] The annual number of registered unemployed is based on the average of the total registered unemployed published by NSO on a monthly basis.

same period a year earlier (see Chart 3.8).[14] The vacancy rate was highest in the mining and quarrying sector (5.5%).

Chart 3.8
**VACANCY RATE AND LABOUR MARKET TIGHTNESS INDICATOR: JANUARY-SEPTEMBER**
*(per cent)*




Sources: Eurostat; Central Bank of Malta estimates.

The ratio of the job vacancy rate to the unemployment rate – an indicator of the imbalance between labour demand and supply and, therefore, of labour tightness – also rose marginally. This is the result of a higher vacancy rate, and a lower unemployment rate compared to last year. At 1.1, this indicator thus stands at elevated levels from a historical perspective.

## Foreign workforce

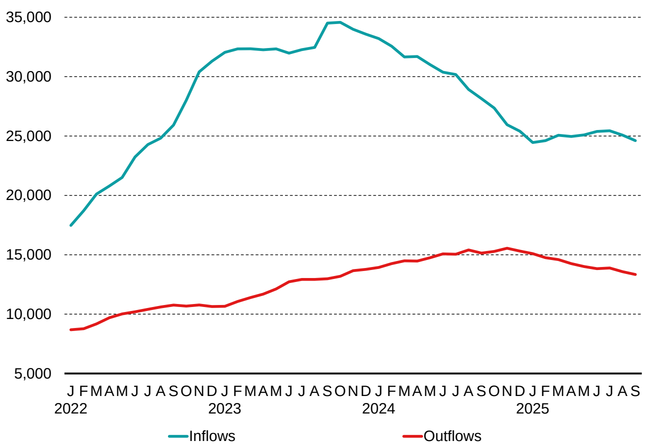
### *Outflows of foreign workers decrease during the year*

The stock of foreign workers in September 2025 stood at 131,277, up from 120,194 in September 2024.

Inflows in 2025 averaged around 25,000 between January and September 2025 (see Chart 3.9). Meanwhile, outflows of foreign workers declined steadily, reversing the upward trend observed since 2022. Outflows reached around 13,300 workers by September 2025, a decline of approximately 1,800 compared with a year earlier. As a result, there remained a net inflow of foreign workers. In September, net inflows of foreign workers stood at around 11,300 persons, around 1,700 persons fewer than the level recorded in the same month a year earlier and approximately 10,300 persons below the peak recorded in September 2023.

In the first three quarters of the year, the average number of non-Maltese employees increased across all types of occupations compared to the same period of 2024. The majority of workers remained employed within services and sales jobs, and in elementary occupations. However, the largest increases in absolute terms, amounting to almost half the total level increase, were recorded in services and sales jobs and among technicians and associate professionals. By contrast, increases in elementary occupations was much more limited. The relatively low growth of foreign workers in elementary occupations differs from developments in 2024, when they were the second highest contributor behind the overall rise. This means that while the proportion of technicians, associate professionals, managers, and professionals has increased, the share of

Chart 3.9
**INFLOWS AND OUTFLOWS OF FOREIGN WORKERS**
*(number of persons)*




Source: Jobsplus.

[14] The job vacancy rate measures the number of job vacancies as a percentage of total jobs (occupied and vacant). Data for Malta are available since 2017.

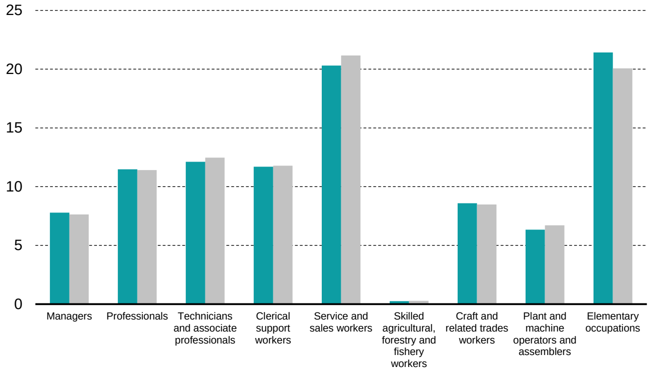
elementary occupations has gone down, indicating a shift towards more highly skilled positions in 2025 (see Chart 3.10).

## Business and consumer surveys

### *Firms indicate an improvement in business conditions*

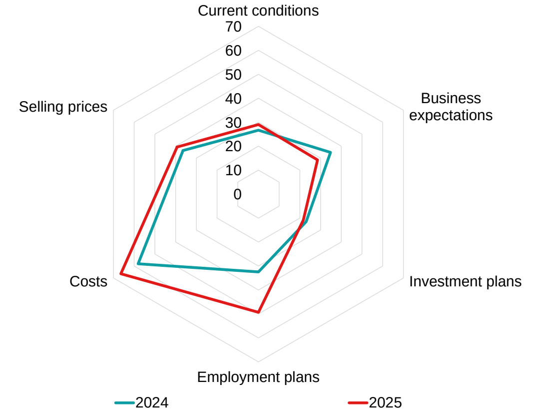
Insights gathered from the Bank's Business Dialogue exercise indicate that business conditions were slightly more favourable on average compared to 2024 albeit with notable sectoral shifts and ongoing uncertainties (see Chart 3.11). Overall activity began at moderate levels but gained momentum as the year progressed, supported primarily by service-oriented firms and, later in the year, by wholesale and retail activity, while manufacturing performance remained comparatively weak. Expectations for short-term business activity were more positive than assessments of recent conditions through the first half of the year, but optimism later lagged current conditions.

**Chart 3.10**
**FOREIGN EMPLOYMENT BY MAIN TYPE OF OCCUPATION: JANUARY-SEPTEMBER[(1)]**
*(per cent of total)*




Source: Eurostat, Central Bank of Malta estimates.
[(1)] Figures may not add up due to rounding and missing data of other categories.

**Chart 3.11**
**SUMMARY OF COMPANIES' OVERALL RESPONSES**
*(average net balance; percentage)*




Source: Central Bank of Malta Business Dialogue.

Input cost pressures were a dominant theme across the year. Firms widely reported increasing costs, though these increases moderated and remained structurally lower than in the recent past. Selling price increases broadly mirrored these dynamics, peaking early in the year and gradually easing thereafter, while also suggesting some absorption of costs. Investment intentions, while overall positive, fluctuated. Firms initially scaled back plans amid uncertainty before reviving expenditure later in the year, particularly in modernisation, efficiency improvements and digitalisation. Employment plans, were more positive than investment expectations, indicating sustained job creation across the year, even as firms repeatedly highlighted persistent labour shortages and difficulties in attracting and retaining skilled workers.

### *Economic sentiment moves above its long-term average*

During 2025, the European Commission's Economic Sentiment Indicator (ESI) for Malta averaged 106.3, up from 96.6 in 2024 (see Table 3.6). As a result, the ESI rose above its long-term average of around 100.0. This increase was visible across all sub-components, with the strongest increases recorded in the construction sector and in industry.[15,16]

[15] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicators, data became available in November 2002, while the services and construction confidence indicator data became available in May 2007 and May 2008, respectively. The long-term average of the retail confidence indicator is calculated since May 2011, when it was first published. The long-term average of the ESI is computed from November 2002.

[16] The ESI summarises developments in confidence in five surveyed sectors (industry, services, construction, retail and consumers).

**Table 3.6**
**SENTIMENT INDICATOR BY SECTOR**
*Annual average; absolute change*

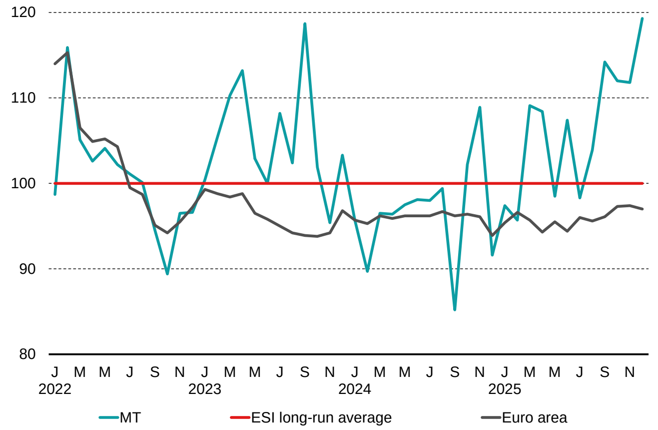
| | 2023 | 2024 | 2025 | Change |
|---|---|---|---|---|
| **Economic sentiment indicator** | **105.2** | **96.6** | **106.3** | **9.7** |
| Construction confidence indicator | 1.2 | -5.0 | 15.0 | 20.1 |
| Industrial confidence indicator | 2.4 | -14.5 | -0.9 | 13.7 |
| Services confidence indicator | 26.0 | 17.5 | 27.2 | 9.7 |
| Consumer confidence indicator | -10.9 | -6.1 | 1.9 | 8.0 |
| Retail trade confidence indicator | 9.8 | -0.5 | 5.6 | 6.1 |
| **Employment expectations indicator** | **109.1** | **100.5** | **105.9** | **5.4** |
| Construction | 12.2 | 0.7 | 31.7 | 31.0 |
| Industry | 19.3 | 2.3 | 17.5 | 15.1 |
| Services | 30.3 | 18.1 | 26.9 | 8.8 |
| Retail | 17.2 | 7.3 | 0.8 | -6.5 |
| **Economic Uncertainty Indicator** | **12.1** | **14.2** | **12.8** | **-1.4** |
| Construction | 24.9 | 18.3 | 0.3 | -18.0 |
| Industry | 7.6 | 15.5 | 5.6 | -9.9 |
| Consumers | 14.4 | 10.6 | 4.0 | -6.6 |
| Retail | 6.5 | 8.4 | 16.4 | 8.0 |
| Services | 15.2 | 14.9 | 29.6 | 14.7 |
| **ESI demeaned** | **5.2** | **-3.4** | **6.3** | **9.8** |
| **EEI demeaned** | **9.0** | **0.4** | **5.9** | **5.5** |

Source: European Commission.

The ESI stood above its long-term average for most of 2025 and was highest in the last quarter of the year. It closed 2025 at a historic record of 119.3 (see Chart 3.12).

Malta's ESI indicator stood above that of the euro area, which averaged 95.9. Confidence indicators exceeded those in the euro area across all sectors. The largest differences stemmed from services and construction firms.

**Chart 3.12**
**ESI**
*(seasonally adjusted; percentage points)*




Source: European Commission.

Table 3.6 presents the annual average reading for each sector included in the ESI and the absolute change relative to 2024. During 2025, sentiment was on average positive across all sectors, except in industry. The most positive reading was recorded in the services sector.

Demeaned data, which take into account the weights assigned to each sector, and the time variation of each sector, show that the increase in the ESI during the year under review was driven particularly by industry (see Chart 3.13).[17] Consumers, and to a lesser extent, the services sector largely explain why the overall ESI

[17] Weights are assigned as follows: industry 40%; services 30%; consumers 20%; construction 5%; and retail trade 5%.

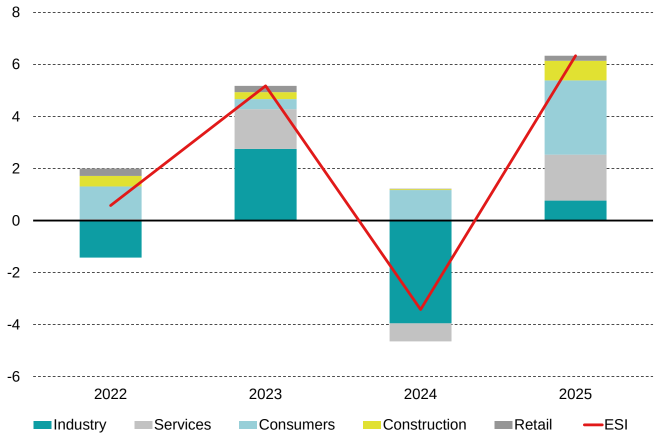
stood above its long-term average during the year under review.

## *Confidence in construction turns positive*[18]

The sentiment indicator for the construction sector averaged 15.0 during 2025, up from -5.0 in the preceding year. Following this increase, confidence moved further above its long-term average of -6.6 (see Chart 3.14). The increase in sentiment in 2025 was mostly driven by more positive employment expectations.

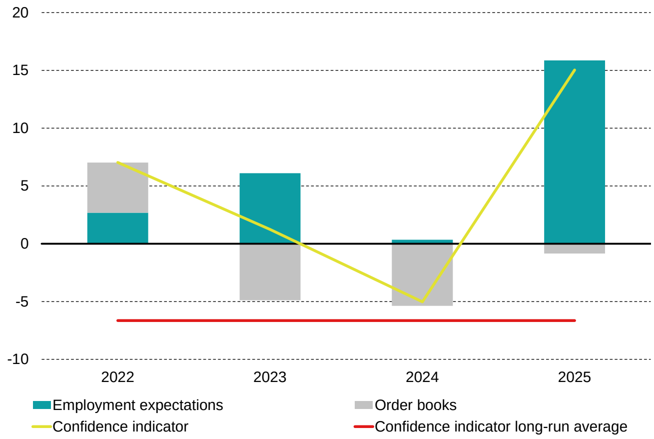
Additional survey data show that respondents' assessment about building activity over the three months preceding the survey turned positive. Furthermore, labour shortages were the most important impediment to production signalled by respondents during the year under review, followed by 'other factors'.

**Chart 3.13**
**ESI**
*(seasonally adjusted; demeaned)*




Sources: European Commission; Central Bank of Malta workings.

**Chart 3.14**
**CONSTRUCTION CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*




Source: European Commission.

## *Industrial confidence rises above its long-term mean*[19]

Sentiment among manufacturing firms rose to -0.9, from -14.5 in 2024, thus rising above its long-term mean of -4.3 (see Chart 3.15). The improvement in sentiment in 2025 was visible across all sub-components of the indicator but mostly reflected more positive production expectations for the months ahead. Furthermore, a smaller share of firms assessed their order book levels to be below normal levels.[20]

Sentiment in this sector showed significant volatility over the year. However, sentiment in general stood above its long-term mean.

## *Confidence in the services sector improves*[21]

The confidence indicator within the services sector rose to 27.2, from 17.5 in the preceding year (see Chart 3.16). The more positive sentiment in 2025 reflected an improvement across all sub-components of the

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[18] The construction confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.

[19] The industrial confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, current levels of order books and stocks of finished goods (the last with inverted sign).

[20] A rise in the stock levels indicates lower turnover and affects the overall indicator in a negative way. Such decreases are thus represented by bars below the 0 mark in Chart 3.14.

[21] The services confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

indicator. Following this increase, confidence in the services sector rose above its long-term average of 20.0.

### *Consumer confidence turns positive*[22]

Consumer confidence improved to 1.9, from -6.1 in 2024. Sentiment stood above its long-term average of -9.5 (see Chart 3.17).

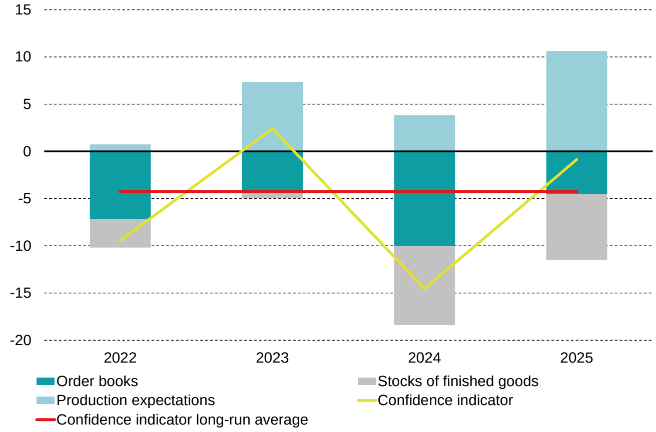
When compared to 2024, the increase in sentiment was reflected across all sub-components. In particular, consumers' assessment of their finances over the last 12 months improved significantly and turned positive. Moreover, their expectations of the general economic situation over the next 12 months improved but remained in negative territory.

Additional survey information suggests that less respondents expected unemployment to rise in the following 12 months. Furthermore, savings expectations increased compared to a year earlier. The survey also reveals that consumers perceived price pressures to have eased over the last 12 months while they expect them to increase in the 12 months ahead.

### *Confidence in the retail sector turns positive*[23]

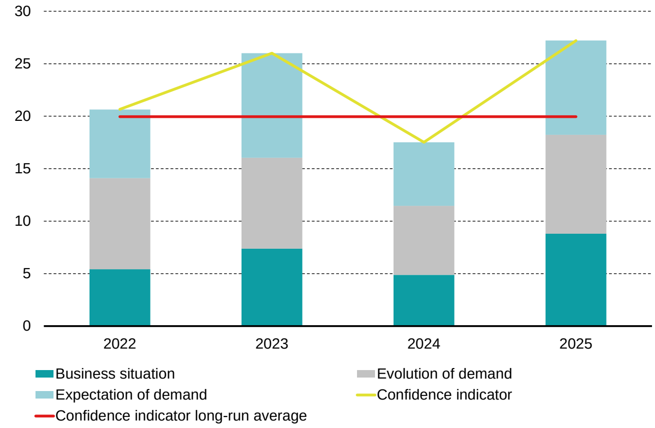
The retail confidence indicator stood at 5.6 in 2025, up from -0.5 a year earlier, rising above its long-term average of 0.5 (see Chart 3.18). The rise in sentiment was driven by an increase in expectations of business activity over the next three months. At the same time, respondents became optimistic of sales over

**Chart 3.15**
**INDUSTRIAL CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*



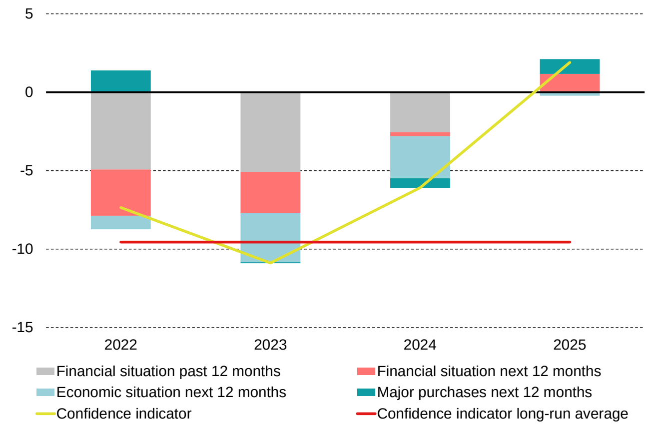

Source: European Commission.

**Chart 3.16**
**SERVICES CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*




Source: European Commission.

**Chart 3.17**
**CONSUMER CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*




Source: European Commission.

[22] The consumer confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' assessment and expectations of their financial situation, their expectations about the general economic situation and their intention to make major purchases over the subsequent 12 months. The computation of this indicator was changed as reflected in the [January 2019 release] of the European Commission.

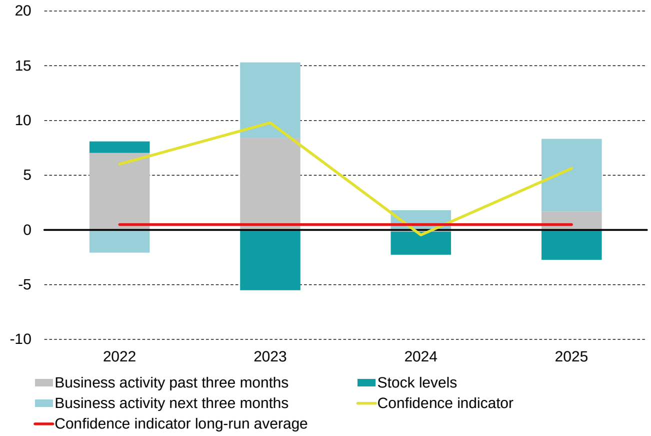
[23] The retail confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to survey questions relating to the present and future business situation and stock levels.

the past three months. However, the share of participants reporting above normal stock levels increased.

Sentiment in this sector was positive for most of the year, with the highest reading recorded in December, when the index stood at 22.4.

Additional survey data show an improvement in order expectations, as in contrast to 2024, on balance retailers now expected an increase in orders.

Chart 3.18
RETAIL CONFIDENCE INDICATOR
*(seasonally adjusted; percentage points)*



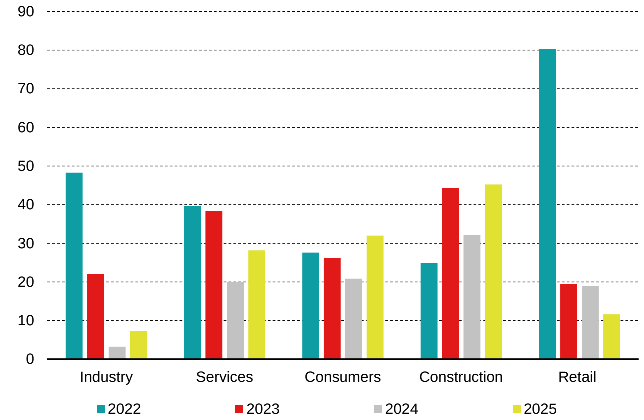

Source: European Commission.

### *Selling price expectations increase except in the retail sector*

In 2025, selling price expectations increased across all sectors bar in the retail sector. The most significant increases were recorded in the construction sector, among consumers and in the services sector (see Chart 3.19).

Differences across sectors remained wide. The net share of firms signalling price increases ranged between 45% in the construction sector, and 7% in industry.

Chart 3.19
SECTORAL SELLING PRICE EXPECTATIONS
*(seasonally adjusted)*

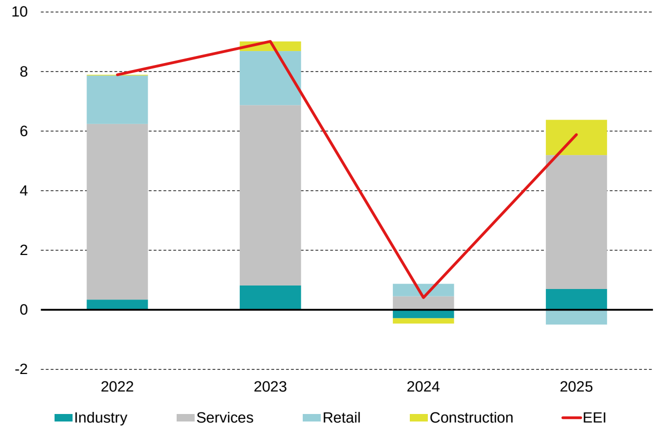



Source: European Commission.

### *Employment expectations indicator increased*

The employment expectations indicator (EEI) – which is a composite indicator of employment expectations in industry, services, retail trade and construction – increased.[24] It stood at 105.9, up from 100.5 a year earlier (see Table 3.6). It remained above its long-term average of around 100.0 and stood above the euro area average for the year of 97.5.

Chart 3.20
EEI
*(seasonally adjusted; demeaned)*




Sources: European Commission; Central Bank of Malta workings.

[24] The EEI is based on question 7 of the industry survey, question 5 of the services and retail trade surveys and question 4 of the construction survey, which gauge the respondent firms' expectations as regards changes in their total employment over the next three months. Before being summarised in one composite indicator, each balance series is weighted on the basis of the respective sector's importance in overall employment. The weights are applied to the four-balance series expressed in standardised form. Further information on the compilation of the EEI is available in European Commission (2024), *The Joint Harmonised EU Programme of Business and Consumer Surveys User Guide*.

When compared to the euro area average, Malta demonstrated a more favourable assessment in all the sectors.

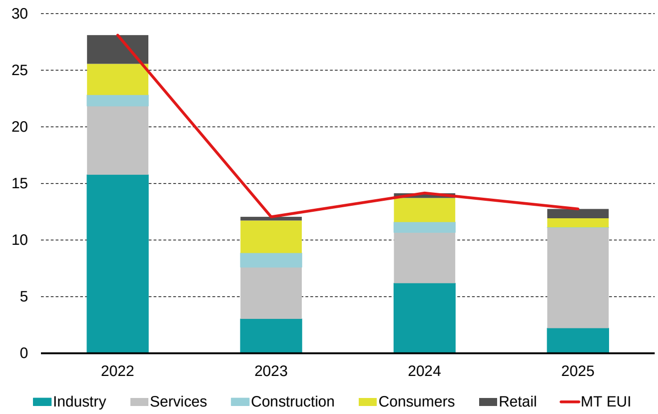
When accounting for the variation in the weights assigned to each sector in the overall index, the increase in expectations relative to 2024 was largely driven by the services sector (see Chart 3.20). This sector also mostly explains why the overall EEI exceeded its long-term average in 2025.

### *Economic uncertainty decreases*

The European Commission's Economic Uncertainty Indicator (EUI) for Malta declined to 12.8 in 2025, from 14.2 in the previous year, signifying lower uncertainty surrounding financial and business decisions (see Chart 3.21).[25,26] By comparison, the EUI stood at 18.2 in the euro area. During 2025, uncertainty was below that in the euro area in all sectors, except in the services sector and in the case of consumers.

During 2025, on balance, the main contributor to the decline in uncertainty was industry, which offset increases in uncertainty primarily emanating from the services sector. Uncertainty was highest in the latter.

**Chart 3.21**
**EUI[(1)]**
*(not seasonally adjusted; percentage points)*




Sources: European Commission; Central Bank of Malta.
[(1)] Data for Malta is available from May 2021.

[25] The EUI is made up of five balances (in percentage points) which summarise managers'/consumers' answers to a question asking them to indicate how difficult it is to make predictions about their future business/financial situation. The series are not seasonally-adjusted. The five-balance series are summarised in one composite indicator using the same weights used to construct the ESI. The questions asked correspond to Q51 of the industry survey, Q31 of the services survey, Q41 of the retail trade and construction surveys and Q21 of the consumer survey.
[26] Data on consumer uncertainty in Malta became available in October 2020, while data for industry, services, retail and construction became available in May 2021.

## BOX 2: ECONOMIC PROJECTIONS

### Economic outlook

The Bank's latest economic projections have a cut-off date of 6 February 2026, and thus pre-date the latest release of the national accounts of 26 February 2026. They also pre-date the effects of the military conflict in the Middle East.

Malta's GDP growth is projected to moderate somewhat, from 4.0% in 2025, to 3.7% in 2026, and stabilise around this level in the following two years (see Table 2a). Throughout the projection horizon, domestic demand is expected to remain the main driver of growth, although net exports are projected to retain a positive contribution.

Private consumption growth is set to pick up to just over 4% in 2026, after having eased in 2025, and should maintain a similar rate of expansion in the following years. Over the projection horizon, growth in private consumption is expected to be supported by the revision in the income tax brackets

**Table 2a**
**PROJECTIONS FOR THE MAIN MACROECONOMIC AGGREGATES FOR MALTA[(1)]**

| | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|
| **Real economic activity (% change)** | | | | |
| GDP | 4.0 | 3.7 | 3.7 | 3.7 |
| Private consumption expenditure | 3.3 | 4.2 | 4.1 | 4.1 |
| Government consumption expenditure | 5.9 | 3.1 | 3.9 | 3.3 |
| GFCF | -0.1 | 4.1 | 1.6 | 3.3 |
| Exports of goods and services | 4.5 | 3.9 | 3.5 | 3.5 |
| Imports of goods and services | 4.4 | 4.1 | 3.3 | 3.5 |
| **Contribution to real GDP growth (in percentage pts)** | | | | |
| Final domestic demand | 2.9 | 3.2 | 2.8 | 3.0 |
| Net exports | 1.0 | 0.5 | 0.9 | 0.7 |
| Changes in inventories | 0.4 | 0.0 | 0.0 | 0.0 |
| **Labour market (% change)[(2)]** | | | | |
| Total employment | 3.9 | 2.6 | 2.5 | 2.3 |
| Unemployment rate (% of labour supply) | 2.9 | 2.8 | 2.8 | 2.8 |
| **Prices and costs (% change)** | | | | |
| Overall HICP | 2.4 | 2.3 | 2.1 | 2.0 |
| HICP excluding food and energy | 2.4 | 2.2 | 2.0 | 1.9 |
| **Public Finances(% of GDP)[(3)]** | | | | |
| General government balance | -3.0 | -2.8 | -2.4 | -2.0 |
| General government debt | 47.0 | 47.1 | 46.9 | 46.2 |

[(1)] Data on GDP for 2025 were sourced from NSO *News Release* 033/2026 published on 26 February 2026, while HICP was sourced from NSO *News Release* 009/2026 published on 19 January 2025.

[(2)] Data on the number of employed are consistent with national accounts data. The unemployment rate is based on the number of unemployed and employed as reported in the LFS.

[(3)] Central Bank of Malta projections.

for parents, which in turn will boost disposable income. The household saving rate is also expected to be positively impacted.

Real government consumption is projected to ease in the coming years. This reflects an expected slowdown in intermediate consumption growth, which had surged in recent years owing partly to one-off expenditures. While moderating, however, growth in this component is expected to remain robust, as is growth in employee compensation. The latter includes the impact of the entry into force of a new civil service collective agreement in 2025.

Growth in overall investment is projected to pick up to 4.1% in 2026, and to moderate to 1.6% in 2027. This profile is partly driven by the path of EU-funded government investment, as all projects financed through the EU's Recovery and Resilience Facility (RRF) are expected to be completed by 2026. This decline is expected to offset growth in private investment. Overall GFCF is expected to grow by 3.3% in 2028, upheld by private investment.

Private investment is expected to increase in 2026 following a marginal decline in 2025. This partly reflects the impact of Budget 2026 incentives aimed at stimulating investment. In 2027 and 2028 growth in private investment is expected to remain close to 2026 growth rates.

Government investment is projected to increase by 4.2% in 2026 before declining in the outer years of the forecast horizon. The rate of decline is particularly strong in 2027 and reflects the aforementioned profile of EU-funded projects. Government investment is to record a smaller contraction in 2028, as outlays on both EU-funded and domestically-financed projects are set to remain at broadly similar levels as in the previous year in nominal terms.

Export growth is set to moderate over the projection horizon, which reflects the expected easing of foreign demand and slower growth in services exports following an extended period of robust growth. Despite this, overall export growth is set to remain above growth in external demand throughout the forecast horizon. Meanwhile, goods exports are set to recover this year following a strong decline in 2025. Growth in goods exports is set to be lower than the envisaged growth in external demand in the following years, in line with the patterns observed in recent years.

Growth in imports is expected to slow down in 2026 mainly due to slower growth in services imports. The dynamics of imports are partly affected by those in government investment, which are set to decline markedly in 2027.

The labour market remains strong and demand for labour is envisaged to stay high. However, the increase in employment is expected to moderate over the projection horizon, driven by the projected easing in economic growth and an expected improvement in productivity. Inflows of foreign workers are also expected to slow down due to measures related to the implementation of the Malta Labour Migration Policy, which came into force in August 2025. As a result, employment growth is projected to be at 2.6% in 2026 before moderating gradually to 2.3% by 2028. The unemployment rate is forecast to edge down marginally to 2.8% over the projection horizon.

Annual HICP inflation is projected to decrease to 2.3% in 2026, reflecting a decline in services inflation. Inflation is set to ease steadily in the following years, falling to 2.0% by 2028. However, services inflation is set to remain above its historical average. While it is expected to gradually slow down throughout the projection horizon, in line with the expected moderation in wage growth, it remains rather persistent due to strong domestic demand and tourism. NEIG inflation is expected to settle at 1.0% over the projection horizon, in line with its historical average. Overall food inflation is set to stand at 3.4% in 2026 and ease to 3.2% in 2027 and 2028. This is in line with expected developments in international commodity prices available at the cut-off date for these projections. Energy prices are projected to remain at current levels throughout the forecast horizon, reflecting the Government's commitment to keep these prices stable.

The headline budget deficit is expected to decline steadily throughout the forecast horizon. It is set to decline to 2.8% in 2026 and 2.4% in 2027, before narrowing further to 2.0% by 2028. This improvement in public finances is largely driven by an expected decline in the expenditure-to-GDP ratio. Meanwhile, the general government debt ratio is expected to reach a peak of 47.1% in 2026, before easing to 46.2% by 2028.

Risks to activity are broadly balanced. Downside risks largely emanate from elevated geopolitical uncertainty, arising from the conflict in the Middle East as well as related restrictions impinging on global supply chains. On the other hand, employment and wages could exhibit even stronger dynamics than envisaged, especially in the medium term. This would result in higher private consumption growth and thus raise output growth more than envisaged.

Risks to inflation are tilted to the upside over the projection horizon. Upside risks to inflation could stem from the persistence in services inflation. Furthermore, disruptions to energy supplies and other commodities resulting from the conflict in the Middle East may present significant upward risks to global inflation, potentially leading to spillover effects on non-energy inflation in Malta, though the extent of the impact on inflation depends on the duration and breadth of such conflict. Having said this, some downside risks remain, particularly arising from the re-routing of exports from competitor countries to the EU and heightened competitive pressures in markets targeted by tariffs. Additionally, a renewal of trade tensions between the US and its trading partners could amplify uncertainty and further dampen global growth, putting more downward pressure on imported inflation in the medium term.

On the fiscal side, risks are assessed to be deficit-increasing. These predominantly stem from the possibility of slippages in current expenditure, such as higher-than expected spending on energy support measures should international energy prices exceed assumptions for a prolonged period.

## 4. PRICES, COSTS AND COMPETITIVENESS

*Annual inflation, based on the HICP, remained unchanged at 2.4% in 2025.*

*HICP inflation in Malta on average stood marginally above that in the euro area in 2025, partly due to Malta's higher food inflation. Furthermore, while energy prices in Malta remained unchanged, those in the euro area recorded year-on-year falls for the most part of 2025.*

*The annual rate of inflation based on the Retail Price Index (RPI) edged up in 2025, reaching 2.4% from 1.7% a year earlier.*

*The annual average rate of change in the producer price index (PPI) remained broadly similar to that in 2024. Malta's real Harmonised Competitiveness Indicator (HCI) points to a deterioration in international price competitiveness during 2025, on account of a stronger euro relative to the other currencies of trading partners. Meanwhile, Malta's ULC index (per person) rose by 4.1% in 2025 down from 6.3% in 2024. Other cost indicators mostly signal moderate growth.*

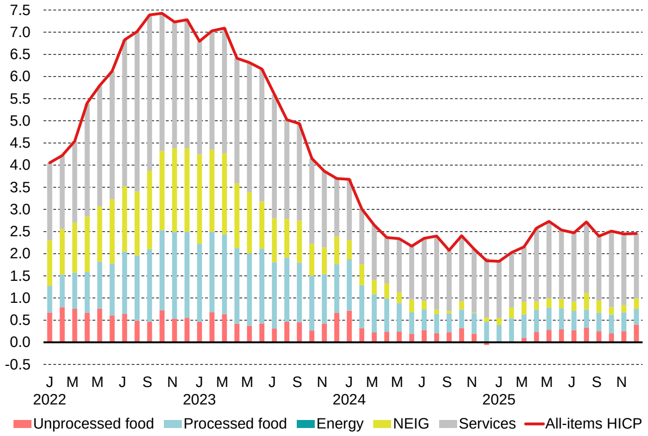
### Inflation[1]

*Average rate of HICP inflation remains unchanged in 2025*

The average rate of HICP inflation in Malta stood at 2.4% during 2025, unchanged from 2024 (see Table 4.1).[2] HICP inflation accelerated through the first quarter of the year, before hovering around 2.5% for the rest of the year (see Chart 4.1).

The contribution from services inflation was higher in 2025 compared to the previous year. However, this was offset by a lower contribution from food inflation. Meanwhile, the

**Chart 4.1**
**CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION**
*(percentage points; annual percentage change)*




Source: Eurostat.

**Table 4.1**
**HICP INFLATION RATES**
*Average annual rate of change*

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Unprocessed food | 10.6 | 7.9 | 4.3 | 3.8 |
| Processed food including alcohol and tobacco | 8.5 | 9.9 | 4.1 | 3.0 |
| Energy | 0.0 | 0.0 | 0.0 | 0.0 |
| NEIG | 5.3 | 4.4 | 0.9 | 0.9 |
| Services (overall index excluding goods) | 6.0 | 5.1 | 2.8 | 3.2 |
| **HICP (annual average inflation rate)** | **6.1** | **5.6** | **2.4** | **2.4** |

Source: Eurostat.

[1] Data in this section is based on the HICP index compiled according to the new European Classification of Individual Consumption according to Purpose version 2 (ECOICOP2). There may be minor discrepancies compared with the previous ECOICOP1 version for certain subcomponents.

[2] The HICP weights are revised on an annual basis to reflect changes in overall consumption patterns. In 2025, the weight allocated to services stood at 45.1%, while that of NEIG was 27.1%. Food accounted for 21.7% of the index, while the share allocated to energy stood at 6.2%.

contribution from NEIG inflation remained unchanged. Energy prices also retained an unchanged contribution to overall inflation, reflecting the retention of Government measures aimed at containing the effects from international price pressures.

Services inflation was the main contributor to overall HICP during 2025. Its contribution to overall inflation increased to an average of 1.5 percentage points from 1.3 percentage points in 2024. This mainly reflects a smaller contraction in the prices of telephony services, part of communications services inflation. Meanwhile, recreation and personal care services inflation also contributed more positively due to higher prices of package holidays and accommodation services. By contrast, housing services inflation exhibited slightly weaker dynamics mainly due to lower inflation for rentals and services related to the maintenance and repair of dwellings. At the same time, miscellaneous and transport services had an unchanged contribution (see Chart 4.2).

NEIG inflation remained unchanged at 0.9% in 2025, contributing 0.2 percentage points to overall HICP inflation. An increase in the inflation rate of durable goods was offset by a decline in the inflation rate of semi-durable and non-durable goods, including household goods and kitchen utensils.

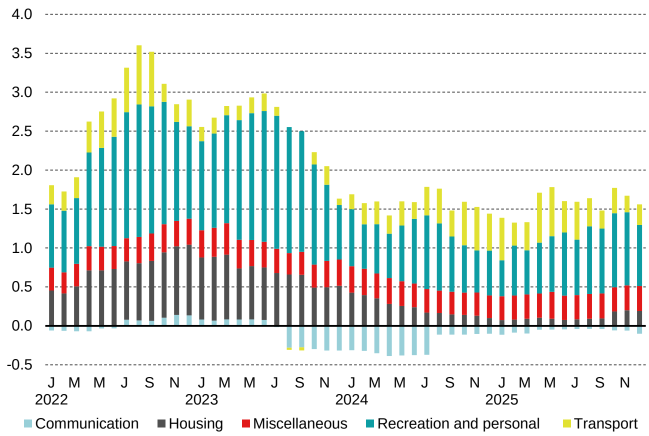
The annual rate of change of food prices continued to moderate in 2025. Indeed, food inflation including alcohol and tobacco, declined to 3.2% from 4.2% in 2024, and added 0.7 percentage points to overall HICP inflation in 2025. The moderation in the food component was even more significant, as this fell to 3.1% from 5.1%.

Processed food inflation (including alcohol and tobacco) stood at 3.0% during the year under review, from 4.1% in 2024, and its contribution to overall inflation declined slightly to 0.5 percentage points. Weaker dynamics compared to 2024 were observed across most subcomponents.

Unprocessed food inflation also fell, standing at 3.8% on average, from 4.3% in 2024, with its contribution to overall inflation broadly unchanged at 0.2 percentage points. This reflected a slower rate of increase in the prices of fish, fruit and vegetables (see Chart 4.3).

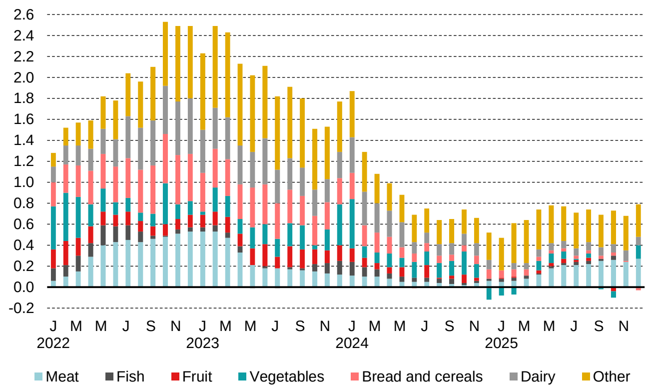
The contribution of energy inflation remained unchanged at 0.0% in 2025, as electricity, gas and transport fuel prices were kept unchanged from their level a year earlier, through government support measures shielding the economy from international energy prices.

**Chart 4.2**
**CONTRIBUTIONS OF SERVICES TO HICP INFLATION**
*(percentage points)*




Source: Eurostat.

**Chart 4.3**
**CONTRIBUTIONS OF FOOD TO HICP INFLATION**
*(percentage points)*



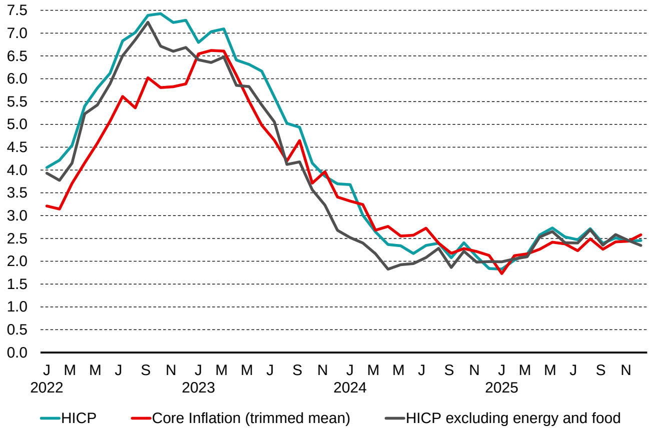

Source: SDW.
Notes: Contributions reflect those of food including alcohol and tobacco. Weights are based on ECOICOP1 methodology. The revised ECOICOP2 weighting structure, introduced at the time the NSO release 031/2026 was published, was not available at the cut-off date of this publication.

### *Core HICP inflation moderates further in 2025*

The core measure of HICP inflation, which is based on the Bank's 'trimmed mean' approach, averaged 2.3% in 2025, down from 2.6% in the previous year.[3] However, this measure of inflation was on a slight upward path during the year, reaching 2.6% in December (see Chart 4.4).

Meanwhile an alternative measure of underlying inflationary pressures – HICP excluding food and energy – increased slightly during the year, reaching 2.4% from 2.1% in 2024. This measure stood at 2.3% in December.

**Chart 4.4**
**HICP IN MALTA: OVERALL AND CORE MEASURE**
*(annual percentage changes)*

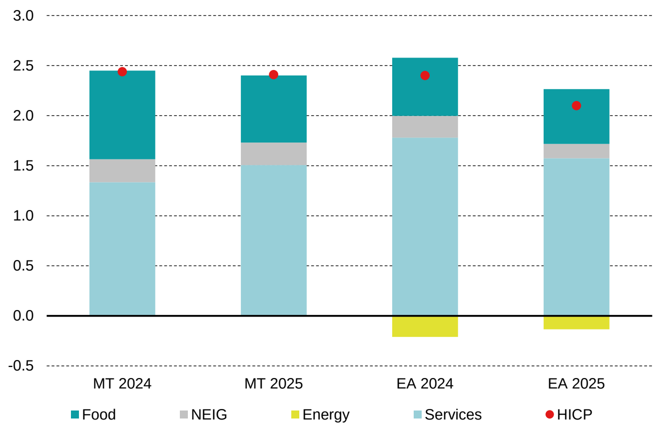



Sources: Eurostat; Central Bank of Malta estimates.

### *Comparison with the euro area*

Euro area inflation averaged 2.1% during 2025, below that in Malta which averaged 2.4%. The difference primarily arises from the reduction in energy inflation within the euro area, accompanied by lower food inflation relative to Malta. By contrast, the contribution of services inflation in the euro area was higher compared to that in Malta (see Chart 4.5).

**Chart 4.5**
**HICP AND MAIN CONTRIBUTIONS**
*(annual percentage changes; contributions)*




Sources: Eurostat; Central Bank of Malta calculations.

While Malta's inflation rate was below that of the euro area at the start of 2025, euro area inflation turned out lower during the last months of the year. Indeed, by December euro area inflation stood at 2.0%, 0.5 percentage points lower than that in Malta. This is partly due to energy inflation, which closed the year at -1.9% in the euro area while it remained at 0.0% in Malta.

### *RPI inflation increases*

Annual inflation based on the RPI edged up during 2025. The latter averaged 2.4%, up from 1.7% a year earlier.[4]

Food inflation remained the main contributor to overall RPI inflation in 2025, adding 0.7 percentage points. This was slightly below the 0.8 percentage point contribution for 2024 (see Table 4.2). Indeed, food prices increased at a rate of 3.4% on average during 2025 from 3.6% in 2024.

[3] The Central Bank of Malta uses a 'trimmed mean' approach to measure core inflation, whereby the more volatile components of the index are removed from the basket of consumer goods so as to exclude extreme movements from the headline inflation rate. See Gatt, W. (2014), "An Evaluation of Core Inflation Measures for Malta", *Quarterly Review* 2014(3), pp. 39-45, Central Bank of Malta.

[4] The difference between HICP and RPI inflation in part reflects the different structure of weights applied to the two indices. RPI weights are derived from domestic consumption and have been fixed since 2017, whilst HICP weights also account for tourism related consumption and are updated annually.

**Table 4.2**

**CONTRIBUTIONS TO RPI INFLATION(1)**

*Percentage points (annual averages)*

| | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| Food | 2.2 | 2.1 | 0.8 | 0.7 |
| Beverages and tobacco | 0.2 | 0.3 | 0.1 | 0.2 |
| Clothing and footwear | 0.1 | 0.1 | 0.0 | 0.1 |
| Housing | 1.2 | 0.8 | 0.1 | 0.1 |
| Water, electricity, gas and fuels | 0.0 | 0.0 | 0.0 | 0.0 |
| Household equipment and maintenance | 0.4 | 0.4 | 0.0 | 0.1 |
| Transport and communications | 0.7 | 0.1 | -0.3 | 0.3 |
| Personal care and health | 0.3 | 0.5 | 0.3 | 0.2 |
| Recreation and culture | 0.4 | 0.2 | 0.1 | 0.2 |
| Other goods and services | 0.4 | 0.5 | 0.4 | 0.3 |
| **RPI (annual average inflation rate)** | **6.2** | **5.1** | **1.7** | **2.4** |

Source: NSO.

(1) Totals may not add up due to rounding.

The contribution of transport and communications and 'Other goods and services' stood at 0.3 percentage points, while personal care and health, beverages and tobacco, and recreation and culture each contributed 0.2 percentage points. On the other hand, the contributions from clothing and footwear, housing and household equipment and maintenance inflation stood at 0.1 percentage points.

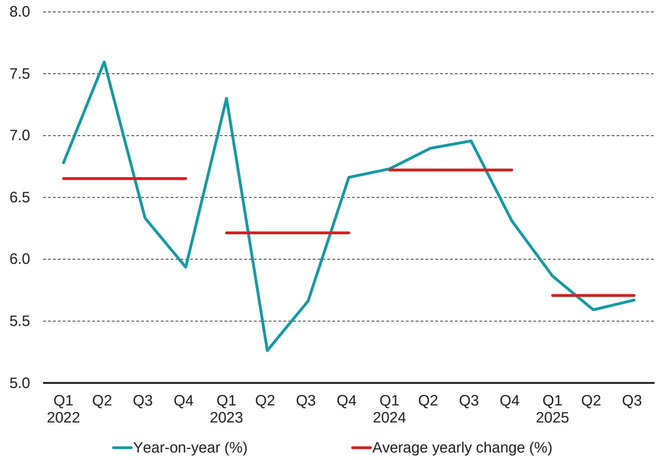
## *Residential property prices increase at a slower pace*

Residential property prices continued to increase during the first three quarters of 2025, though at a slower pace. The NSO's Residential Property Price Index (RPPI) – which is based on actual transactions involving apartments, maisonettes and houses – increased at an average annual rate of 5.7% during the first three quarters of the year, following a 6.7% increase recorded in 2024 as a whole (see Chart 4.6).[5] The price increase in the first three quarters of 2025 exceeded that in the euro area, where house prices increased by an annual rate of 5.2% during the same period.

Residential property prices in Malta continued to be supported by several factors. A dynamic tourism sector and continued migrant worker flows continue to support demand for accommodation and hence, property prices. Various government schemes aimed at first-time buyers in the property market also contributed to supporting demand.

**Chart 4.6**

**MOVEMENTS IN NSO RPPI**



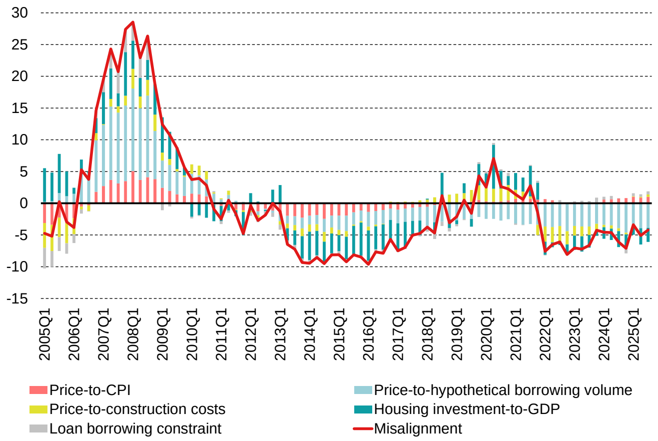

Source: Eurostat.

5 'Apartments' are defined as dwellings with self-contained rooms or a suite of rooms that have a separate entrance accessible from a common passageway, landing or stairway. This category includes penthouses. 'Maisonettes' have a separate entrance that is accessible from the street and are either at ground-floor level with overlying habitation, or at first-floor level with underlying habitation. 'Houses' are dwellings with at least two floors, own access at street level and airspace and with no underlying structures that are not part of the house itself. Further information is available in NSO *News Release* 004/2026.

*Misalignment index suggests house prices were below fundamentals in 2025*

As part of its ongoing macroeconomic analysis, the Bank calculates a house price misalignment index to provide an indication of the evolution of house prices against fundamentals.[6,7] This indicator consists of five sub-indices that represent household, investor, and system-wide factors. Weights assigned to these variables are derived using principal component analysis.

Chart 4.7
**HOUSE PRICE MISALIGNMENT INDEX**
*(percentage points; based on transaction prices)*




Source: Central Bank of Malta estimates.

House prices, as measured by the NSO's RPPI, remained below the level consistent with fundamentals in the first three quarters of 2025, though by less when compared with the previous year (see Chart 4.7).[8] This disequilibrium was driven mainly by the house price-to-hypothetical borrowing ratio and the housing investment-to-GDP ratio. The former represents households' affordability, while the latter indicator represents the relative level of dwelling investment compared with economic activity. These offset positive contributions from the house price-to-CPI ratio, the loan borrowing constraint and the house price-to-construction ratio.

*Final deeds and promise of sale agreements for residential property increase[9]*

NSO data on residential property transactions show that 13,352 final deeds of sale were registered with the tax authorities in 2025, 6.0% more than a year earlier (see Table 4.3). This followed an increase of 3.4% in 2024. Over 90% of final deeds registered in 2025 involved purchases by individuals.

The increase in deeds in 2025 reflected a larger number of transactions in all districts. The Western district recorded the largest increase in absolute terms and accounted for almost a third of the overall increase.

**Table 4.3**
**NSO RESIDENTIAL PROPERTY TRANSACTIONS**

| | 2022 | 2023 | 2024 | 2025 | Annual change Abs. | Annual change % |
|---|---|---|---|---|---|---|
| **Residential transactions** | | | | | | |
| Promise of sale | 12,164 | 13,185 | 13,579 | 14,573 | 994 | 7.3 |
| Final deeds of sale | 14,331 | 12,180 | 12,598 | 13,352 | 754 | 6.0 |
| **Transaction value of final deeds of sale (EUR milions)** | 3,299.6 | 3,258.2 | 3,530.5 | 3,994.3 | 463.8 | 13.1 |

Source: NSO.

6 See Micallef, B. (2018), "Constructing an index to examine house price misalignment with fundamentals in Malta", *International Journal of Housing Markets and Analysis*, 11(2), pp. 315-334.

7 The actual numerical results presented in this section should not be overstated given the limitations in the construction of this index. For example, relevant variables such as foreign capital inflows are not included.

8 A separate assessment based on advertised house prices can be found in Gatt, W., Micallef, B. and Rapa, N. (2018), "A macro-econometric model of the housing market in Malta", *Annual Research Bulletin*, Central Bank of Malta, pp. 11-18.

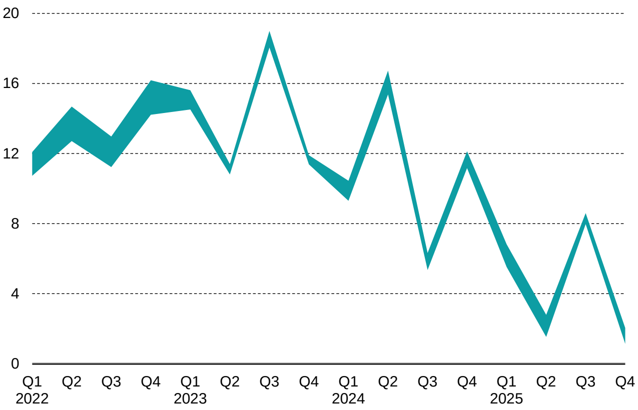
9 This section is based on NSO *News Release* 041/2026. The data presented cover the following property types: airspace, boathouse, bungalow, farmhouse, flat/apartment, garage, garden, house, maisonette, penthouse, plot of land, semi-detached villa, terraced house, 'terran', urban tenement and villa.

Nevertheless, the Northern Harbour district retained the highest number of registered deeds.

The value of final deeds reached €3,994.3 million, an increase of €463.8 million, or 13.1%, over 2024.

The number of promise-of-sale agreements stood at 14,573, 7.3% higher than the amount registered in 2024. This followed an increase of 3.0% in 2024. Increases were recorded in all districts, with the largest recorded in Gozo, the Northern Harbour and Northern districts.

**Chart 4.8**
**ADVERTISED RENTAL PRICES**
*(annual percentage change)*




Source: Central Bank of Malta.

### *Advertised rents grow at a slower rate*

The annual rate of change of advertised rents collected by the Bank from internet sources eased in 2025.[10] The average range of estimates from various methods indicate that advertised rents collected by the Bank have increased at annual rates of between 4.0% and 5.1% in the year under review (see Chart 4.8).

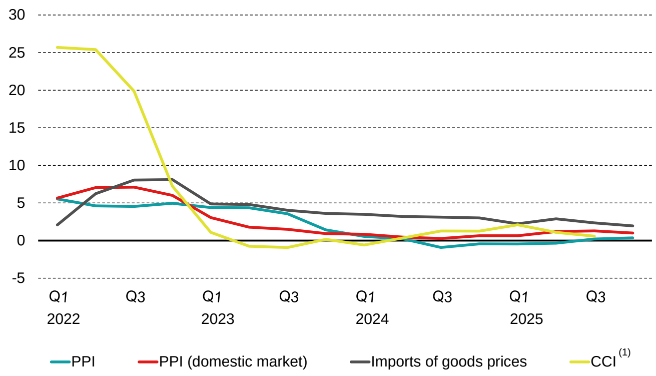
## Costs and competitiveness

### *Producer price pressures generally remained moderate*

Producers' output prices, as measured by the PPI, contracted marginally by 0.1% during 2025, with the price index remaining broadly unchanged from 2024 (see Chart 4.9).[11] This occurred as a smaller decline in the prices of intermediate goods offset a lower increase in capital goods prices.

Meanwhile, growth in the domestic PPI rose to 1.0% from 0.6% in 2024.[12] The goods imports deflator showed slower growth, as it rose by 2.4% down from 3.2%

**Chart 4.9**
**COST INDICATORS**
*(annual percentage growth)*




Sources: Central Bank of Malta estimates; Eurostat; NSO.
(1) CCI shows data up to Q3 2025.

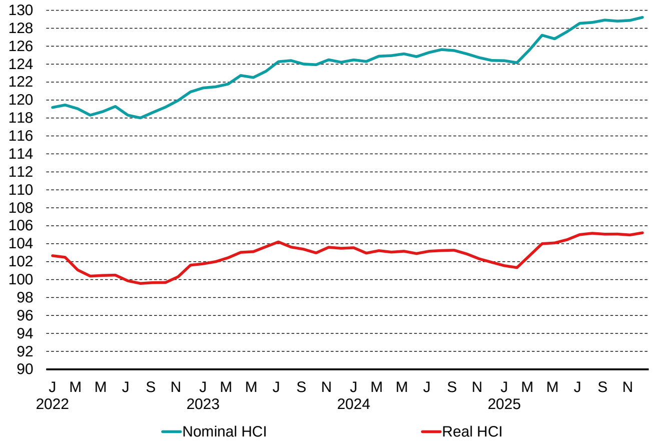
[10] The empirical analysis is based on hedonic regression models as described in Debono et al., (2020) and different indices are constructed using alternative methodologies, namely the time dummy method, the rolling time dummy method with a window length of two periods (Q=2) and the average characteristics method chained using the Laspeyres, Paasche and Fisher methods. The properties considered in this analysis include apartments, maisonettes, and penthouses.

[11] The PPI measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage.

[12] The domestic PPI refers to the producer prices relating to the domestic market only, whilst the producer price relates to the total market, i.e., including both the domestic and non-domestic markets.

in 2024.[13] The construction cost index (CCI) for new residential buildings increased by 1.1% in the first three quarters of 2025, after increasing by 0.6% in the previous year.

Chart 4.10
**HARMONISED COMPETITIVENESS INDICATORS**
*(May 2004 = 100)*




Source: ECB.

### *Real HCI points to a deterioration in external competitiveness*

In 2025, the nominal HCI, which reflects developments in trade-weighted nominal exchange rates, was up by 2.0%, compared with its average reading for 2024 (see Chart 4.10).[14] Meanwhile, the real HCI, which also considers changes in price inflation relative to a broad group of trading partners, was up by 1.0% over its 2024 average level. Both measures stood above their long-term average.

### *ULCs increase at a slower pace*

Malta's ULC index, measured as the ratio of compensation per employee to labour productivity, increased at a slower pace in 2025, compared to 2024.[15] When measured in headcount terms, ULCs in Malta rose by 4.1% in 2025, following an increase of 6.3% in the previous year (see Chart 4.11).

Chart 4.11
**DECOMPOSITION OF ULCs (PER PERSON) IN MALTA**
*(annual percentage change; four-quarter moving average)*


Sources: NSO; Central Bank of Malta estimates.
(1) A rise (drop) in productivity contributes negatively (positively) to ULC growth.

The deceleration in ULC was driven by slower growth in average wage growth, which offset weaker growth in productivity. Annual growth in compensation per employee decreased to 4.1%, from 7.4% in 2024, as the number of employees increased at a faster pace than total compensation.

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[13] This index is derived from national accounts data published by the NSO.

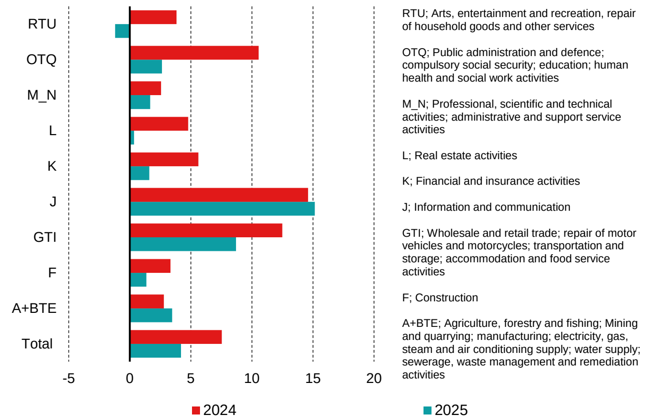
[14] HCIs act as an effective exchange rate measure for countries operating within the euro area monetary union. The nominal HCI tracks movements in the euro exchange rate against the currencies of Malta's main trading partners, weighted according to the direction of trade in manufactured goods. The real HCI also takes into account the relative inflation rate of Malta vis-à-vis its main trading partners. A higher (or lower) score in the HCI indicates a deterioration (or improvement) in Malta's international price competitiveness. The HCI measures used in this publication are measured against 42 trading partners.

[15] Annual growth in ULCs, compensation per employee, and labour productivity is measured on a four-quarter moving average basis. A degree of caution is required in the interpretation of ULCs in view of contemporaneous structural shifts in the composition and factor intensity of production, notably the shift to labour-intensive services. See Micallef, B. (2015), "Unit labour costs, wages and productivity in Malta: a sectoral and cross-country analysis", *Policy Note* August 2015, Central Bank of Malta, and Rapa, N. (2016), "Measuring international competitiveness", *Quarterly Review* 2016(1), pp. 53-63, Central Bank of Malta.

Meanwhile, labour productivity remained stable at 0% in 2025 as GDP growth matched the increase in employment. This follows a 1.2% increase in the previous year.

When compared with the previous year, wage growth slowed down in most economic sectors, with the exception of the information and communication, agriculture, and manufacturing sectors (see Chart 4.12). The fastest wage growth occurred in the information and communication sector, followed by the wholesale and retail sector.

**Chart 4.12**
**CPE BY SECTOR**
*(annual percentage change)*




Source: NSO Data.

## 5. BALANCE OF PAYMENTS

*During the first three quarters of 2025, the current account in the balance of payments (BOP) registered a wider surplus when compared to the corresponding period of 2024. This mainly reflects higher net receipts from services and lower net outflows on the primary income account.*

*Between January and September net inflows on the capital account decreased compared to the corresponding period of 2024, while the financial account showed higher net lending.*

*In the year to September 2025, the current account balance registered a surplus equivalent to 6.8% of GDP. This compares with a current account surplus of 1.8% of GDP in the euro area. Meanwhile, the cyclically-adjusted current account balance is estimated to have recorded a surplus of 8.8% during the quarter under review.*

*References to data pertaining to Malta in this section are based on the vintage of the BOP for the third quarter of 2025, available on Eurostat in January 2026 and therefore, may not be consistent with the most recent trade data reported for 2025 in other sections, which are based on the GDP release covering the full year.*

### The current account

Between January and September 2025, the current account recorded a surplus of €1,558.1 million, €10.7 million higher than a year earlier (see Table 5.1). This was driven by higher net receipts from services and lower net outflows on the primary income account. Together these offset a wider merchandise trade deficit and a shift from net inflows to outflows on the secondary income account.

On a four-quarter moving sum basis, the current account surplus narrowed to €1,648.4 million, from €1,834.8 million a year earlier. This mainly reflects a considerable shift in the secondary income account from net inflows to net outflows. In addition, net outflows on the primary income account rose when compared to a year earlier. Meanwhile, the trade balance stood largely unchanged as a higher merchandise trade deficit was counterbalanced by a higher services surplus.

The current account surplus-to-GDP ratio decreased to 6.8% from 8.1% a year earlier (see Charts 5.1 and 5.2). Malta's cyclically-adjusted current account surplus is estimated to have stood at 8.8% of GDP in

**Table 5.1**
**BALANCE OF PAYMENTS**
*EUR millions*

| | 2022 | 2023 | 2024 | 2024 Q1-Q3 | 2025 Q1-Q3 |
|---|---|---|---|---|---|
| **Current account** | **-515.7** | **1,365.7** | **1,637.7** | **1,547.4** | **1,558.1** |
| Goods | -3,560.4 | -2,903.3 | -2,748.6 | -2,261.8 | -2,553.5 |
| Services | 5,658.8 | 6,621.5 | 7,043.9 | 5,671.5 | 6,007.0 |
| Primary income | -2,407.8 | -2,355.4 | -2,677.6 | -1,947.8 | -1,891.5 |
| Secondary income | -206.4 | 2.8 | 19.9 | 85.6 | -4.0 |
| **Capital account** | **272.9** | **381.5** | **350.3** | **244.1** | **158.3** |
| **Financial account**(1) | **147.6** | **2,011.4** | **1,837.5** | **1,522.7** | **1,690.5** |
| **Errors and omissions**(2) | 390.5 | 264.2 | -150.5 | -268.8 | -25.9 |

Source: Eurostat.
(1) Net lending (+) / net borrowing (-).
(2) Positive net errors and omissions indicate an underestimation of net inflows on the capital and current accounts and/or an overestimation of net lending on the financial account.

the third quarter of 2025, and thus wider than the headline measure (see Chart 5.1).[1]

### *The merchandise trade deficit widens*

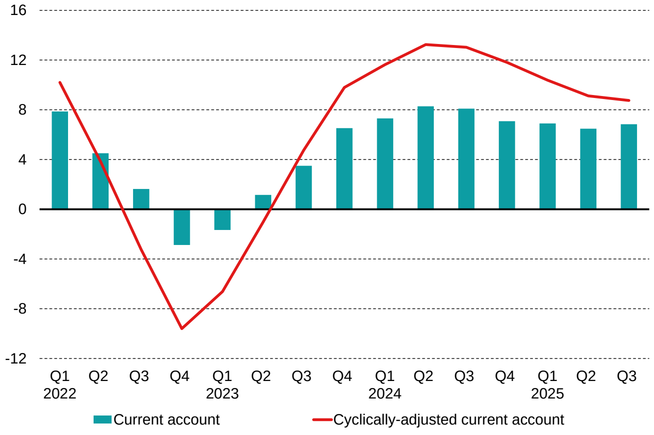
In the first three quarters of 2025, the merchandise trade deficit widened by €291.6 million when compared with the corresponding period of 2024 and stood at €2,553.5 million. This was the result of a €392.0 million decrease in exports, which offset a €100.4 million decrease in imports. The decrease in exports was mainly due to lower exports of machinery and transport equipment and fuels.

The visible trade deficit increased when measured on a four-quarter cumulative basis, reaching €3,040.2 million, from €2,889.9 million in the same period a year earlier. This reflected a decrease of €265.0 million in exports offsetting a decrease in imports of €114.7 million. The fall in exports was mainly due to lower exports of mineral fuels, lubricants and related materials, as well as machinery and transport equipment. These declines were mirrored in a drop in imports of the same product categories. The share of the goods deficit in GDP declined slightly to 12.6% during the third quarter of 2025, from 12.7% a year earlier (see Chart 5.3).

### *The surplus on services widens*

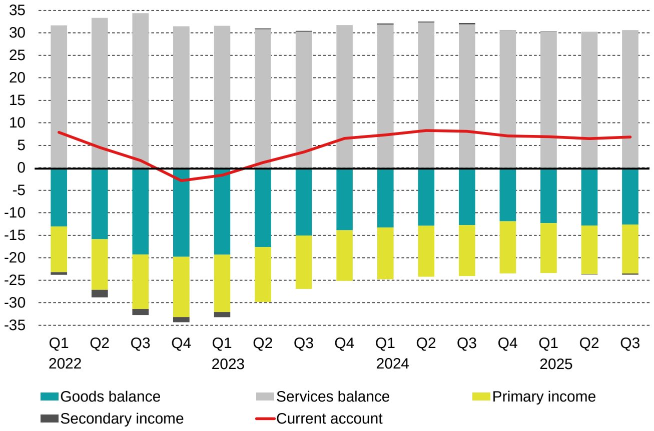
Between January and September 2025, the surplus on services increased by €335.5 million when compared with the corresponding period of 2024, reaching €6,007.0 million. Higher net receipts from transport and travel were the key factors behind the increase in the overall surplus on the services account. This offset the higher

**Chart 5.1**
**CURRENT ACCOUNT**
*(four-quarter moving sums as a percentage of GDP)*



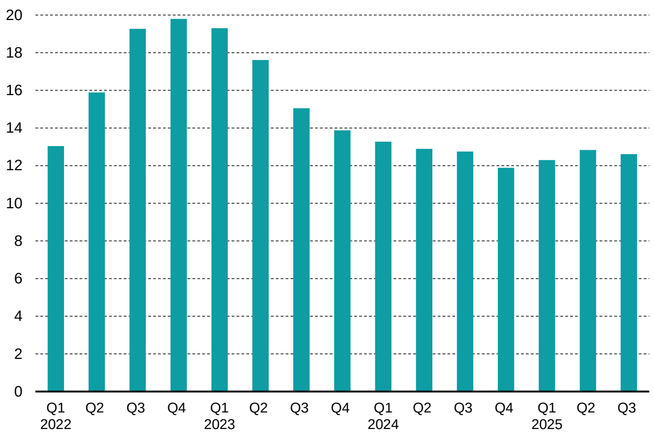

Sources: Eurostat; Central Bank of Malta.

**Chart 5.2**
**COMPOSITION OF CURRENT ACCOUNT**
*(four-quarter moving sums as a percentage of GDP)*




Source: Eurostat.

**Chart 5.3**
**GOODS DEFICIT**
*(four-quarter moving sums as a percentage of GDP)*



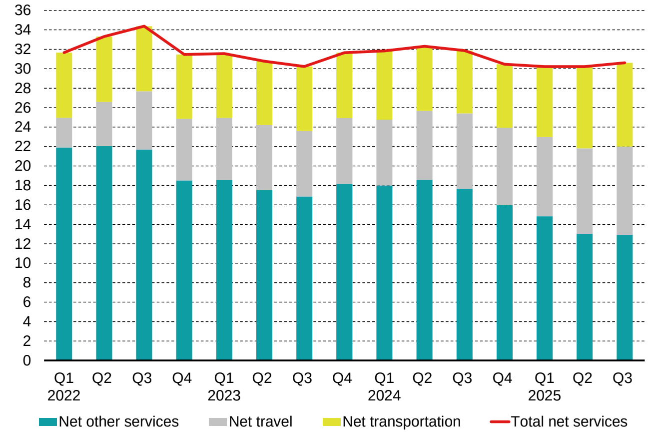

Sources: Eurostat; Central Bank of Malta.

[1] For more information on Malta's cyclically-adjusted current account see Grech, A. G., & Rapa, N., "An evaluation of recent shifts in Malta's current account position", in Grech, A.G., & Zerafa, S. (eds.), *Challenges and Opportunities of Sustainable Economic Growth: the Case of Malta*, Central Bank of Malta, 2017.

deficit recorded on 'other' services, particularly in professional and management consulting services.

On a four-quarter cumulative basis, the overall surplus from services stood at €7,379.4 million, an increase of €153.3 million over the surplus recorded a year earlier. Once again, transport and travel services contributed most to the increasing surplus, offsetting a higher deficit on 'other' services; the latter mostly due to professional and management consulting services. The share of net services receipts in GDP stood at 30.6%, down from 31.9% registered during the same period of 2024 (see Chart 5.4).

**Chart 5.4**
**SERVICES BALANCE**
*(four-quarter moving sums as a percentage of GDP)*




Sources: Eurostat; Central Bank of Malta.

### *Net outflows on the primary income account decreases*[2]

Between January and September 2025, net outflows related to primary income declined to €1,891.5 million, €56.4 million less than in the first three quarters of 2024. This was mainly due to higher net income receipts on portfolio investment, outweighing higher net payments on the 'other' primary income account. An increase in net outflows related to employee compensation also contributed. Transactions relating to primary income continued to be strongly influenced by internationally-oriented institutions, which transact predominantly with non-residents.

In the four-quarter period to September 2025, net outflows on the primary income account increased by €52.9 million, to stand at €2,621.2 million. This reflected higher net payments in all three primary income components. Within the investment income component, higher net payments related to 'other' and direct investment offset an increase in net income receipts on portfolio investment. During this period, net outflows on the primary income account amounted to 10.9% of GDP, down from 11.3% a year earlier.

### *Net flows on the secondary income account turn negative*[3]

During the first nine months of 2025, the secondary income account showed net outflows of €4.0 million from net inflows of €85.6 million a year earlier.

During the year to September 2025, net outflows stood at €69.6 million, compared with net inflows of €66.9 million in the same period of last year. Their share in GDP remained small, at 0.3%.

## Tourism activity

During 2025, the tourism sector continued to set new records, as tourist expenditure increased by 18.6%, to reach €3,904.4 million (see Chart 5.5). Expenditure per capita rose to €970.7, from €923.6 in 2024 driven by a 6.9% increase in spending per night, as the average length of stay declined from 6.4 to 6.3 nights.

The number of tourists visiting Malta totalled 4,022,310 in 2025, up by 12.9% in 2024. Tourists visiting Malta for holiday accounted for most of the increase in arrivals in absolute terms. This segment recorded an increase of 454,251 visitors, equivalent to a 13.8% increase over 2024. Those visiting for business and

[2] The primary income account shows income flows related mainly to cross-border investment and compensation of employees.
[3] The secondary income account shows current transfers between residents and non-residents.

for other purposes also increased, albeit to a much lesser extent.

Strong growth in arrivals was reported from various source markets. The United Kingdom registered the largest increase in absolute terms, followed by Poland. However, arrivals from Italy and France declined. The United Kingdom once again was the most important source market in 2025, with around a fifth of total tourist arrivals. Arrivals from Italy accounted for 14.5% of all arrivals in 2025, while arrivals from Poland made up 9.6%. Next were France and Germany, with shares of 7.1% and 6.5%, respectively.

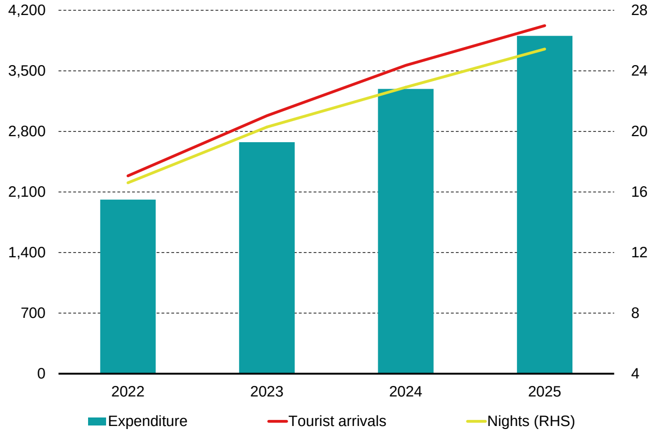
The number of nights that tourists spent in Malta rose to 25.4 million, 11.0% more than the number of nights stayed a year earlier. This was attributable to an increase in nights stayed in both collective accommodation and other rented accommodation. Nights stayed in non-rented accommodation also increased, albeit to a lower extent.

The total average occupancy rate in collective accommodation establishments rose to 66.2% in 2025, up from 64.8% a year earlier (see Chart 5.6). Higher occupancy rates were registered across all accommodation categories compared to 2024.

According to Malta International Airport (MIA) data, seat capacity increased by 13.1% in 2025, compared with a year earlier, reaching an average of 981,780 seats per month (see Chart 5.7).

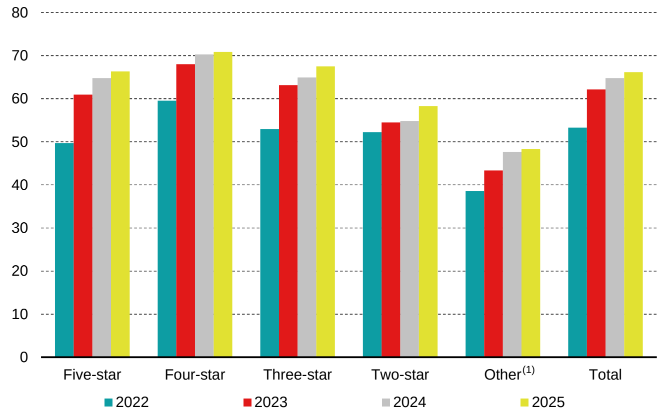
A total of 387 cruise liners visited Malta during 2025, 24 more compared with a year earlier. The number of foreign passengers rose to 857,418 persons up from 837,196

**Chart 5.5**
**TOURISM INDICATORS**
*(expenditure in EUR millions; tourist arrivals in thousands; nights stayed in millions)*



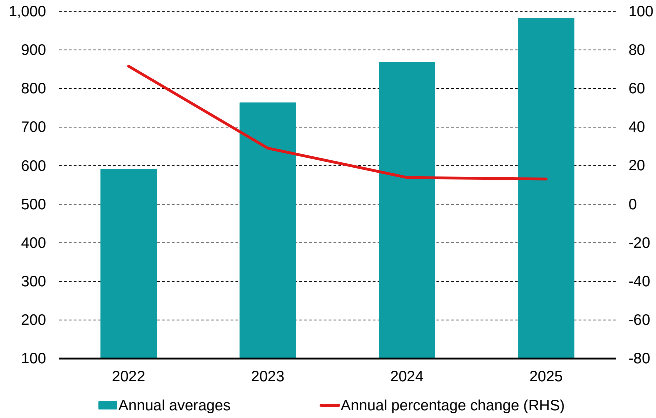

Source: NSO.

**Chart 5.6**
**AVERAGE OCCUPANCY RATES**
*(per cent)*




Source: NSO.
(1) Includes guest houses, hostels and holiday complexes.

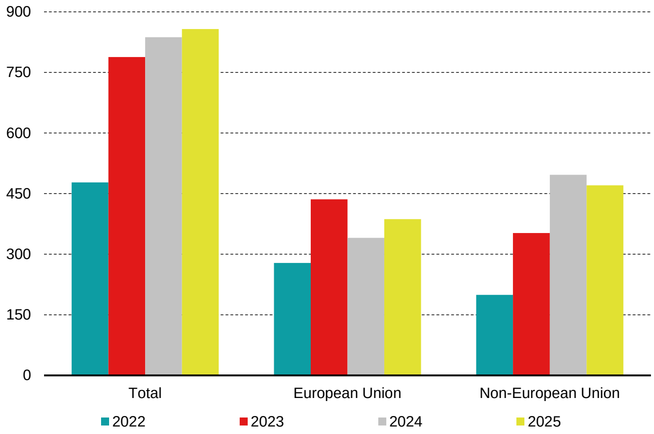
**Chart 5.7**
**AVERAGE MONTHLY SEAT CAPACITY(1)**
*(thousands; annual percentage change)*




Source: MIA.
(1) Data includes schedule and charter seats.

visitors in 2024 (see Chart 5.8). Visitors from the United States comprised the largest share of cruise passengers, followed by visitors from the United Kingdom and Italy.

Chart 5.8
**CRUISE LINER PASSENGERS**
*(thousands)*




Source: NSO.

## The capital and financial account

The capital account recorded net inflows of €158.3 million in the first three quarters of 2025, an €85.8 million decrease from a year earlier (see Table 5.1). Similar developments were observed on a four-quarter moving sum basis, although in this case the decrease was larger at €143.3 million.

Meanwhile, the financial account showed net lending of €1,690.5 million in the first nine months of 2025, €167.8 million higher than in the same period of 2024. By contrast, when measured on a four-quarter sum basis, the financial account showed lower net lending compared to a year earlier.

## 6. GOVERNMENT FINANCE

*In the first three quarters of 2025, the general government deficit increased when compared to that recorded in the corresponding period of 2024. When measured on a four-quarter moving sum basis, the deficit-to-GDP ratio widened from 3.5% as at end-2024 to 3.9% in the third quarter of 2025. Government finance statistics are typically affected by quarter-on-quarter volatility due to timing issues and may thus not fully reflect the fiscal outcome by the end of the year.*

*General government debt as a share of GDP rose by 0.4 percentage points from the end of 2024, to reach 46.5% at end-September 2025. Meanwhile, the net financial worth improved to -30.9% of GDP, as Government decreased its net liabilities by 0.8 percentage points. The cyclically-adjusted deficit remained broadly unchanged in the four quarters up to September 2025.*

### Quarterly developments

#### *General government deficit widened*

In the first three quarters of 2025, the general government registered a deficit of €240.2 million, a €141.7 million increase when compared with the deficit recorded in the corresponding period of 2024 (see Table 6.1). This was due to government expenditure increasing faster than government revenue. As a result, the primary balance shifted to a deficit of €28.3 million, from a surplus of €98.3 million in the first three quarters of 2024.

**Table 6.1**
**REVENUE, EXPENDITURE AND DEBT**
*EUR millions*

| | 2022 | 2023 | 2024 | Q1 - Q3 | | Change | Q1-Q3 |
|---|---|---|---|---|---|---|---|
| | | | | 2024 | 2025 | Amount | % |
| **Revenue** | **5,943.7** | **6,566.9** | **7,833.4** | **5,668.2** | **6,098.6** | **430.4** | **7.6** |
| Taxes on production and imports | 1,778.1 | 1,939.0 | 2,113.3 | 1,648.7 | 1,729.1 | 80.3 | 4.9 |
| Current taxes on income and wealth | 2,318.3 | 2,514.0 | 3,420.0 | 2,431.4 | 2,584.7 | 153.3 | 6.3 |
| Social contributions | 990.6 | 1,067.7 | 1,172.0 | 844.4 | 905.1 | 60.7 | 7.2 |
| Capital and current transfers receivable | 276.8 | 345.2 | 344.0 | 221.5 | 196.8 | -24.7 | -11.2 |
| Other(1) | 579.9 | 701.0 | 784.0 | 522.2 | 683.0 | 160.8 | 30.8 |
| **Expenditure** | **6,895.3** | **7,486.3** | **8,640.6** | **5,766.8** | **6,338.9** | **572.1** | **9.9** |
| Compensation of employees | 1,836.4 | 1,947.6 | 2,232.1 | 1,579.2 | 1,781.9 | 202.7 | 12.8 |
| Intermediate consumption | 1,301.2 | 1,477.5 | 1,714.2 | 1,150.4 | 1,398.2 | 247.8 | 21.5 |
| Social benefits | 1,539.0 | 1,654.4 | 1,830.4 | 1,376.6 | 1,513.5 | 136.8 | 9.9 |
| Subsidies | 823.9 | 659.7 | 509.3 | 360.6 | 385.7 | 25.1 | 7.0 |
| Interest | 163.7 | 215.6 | 266.5 | 196.8 | 211.9 | 15.1 | 7.7 |
| Other current transfers payable | 484.5 | 457.9 | 629.2 | 423.1 | 378.1 | -45.0 | -10.6 |
| GFCF | 592.2 | 728.3 | 740.1 | 501.4 | 485.2 | -16.2 | -3.2 |
| Capital transfers payable | 144.1 | 329.4 | 685.1 | 166.9 | 165.8 | -1.1 | -0.7 |
| Other(2) | 10.1 | 16.0 | 33.7 | 11.7 | 18.5 | 6.8 | - |
| **Primary balance** | **-787.8** | **-703.8** | **-540.7** | **98.3** | **-28.3** | **-126.6** | **-** |
| **General government balance** | **-951.5** | **-919.4** | **-807.2** | **-98.5** | **-240.2** | **-141.7** | **-** |
| **General Government debt** | **9,047.9** | **9,826.2** | **10,647.4** | **10,165.2** | **11,214.9** | | |

Source: NSO.

(1) "Other" revenue includes market output as well as income derived from property and investments.

(2) "Other" expenditure principally reflects changes in the value of inventories and in the net acquisition of valuables and other assets.

Government finance statistics are typically affected by quarter-on-quarter volatility due to timing issues and may thus not fully reflect the fiscal outcome by the end of the year.

### *Higher tax receipts underpin revenue growth*

For the year to September, general government revenue increased by €430.4 million, or 7.6% in annual terms. Just over two-thirds of this increase was due to higher tax receipts. In particular, inflows from current taxes on income and wealth rose by €153.3 million, reflecting higher income tax receipts paid by both companies and households. Furthermore, inflows from taxes on production and imports increased by €80.3 million, mostly due to higher VAT receipts. Intakes from social contributions went up by €60.7 million, reflecting continued favourable labour market conditions.

Meanwhile, 'other' revenue rose by €160.8 million due to higher income from sales of government services. On the other hand, capital and current transfers receivables declined by €24.7 million, mainly due to lower investment grants.

### *Current outlays drive expenditure growth*

When compared with the corresponding period of 2024, total government expenditure increased by €572.1 million, or 9.9%, with this increase being driven by higher current expenditure.

In particular, intermediate consumption grew by €247.8 million, largely due to higher outlays by various entities within the public administration sector and the health and residential care sectors. Moreover, spending on compensation of employees increased by €202.7 million. This mainly reflects new collective agreements for educators and for the civil service, which respectively came into force in late 2024 and the start of 2025. It also reflects a higher wage bill in the health sector. Spending on social benefits increased by €136.8 million, largely on the back of higher outlays on retirement pensions and, to a lower extent, children's allowances and widows' pensions. This partly reflects measures introduced in the Budget 2025. Spending on subsidies increased by €25.1 million, while interest payments increased by €15.1 million.

Meanwhile, current transfers payable declined by €45.0 million in the period under review, partly due to the timing of payments of tax refunds to households.

In the period under review, there was a decrease in capital expenditure. This is largely due to a €16.2 million decline in GFCF, stemming from lower outlays on projects not financed by the EU. Furthermore, capital transfers decreased by €1.1 million as a sharp decline in the third quarter of the year offset earlier increases. This reflects a negative base effect stemming from the end of restructuring assistance to Air Malta.

### *Debt increases in level terms*

In September 2025, the stock of general government debt stood at €11,214.9 million, an increase of €567.5 million from its level as at end-2024. The stock of long-term debt securities (composed of MGS) increased by €649.8 million, as new issues outweighed the value of redeemed securities.[1] Thus, the share of long-term securities in total government debt increased by 1.7 percentage points, to reach 81.8%. On the other hand, the stock of short-term securities outstanding (composed of Treasury bills) decreased by €125.0 million, and their share in total debt declined to 5.0%.

Moreover, the stock of loans outstanding increased by €75.9 million. This rise was mainly due to an increase in long-term loans, with their share in total debt increasing slightly by 0.2 percentage points to 9.4%. On the other hand, the level of currency and deposits outstanding declined by €33.1 million, bringing down their share in total debt by 0.5 percentage points to 3.6%. This reflects the maturing of a tranche of 62+ Malta Government Savings Bonds, which are classified as deposits according to European System of Accounts (ESA) methodology.

[1] In this Chapter, references to long and short-term government debt are in line with the ESA methodology regarding debt at original maturity. This may differ from definitions used in other chapters.

## Headline and cyclically-adjusted developments

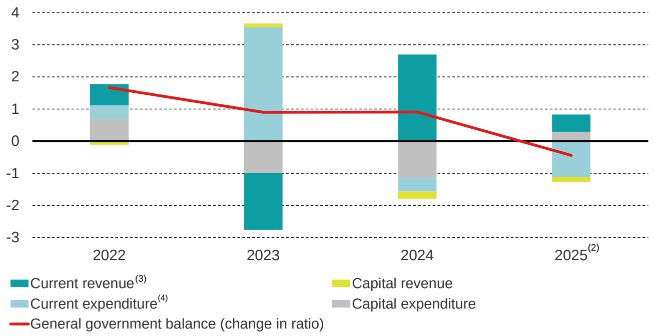
### *Headline deficit and debt ratios increase*

When measured on a four-quarter moving sum basis, the general government deficit-to-GDP ratio widened from 3.5% at the end-2024, to 3.9% in the third quarter of 2025. This partly reflects the abovementioned timing issues affecting government finances.

During this period, the ratio of total revenue in GDP increased by 0.4 percentage points, due to a higher share of current revenue (see Chart 6.1). However, the ratio of total expenditure in GDP increased by more, rising by 0.8 percentage points due to a higher share of current expenditure. This was the main factor behind the deterioration in the fiscal balance.

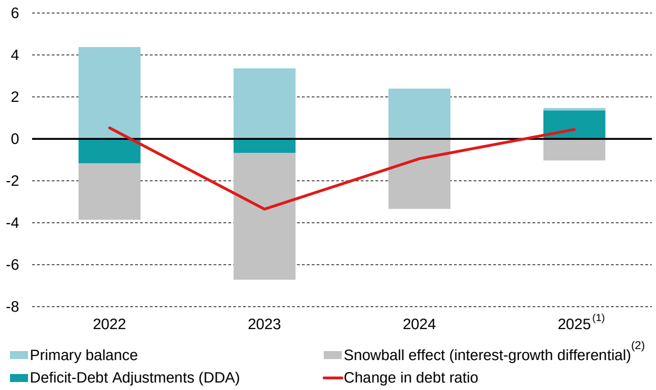
The government debt-to-GDP ratio increased by 0.4 percentage points when compared with December 2024, reaching 46.5% of GDP. Chart 6.2 decomposes this change into three main determinants. Overall, the primary deficit posted in the first three quarters of 2025 did not contribute significantly to the increase in the debt ratio. The latter instead rose due to debt-increasing deficit-debt adjustments. This was in turn partly offset by a favourable interest-growth differential.

**Chart 6.1**
**IMPACT ON GENERAL GOVERNMENT BALANCE**[1]
*(percentage points)*




Sources: NSO; Central Bank of Malta.
(1) Revenue items: +ve sign represents higher revenue and vice versa. Expenditure items: +ve sign represents lower expenditure and vice versa.
(2) Four-quarter moving sums up to Q3.
(3) The term 'current revenue' represents most tax revenue as well as income from investments and sales. 'Capital revenue' mainly represents capital taxes and grants received.
(4) The term 'current expenditure' mainly represents spending on wages, social benefits and operational and maintenance expenses. 'Capital expenditure' mainly represents spending on investment and capital transfers.

**Chart 6.2**
**CONTRIBUTION TO CHANGE IN DEBT**
*(percentage points)*




Sources: NSO; Central Bank of Malta.
(1) Period ending September 2025.
(2) Difference between effective interest rate (interest payments at year t relative to debt outstanding at year (t-1) and GDP growth.

### *Net financial worth as a share of GDP improves*

The market value of financial assets as at end-September 2025 stood at €7,088.0 million, an increase of €1,311.6 million when compared with December 2024.[2] This was mainly due to higher government deposits held at banks and a higher balance of accounts receivables. The share of financial assets in GDP rose by 4.4 percentage points to stand at 29.4% at end-September 2025 (see Chart 6.3).

Meanwhile, the market value of financial liabilities increased by €1,443.0 million, ending the third quarter of 2025 at €14,541.5 million. This is mainly due to a strong increase in the value of accounts payable and in outstanding debt securities. The share of financial liabilities in GDP rose by 3.6 percentage points, to 60.3%.

[2] According to the ESA 2010 methodology the stock of financial assets and liabilities are measured at market value. For further details see Eurostat Glossary: Net financial worth.

The resulting net financial worth of general government as a share of GDP improved by 0.8 percentage points from end-2024, to stand at -30.9%. Consequently, the net financial worth of the Maltese Government continued to compare favourably with the euro area average. The latter stood at -54.9% of GDP in September 2025.

*Debt ratio compares favourably with the euro area's, while deficit ratio is higher*

In September, the euro area general government deficit stood at 3.0% of GDP when measured on a four-quarter moving sum basis, being slightly narrower than the deficit recorded in 2024 (see Chart 6.4). Moreover, over the same period, the euro area debt ratio increased from 87.1% to 88.5% of GDP.

Until September, the euro area general government deficit ratio was lower than that of Malta. On the other hand, the Maltese government debt-to-GDP ratio remained well below the corresponding ratio for the euro area and well below the 60% reference value.

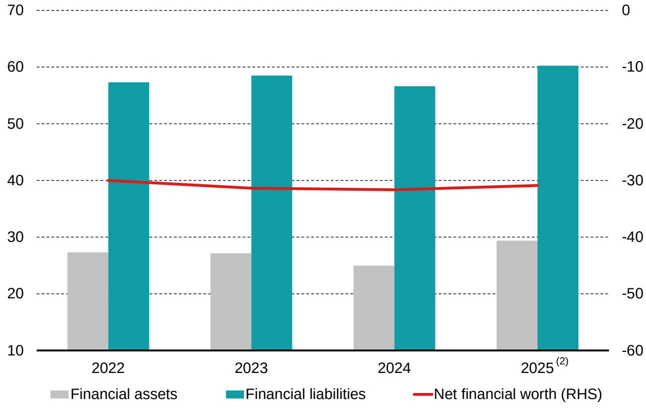
*Cyclically-adjusted balance remains broadly unchanged*[3]

On a four-quarter moving sum basis, the cyclically-adjusted deficit stood at 4.2% of GDP in September 2025, broadly in line with the ratio at end-2024 (see Chart 6.5).

The share of cyclically-adjusted revenue rose by 0.3 percentage points. This was mostly due to the rise in the share of taxes on income and wealth (see Table 6.2).

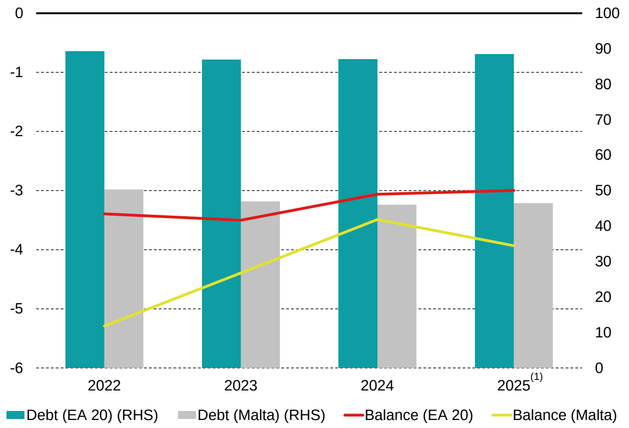
Meanwhile, the share of cyclically-adjusted expenditure in GDP

**Chart 6.3**
**GENERAL GOVERNMENT NET FINANCIAL WORTH**
*(% of GDP)*[1]



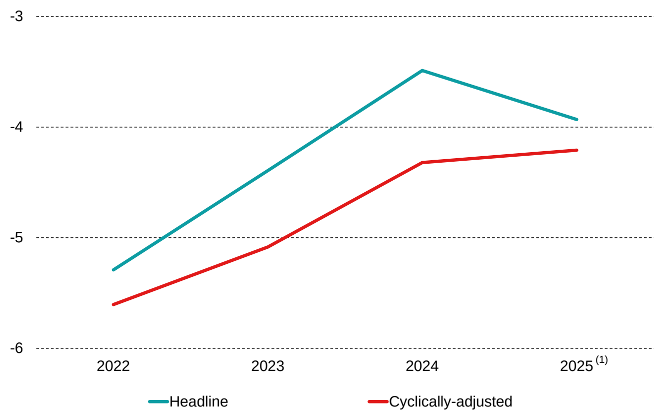

Sources: EUROSTAT; NSO.
(1) GDP data are four-quarter moving sums.
(2) Period ending September 2025.

**Chart 6.4**
**GENERAL GOVERNMENT BALANCE AND DEBT**
*(% of GDP)*




Sources: EUROSTAT; NSO.
(1) Period ending September 2025.

**Chart 6.5**
**GENERAL GOVERNMENT BALANCE**
*(% of GDP)*




Sources: NSO; Central Bank of Malta estimates.
(1) Period ending September 2025.

3 The cyclically-adjusted balance is corrected for the impact of the economic cycle on government tax revenue and unemployment assistance. This methodology is in line with the approach used by the European Commission but is based on own estimates for fiscal items' elasticities and the output gap. For an overview of the method used by the Commission, see Mourre, G., C. Astarita, and S. Princen (2014), "Adjusting the budget balance for the business cycle: the EU methodology," *European Economy – Economic Papers 536*, (DG ECFIN), European Commission.

**Table 6.2**
**CHANGES IN CYCLICALLY-ADJUSTED FISCAL COMPONENTS**
*Percentage points of GDP*

| | 2022 | 2023 | 2024 | 2025[1] |
|---|---|---|---|---|
| **Revenue** | **-0.2** | **-1.3** | **2.4** | **0.3** |
| Current taxes on income and wealth | 0.6 | -1.1 | 2.8 | 0.2 |
| Taxes on production and imports | 0.4 | -0.6 | -0.2 | 0.0 |
| Social contributions | -0.4 | -0.2 | -0.1 | 0.0 |
| Other[2] | -0.8 | 0.5 | -0.1 | 0.1 |
| **Expenditure** | **-3.1** | **-1.9** | **1.6** | **0.2** |
| Compensation of employees | -0.9 | -0.7 | 0.3 | 0.3 |
| Intermediate consumption | -0.6 | 0.0 | 0.4 | 0.6 |
| Social benefits | -0.6 | -0.5 | 0.0 | 0.1 |
| Interest payments | -0.1 | 0.1 | 0.1 | 0.0 |
| GFCF | -0.5 | 0.3 | -0.3 | -0.2 |
| Other[3] | -0.3 | -1.0 | 1.1 | -0.5 |
| **Primary balance** | **2.8** | **0.7** | **0.9** | **0.1** |
| **General government balance** | **2.9** | **0.5** | **0.8** | **0.1** |

Sources: Central Bank of Malta estimates; NSO.
(1) Four-quarter period up to September 2025.
(2) Includes market output, income derived from property and investments and current and capital transfers received.
(3) Mainly includes subsidies, current and capital transfers.

increased by 0.2 percentage points, owing to an increased share in intermediate consumption, compensation of employees, and social benefits.

## BOX 3: THE SUSTAINABILITY OF MALTESE GOVERNMENT DEBT[1]

This box assesses the sustainability of Maltese general government debt using different methodologies. It updates previous debt sustainability analyses (DSA) published by the Bank.[2] The term 'sustainability' used in this analysis is in line with the International Monetary Fund's (IMF's) definition that 'sovereign debt is sustainable if the country is able to finance its policy objectives and service the resulting debt, without resorting to unduly large adjustments, which could otherwise compromise its stability'.

### Main messages

The main messages can be summed up as follows:

- According to a heatmap of relevant indicators, most short-term and long-term risks to sustainability in 2024 (latest available data) were considered to be contained.
- Medium-term sustainability risks are assessed through a fan chart using a stochastic approach. Overall, the probability of the debt-to-GDP ratio embarking on an increasing trend in the medium term, and exceeding 60% of GDP, is low.
- While the stochastic analysis provides an assessment of macroeconomic uncertainty, there remain risks that are difficult to quantify, or which are not fully reflected in historical data. These include the likelihood of higher-than-expected discretionary spending, and the implementation of EU-wide climate and industrial policies. The net fiscal impact is uncertain, as apart from additional costs, these policies may yield positive externalities to the economy, in the form of increased investment and productivity.

### Debt sustainability analysis

This section assesses the likely debt-to-GDP path in the next ten years, via a stochastic debt sustainability analysis (sDSA). This approach simulates many possible future trajectories for the debt-to-GDP ratio under uncertainty, by producing a probability distribution of outcomes.[3] In this exercise, shocks are applied to the main determinants of debt accumulation: real GDP growth, the GDP deflator, short-term and long-term interest rates, and the structural primary balance. All stochastic paths are generated around a central forecast (further details are available below).

Two alternative methods are used to generate the stochastic shocks. The first is a bootstrap approach under which shocks are data driven. The second approach is the historical variance-covariance (HISTVCM) method, which assumes that shocks are normally distributed around a mean of zero.[4]

Chart 3a shows that uncertainty surrounding this projection increases as the horizon extends towards 2035. This underscores the sensitivity of debt dynamics to macroeconomic uncertainties.

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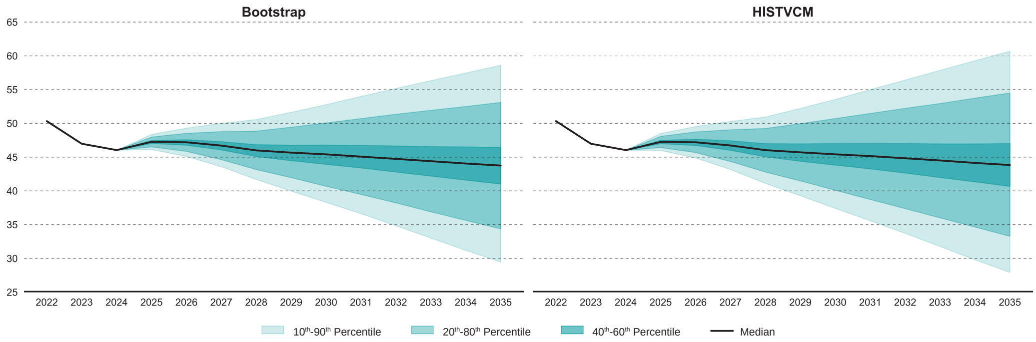
1 Prepared by Ian Debattista and Jessica Pace, senior economists at Fiscal Affairs and Reports Office within the Economic Analysis Department of the Central Bank of Malta. The views expressed are those of the authors and do not necessarily reflect the views of the Central Bank of Malta. Any errors are the authors' own.

2 This study uses actual data as per NSO Releases NR 033/2026 (published on 26 February 2026) and NR 006/2026 (published on 16 January 2026). The cut-off date for projections is 6 February 2026.

3 For further details on the SDSA methodology, see the 2024 Annual Report DSA analysis.

4 Although both methods draw on the same historical sample, the bootstrap approach draws shocks from the residual of a VAR model, while the HISTVCM approach uses variation in historical data to compute a variance-covariance matrix. Moreover, in the bootstrap approach, shocks are resampled from the distribution of the VAR residuals, while under the HISTVCM approach, shocks are assumed to be normally distributed. As historical changes exhibit heavier tails compared to VAR residuals, the HISTVCM method produces a wider distribution of shocks, resulting in a wider debt fan chart.

## Chart 3a
## GOVERNMENT DEBT-TO-GDP RATIO PROJECTION
*(% of GDP)*




Source: Authors' calculations.

The median path of the debt-to-GDP ratio remains relatively stable in the near term before gradually declining over the remainder of the projection period. By 2035, the median debt-to-GDP ratio is expected to stand around 45%.

The probability that the debt ratio exceeds its initial level as at end 2025, is rather elevated in the early years of the projection horizon (see Table 3a). This is being driven by the Bank's projected debt path whereby the debt-to-GDP ratio is set to increase until 2026, after which it is set to decline. This probability falls below 50% from 2028 onwards under both methodologies and declines further by 2035. This indicates a higher likelihood that debt stabilises and eventually trends downwards over the long term.

The second metric assesses the likelihood of government debt exceeding the SGP-determined threshold of 60% of GDP. This probability remains very low throughout the standard forecast period and stays below 15% in the long-term. Under both methodologies, the probability is 0% until 2028 and rises thereafter as uncertainty surrounding the median path increases progressively with the length of the projection horizon.

The fan chart provides a useful framework to account for the likely impact of risks surrounding the median debt path. Risks include the likelihood of higher-than-expected outlays on subsidies to retain fixed retail utility prices, if commodity prices are high. The implementation of EU-wide climate and industrial policies, and the implementation of the Vision 2050 (which establishes medium-term targets for 2035) may require targeted fiscal support to industries most affected by this transition. At the same time, some fiscal risks may be mitigated by the likelihood of positive externalities to the economy, in the form of increased investment and productivity, once these policies are enacted.

## Table 3a
## PROBABILITY METRICS
*Probability*

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Bootstrap Methodology** | | | | | | | | | | | |
| Debt exceeds its initial level | 81.3% | 67.1% | 53.5% | 44.2% | 42.8% | 42.2% | 41.6% | 41.0% | 40.4% | 40.2% | 39.9% |
| Debt exceeding 60% of GDP | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.9% | 1.9% | 3.5% | 5.1% | 6.8% | 8.3% |
| Uncertainty ($90^{th}$-$10^{th}$ Percentile) | 2.3 | 4.2 | 6.4 | 8.9 | 11.7 | 14.5 | 17.4 | 20.3 | 23.3 | 26.3 | 29.2 |
| **Historical VCM Methodology** | | | | | | | | | | | |
| Debt exceeds its initial level | 78.3% | 65.3% | 53.5% | 45.1% | 43.9% | 43.3% | 42.7% | 42.3% | 41.9% | 41.7% | 41.7% |
| Debt exceeding 60% of GDP | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 1.2% | 2.6% | 4.7% | 6.9% | 9.1% | 10.8% |
| Uncertainty ($90^{th}$-$10^{th}$ Percentile) | 2.5 | 4.7 | 7.1 | 9.9 | 13.0 | 16.1 | 19.4 | 22.7 | 26.1 | 29.5 | 32.8 |

Source: Authors' calculations.

## Heat map of indicators

This section assesses highly relevant indicators, according to the literature, to evaluate debt sustainability in the short and long-term. The thresholds set to indicate low, medium and high risks are sourced from the European Commission's *Debt Sustainability Monitor* series. This is a backward-looking analysis using information up to 2024. At the time this exercise was conducted, data at end-2025 was not available for most indicators.

The threat that each indicator poses to the debt ratio is colour-coded: red indicates a high threat, yellow indicates a medium threat, and green indicates a low threat to sustainability. The heat map is presented in Table 3b.

Overall, risks associated with the composition of debt and availability of liquidity remain low. While the share of short-term debt within total debt continues to be assessed as a medium risk, this mostly reflects holdings of Maltese Government Retail Saving Bonds, which are classified as deposits under the ESA methodology. Moreover, the share of short-term debt in total debt has been on a declining trend, decreasing from 15.6% in 2020 to around 10.8% by the end of 2024. Other indicators for the structure of debt remain at a low threat, mainly as debt remains almost entirely denominated in euro, issued at a fixed interest rate and mostly held by Maltese residents.

Liquidity risks remain contained, driven by the sustained reduction in the government deficit since 2020, which lowered gross and net financing needs.

**Table 3b**
**HEAT MAP**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| **Structure of debt** | | | | | | |
| Share of short-term debt | | | | | | |
| Change in share of short-term debt (y-o-y) | | | | | | |
| Share of foreign currency denominated debt | | | | | | |
| Share of debt with variable interest rate in GDP | | | | | | |
| Share of debt held by non-residents | | | | | | |
| **Liquidity risks** | | | | | | |
| Gross financing needs (% of GDP) | | | | | | |
| Net financing needs (% of GDP) | | | | | | |
| Ten-year government bond spread over German Bund | | | | | | |
| **Macro-financial risks** | | | | | | |
| Private sector debt (% of GDP) | | | | | | |
| Private credit flow (% of GDP) | | | | | | |
| Net international investment position (% of GDP) | | | | | | |
| Share of non-performing loans to gross loans: core banks | | | | | | |
| Change in share of non-performing loans (core banks) (y-o-y) | | | | | | |
| Bank loans-to-deposits ratio (core banks) | | | | | | |
| Change in nominal house prices (y-o-y) | | | | | | |
| **Competitiveness risks (High/Low risk)** | | | | | | |
| ULCs (% change over three years) | | | | | | |
| Real effective exchange rate (% change over three years) | | | | | | |
| Current account balance (three year average as % of GDP) | | | | | | |
| Export market shares (% change over five years) | | | | | | |
| **Implicit/ contingent risks** | | | | | | |
| Commission Ageing Report: increase in ageing costs (pp of GDP) | | | | | | |
| General government guarantees (% of GDP) | | | | | | |

Sources: NSO; Eurostat; European Commission; Authors' calculations.

From a macro-financial perspective, the main risks to debt sustainability arise predominantly from the elevated share of non-performing loans in total loans issued by the core domestic banks, when compared with the applicable threshold. Nonetheless, this metric has improved significantly over time and is currently at historic lows.[5] In 2024, this risk declined from a high threat to a medium threat category.

Another key risk to sustainability stems from implicit liabilities related to ageing costs, including pensions, healthcare, and long-term care, as a share of GDP. According to the European Commission's 2024 Ageing Report, between 2022 and 2070 Malta is projected to experience the second-largest increase in age-related expenditure as a share of GDP within the euro area, increasing by 8.7 percentage points. Nevertheless, by 2070, ageing-related costs are expected to remain below the euro area average. The Commission's projections are also based on the assumption that migrant workers continue to live in Malta long enough to qualify for pension benefits.

That said, the framework may not capture the full range of risks affecting government sustainability. For example, it does not account for events that are not reflected in historic data nor implications of adherence to the requirements for net nationally financed expenditure under the revised EU fiscal rules.[6]

With the exception of ULC, most risks related to competitiveness, based on hours worked, are assessed to be a low threat.

Government guaranteed debt as a share of GDP continued to decrease in 2024, reaching 4.3% of GDP – well below the euro area average. This is the lowest ratio recorded since 2003. As a result, the risk of guarantees being called is considered low. The main source of risk lies in the fact that 45% of outstanding loans covered by government guarantees are concentrated in the energy sector.[7]

## Assumptions and technical information

### *Stochastic analysis: median path*

The median path is constructed by applying the Bank's official projections over the short-term horizon (up to year t+3). Beyond this point, in the absence of detailed projections, fiscal policy is assumed to broadly align with the numerical targets under the SGP, which determine the structural primary balance, while economic growth gradually converges towards its estimated potential rate, thereby jointly shaping the subsequent evolution of the debt ratio.

Under the SGP's numerical targets, member states operating under the preventive arm of the fiscal rules are subject to two safeguards. Under the debt sustainability safeguard, countries with a debt ratio above 90% of GDP are required to reduce their debt ratio by a minimum annual average of 1 percentage point of GDP over the national plan's horizon. Those countries with debt ratios between 60% and 90% must reduce debt by at least 0.5 percentage points annually. Under the deficit resilience safeguard, countries are required to bring their structural deficit down to 1.5% of GDP to ensure a safety margin relative to the 3% Treaty threshold. To achieve this, the annual change in the structural primary balance is set at 0.4 percentage points of GDP for a four-year adjustment plan and 0.25 percentage points for a seven-year plan.

[5] The indicator is treated as medium-risk if the ratio lies between 2.30% and 1.80%. This metric amounted to 1.98% by September 2025.

[6] The term '*net nationally financed expenditure*' is defined as primary expenditure, adjusted for the economic cycle, net of EU funds and the impact of discretionary revenue measures. The Commission considers the profile of net nationally financed expenditure as the single operating indicator when assessing adherence to the SGP. While the DSA focuses primarily on deviations in the debt ratio, slippages in the net expenditure path could trigger corrective procedures even if the debt trajectory remains broadly stable. Due to methodological limitations, the DSA models government balance without explicitly modelling government revenue and expenditure. This hinders the ability to analyse the projected net expenditure path, which is an important indicator of the SGP rules.

[7] See National Audit Office Malta (2025). "Annual Audit Report: Public Accounts 2024" for further details.

Countries breaching the 3% deficit threshold and entering the Excessive Deficit Procedure are required to undertake a minimum annual adjustment of 0.5 percentage points of GDP in the structural primary balance, for the transitional period 2025-2027 and in terms of the structural balance thereafter.

### *Stochastic analysis: shocks (applied from 2025 onwards)*

The bootstrap approach resamples (with replacement) residuals from an estimated vector autoregression model (VAR), thereby preserving the empirical distribution of past shocks and the observed correlations across variables.[8] The HISTVCM method follows the methodology employed by Berti (2013) and that adopted in the European Commission's Debt Sustainability Monitor.[9,10]

Table 3c presents the distribution of the main determinants of debt under both stochastic approaches across the full projection horizon. While the two methods yield broadly comparable central tendencies across all determinants, the HISTVCM approach produces a wider distribution for several variables. This broader dispersion in the underlying drivers translates into a wider fan chart for the debt-to-GDP ratio.

**Table 3c**

**DEBT SUSTAINABILITY ANALYSIS: MAIN DETERMINANTS OF DEBT [(1)]**

*Per cent; median across all simulations over specified period*

| | Bootstrap | | | HISTVCM | | |
|---|---|---|---|---|---|---|
| | 25th Percentile | Median | 75th Percentile | 25th Percentile | Median | 75th Percentile |
| Real GDP growth rate | 2.42 | 3.57 | 4.66 | 2.16 | 3.57 | 4.97 |
| Inflation (GDP deflator growth rate) | 1.90 | 2.15 | 2.40 | 1.85 | 2.16 | 2.46 |
| Short-Term Interest Rate | 0.87 | 1.42 | 2.10 | 0.81 | 1.39 | 2.15 |
| Long-Term Interest Rate | 3.66 | 4.07 | 4.52 | 3.53 | 4.04 | 4.61 |
| Interest Payment (% of GDP) | 1.23 | 1.30 | 1.38 | 1.22 | 1.31 | 1.39 |
| Structural primary balance (% of GDP) | -2.27 | -1.08 | 0.31 | -2.48 | -1.07 | 0.55 |

Source: Authors' calculations.

(1) The 25th and 75th percentiles represent the distribution of each debt determinant.

8 See Medeiros, J. (2012), Stochastic debt simulation using VAR models and a panel fiscal reaction function: Results for a selected number of countries. European Commission, Directorate-General for Economic and Financial Affairs. *Economic Papers 459*. https://doi.org/10.2765/26084

9 See Berti, K. (2013), Stochastic public debt projections using the historical variance-covariance matrix approach for EU countries (No. 480). Directorate General Economic and Financial Affairs (DG ECFIN), European Commission.

10 Due to methodological changes introduced in the 2025 edition of the Debt Sustainability Monitor, the approach applied from 2025 onwards is not fully identical to that used in earlier editions, on which this methodology is based.

# II. Bank Policies, Operations and Activities

# 1. MONETARY POLICY AND FINANCIAL MARKET OPERATIONS

## Monetary policy operations

As part of the Eurosystem, the Central Bank of Malta implements the monetary policy decisions of the Governing Council of the ECB in Malta.[1] Thus, the Central Bank of Malta conducts open market operations, offers standing facilities and administers the minimum reserve requirements system with credit institutions established in Malta.

### *Open market operations*

Open market operations are used to steer interest rates, to manage the amount of liquidity in the financial system and to signal the monetary policy stance. The regular open market operations consist of MROs and three-month liquidity-providing operations (LTROs) in euro.

MROs are regular reverse transactions that provide liquidity, usually with a frequency and duration of one week. They are executed in a decentralised manner by the national central banks (NCBs) on the basis of standard tender procedures and according to an indicative calendar published on the ECB website. LTROs are reverse transactions that provide liquidity for a longer duration than MROs. Regular LTROs have a maturity of three months and are conducted monthly by the Eurosystem on the basis of standard tender procedures also in accordance with the indicative calendar on the ECB website.

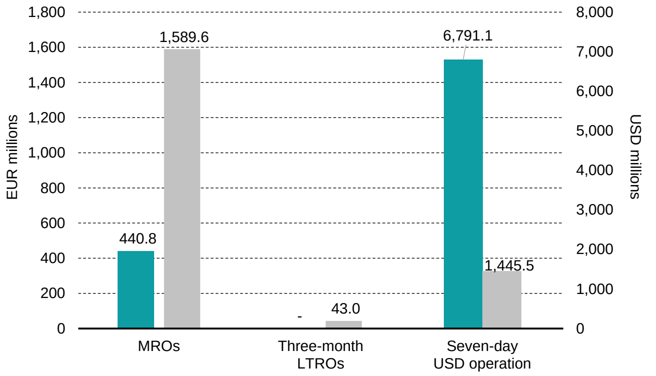
During 2025, the Eurosystem continued to offer liquidity to eligible credit institutions via fixed-rate tender procedures with full allotment, through both MROs and LTROs.

More specifically, during 2025, the ECB conducted 51 MROs. Credit institutions established in Malta participated in these operations with a total cumulative amount of €1,589.6 million, €1,148.8 million higher when compared to 2024 (see Chart 1.1).

The ECB also conducted 12 regular three-month LTROs with full allotment and at a fixed rate equal to the average MRO rate during the life of the operations. Credit institutions established in Malta participated in these operations with a total cumulative amount of €43.0 million during 2025. There was no participation in these operations in 2024 by credit institutions established in Malta (see Chart 1.1).

As excess liquidity is expected to decrease further in line with the ongoing normalisation of the Eurosystem's balance sheet, on 19 December 2025, the Governing Council of the ECB invited counterparties to regularly test their operational readiness to access Eurosystem standard refinancing operations. The ECB expects counterparties to step up their operational preparedness as of 2026 by voluntarily testing their access to the MROs and/or the three-month LTROs at least once per year, with a bid amount at their discretion and against collateral in accordance with the Eurosystem general collateral framework. Periodic testing of these refinancing

**Chart 1.1**
**PARTICIPATION OF CREDIT INSTITUTIONS ESTABLISHED IN MALTA IN OPEN MARKET OPERATIONS**[(1)]




Source: Central Bank of Malta.
[(1)] In these Eurosystem operations, the amounts shown are the amounts allotted which are equivalent to the amounts bid, due to the full allotment policy.

[1] For a description of the monetary policy decisions taken by the Governing Council, please refer to the Chapter titled *The external environment and the euro area*, Part I of the Central Bank of Malta *Annual Report*.

operations, which are an integral part of the smooth implementation of monetary policy, supports the regular maintenance of the operational framework and helps counterparties evaluate their level of operational readiness. The Bank has initiated bilateral outreach meetings on this matter with eligible counterparties in Malta and will continue to monitor the related testing during 2026.

During 2025, the ECB continued with the weekly liquidity-providing operations of US dollars with a one-week tenor through collateralised lending in conjunction with the US Federal Reserve. During the year under review, credit institutions established in Malta participated regularly, for a total amount of USD 1,445.5 million, lower than the USD 6,791.1 million taken up in the previous year.

### *Standing facilities*

Eligible counterparties may utilise two standing facilities on their own initiative, either to obtain overnight liquidity against eligible collateral or to place overnight deposits with the Eurosystem.

Recourse to the overnight deposit facility by Maltese credit institutions amounted to a daily average of €3,439.3 million, a decrease of €968.4 million over 2024. While Maltese credit institutions did not utilise the MLF in 2024, in 2025 they used it on a few days, for a total amount of €269.6 million.

### *Minimum reserve requirements*

The ECB requires credit institutions established in the euro area to hold reserve deposits with their respective NCB. The objective of the Eurosystem's minimum reserve system is to contribute to the stability of money market interest rates and to help ensure the efficient operation of the Eurosystem as a liquidity supplier. Each credit institution established in Malta is accordingly obliged to hold minimum reserve deposits with the Central Bank of Malta, equivalent to a fraction of certain liabilities, mainly deposits. During 2025, this reserve requirement ratio remained unchanged at 1.0%. The remuneration of minimum reserves was also unchanged at 0%. The average balance required as minimum reserve deposits by credit institutions established in Malta amounted to €318.1 million in 2025, compared to €298.8 million in 2024. The average daily balances held in the current accounts with the Central Bank of Malta amounted to €339.4 million in 2025, compared to €310.0 million in 2024.

On 7 January 2025, the Governing Council of the ECB approved a methodology for the sanctioning of infringements related to minimum reserve requirements falling under Article 7(3) of Council Regulation (EC) 2531/98. The Governing Council also approved a harmonised approach to the treatment of incorrect remuneration resulting from minimum reserves based on incorrect reporting or calculations arising from such infringements.

### *Key ECB interest rates*

The interest rates on the overnight deposit facility, the MRO and the MLF were lowered four times during the year, by 25 basis points on each occasion. They ended 2025 at 2.00%, 2.15% and 2.40%, respectively.

### *Asset purchase programme and Pandemic emergency purchase programme*

During 2025, securities holdings acquired through the APP and the PEPP continued to decline at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities. The Central Bank of Malta's public sector purchase programme (PSPP) holdings amounted to €940.8 million[2] and had a weighted average remaining maturity of 8.8 years as at end December 2025. The Central Bank of Malta's PEPP holdings closed the year at €448.0 million[3] and had a weighted average remaining maturity of 9.0 years.

### *Transmission Protection Instrument*

The Transmission Protection Instrument remained available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries,

2 This figure reflects the amortisation of securities held under the PSPP portfolio.
3 This figure reflects the amortisation of securities held under the PEPP portfolio.

thus allowing the Governing Council to more effectively deliver on its price stability mandate. However, this instrument was not used in 2025.

### *Collateral management*

All Eurosystem credit operations take place against eligible collateral. The Central Bank of Malta is responsible for assessing the eligibility of domestic marketable securities which can be used as collateral in Eurosystem credit operations and for reporting them to the ECB. As at end-December 2025, the nominal outstanding value of eligible domestic marketable securities amounted to €10,878.7 million, compared with €9,831.0 million a year earlier.

At the end of the year, the market value after haircuts of securities pledged with the Central Bank of Malta by credit institutions established in Malta stood at €991.7 million. This consisted of both domestic and foreign assets, with the share of debt instruments issued by the Maltese Government accounting for around 75.4% of the securities pledged.

The Bank kept local counterparties informed about future changes in the rules[4] on the use of credit ratings, issued by external credit assessment institutions to assess the eligibility of private sector assets used as collateral under the Eurosystem collateral framework and to determine the haircuts to be applied to those assets.

The Bank also followed closely Eurosystem discussions on the review of its risk control framework for collateralised credit operations[5] to ensure that the framework remains protective, consistent and risk-equivalent across asset classes. The ECB legal framework will be amended accordingly ahead of the entry into force of the above changes, which is planned for November 2026 at the earliest, allowing for technical implementation by the Eurosystem and the necessary preparations by counterparties.

Meanwhile, the Governing Council decided to postpone the implementation of the requirement to comply with the EU's Corporate Sustainability Reporting Directive (CSRD) as an eligibility criterion in the Eurosystem collateral framework for certain assets. This decision follows the incomplete transposition of the CSRD by the initial deadline of July 2024.

### *Liquidity management*

The Central Bank of Malta continued to provide the ECB with forecasts of items on its balance sheet that are unrelated to monetary policy instruments, such as banknotes in circulation, government deposits, net foreign assets and net assets denominated in euro. These forecasts are transmitted to the ECB at the beginning of the maintenance period, and whenever the aggregate reserve requirement changes within the period.[6]

### *Liquidity lines with non-euro area central banks*

On 23 January 2025 the Governing Council of the ECB approved the extension of the ECB repo lines with eight non-euro area central banks (Central Bank of Hungary, National Bank of Romania, the Bank of Albania, the Andorran Financial Authority, the National Bank of the Republic of North Macedonia, the Central Bank of the Republic of San Marino, the Central Bank of Montenegro and the Central Bank of the Republic of Kosovo) until 31 January 2027. The decision was taken pursuant to the framework for euro liquidity lines, which was adopted in 2023.

### *Swap Arrangement between the ECB and the People's Bank of China*

On 8 September 2025, the ECB announced that the ECB and the People's Bank of China (PBC) decided to extend their bilateral euro-renminbi currency swap arrangement for another three years until 8 October 2028. The swap arrangement has a maximum size of CNY 350.0 billion and €450.0 billion and the conditions of the arrangement remain unchanged. From a Eurosystem perspective, the arrangement serves as a backstop facility to address potential sudden and temporary CNY liquidity shortages for euro area banks

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4 For more details, please refer to ECB press release issued on 21 February 2025.
5 For further information, please consult ECB press release issued on 17 November 2025.
6 These forecasts were sent to the ECB on a weekly basis until 21 July 2025.

because of disruptions in the renminbi market. The arrangement with the PBC is consistent with the large volumes of bilateral trade and investment between the euro area and China.

### *New reporting agents to the euro short-term rate*

The ECB as administrator of the €STR, expanded the number of banks included in the €STR reporting population as of 2 July 2025. The expansion of the €STR sample size will improve both the robustness and the representativeness of the benchmark, which will now be supported by higher transactions volumes from a wider range of reporting institutions.

## Non-monetary policy operations

The Central Bank of Malta's investment portfolio amounted to approximately €3,400 million[7] in 2025. It is comprised of different financial assets (securities, exchange-traded funds, mutual funds, derivatives and unallocated gold). In 2021, the Bank undertook a diversification strategy, rebalancing its euro and foreign currency portfolios towards alternative asset classes and away from exclusive reliance on traditional fixed-income investments. Asset holdings are determined through a Strategic Asset Allocation exercise, which is reviewed and approved annually by the Board of Directors. The Bank's financial assets are predominantly invested in EUR, with exposure to other G10 currencies and gold (see Chart 1.2). To mitigate foreign exchange (FX) risk, the Bank hedges most of its foreign currency holdings in its internally managed portfolios.

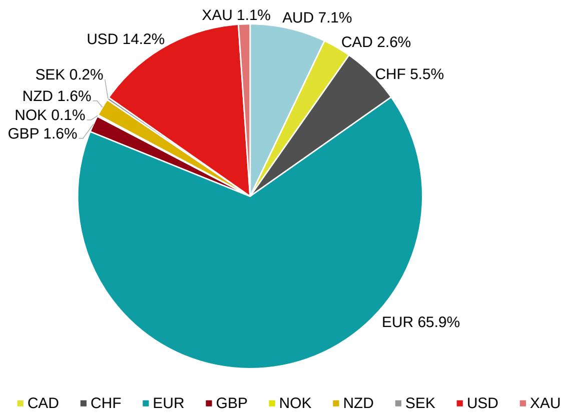
The Central Bank's Investment Policy Committee (IPC) plays a pivotal role in shaping and implementing the institution's investment strategy. The committee is chaired by the Governor and includes the Deputy Governors and senior Bank officials from different business areas. Its mandate is to set the investment strategy upon which the management of the Bank's financial assets will be based, as well to monitor the performance of the Bank's portfolios. When defining its investment policy, the Bank aims at optimising returns, preserving capital, ensuring sufficient liquidity whilst incorporating sustainability considerations in line with pre-set financial risk parameters which stipulate acceptable interest rate, credit and market risks, amongst others.

It reviews strategic allocations annually in response to evolving market conditions and emerging global challenges, including climate-related risks, geopolitical uncertainties, and changes in the macroeconomic and financial landscape.

The IPC subsequently assesses the overall investment policy. The committee also sets the monthly tactical benchmark for the internally managed fixed income portfolios and for several funds. During 2025, the committee continued to meet every month.

The strategic exposure to diversified equities and fixed income assets continued to increase during the year to benefit from regional differences in fixed income and equity markets whilst ensuring that such investments remain predominantly invested in high-quality financial

**Chart 1.2**
**HOLDINGS BY CURRENCY 2025**
*(per cent)*

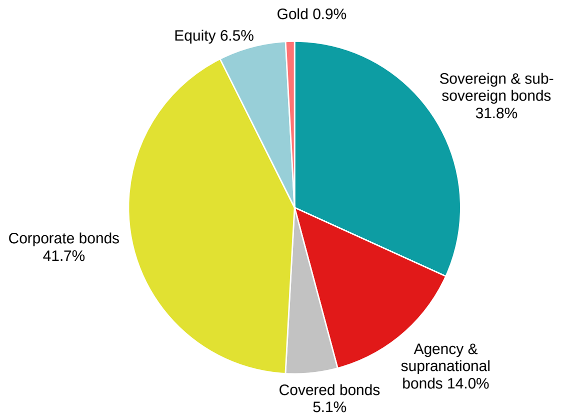



Source: Central Bank of Malta
Note: Predominantly all currency exposure via internal funds is hedged.

[7] Additional investments were undertaken during the year, including increased allocations to equities and other asset classes in line with the SAA. However, foreign currency depreciation against the euro resulted in valuation effects on internally managed foreign currency portfolios.

assets (see Chart 1.3). The Bank also increased its gold exposure in 2025. Safe-haven demand, expectations of policy rate cuts, a weaker US dollar, and strong investment and central bank flows contributed to the precious metal's increase during the year.

**Chart 1.3**
**HOLDINGS BY ASSET CLASS 2025**
*(per cent)*




Source: Central Bank of Malta.

The Bank benefited from its exposure in gold and equities given the strong rally in both markets, together with a positive and more stable return from fixed income. At times, segments within the fixed income market provided diversification benefits as equity markets sold off. The diversification of the Bank's assets beyond fixed income securities improves portfolio optimisation, which is essential for maintaining the Bank's financial independence.

The Bank maintains a pooling arrangement with the Central Bank of Ireland for the management of foreign reserves on behalf of the ECB. Representatives from the Bank were invited to the Central Bank of Ireland to discuss the management of the pooling portfolio and to exchange insights on reserve management practices and strategies adopted by both NCBs.

The Bank continued to enter into spot/outright foreign currency transactions. However, lower activity was recorded during 2025 when compared to the previous year. Activity in FX swap purchases and sales, as part of the management of the Bank's own FX positions, decreased when compared to 2024 driven by lower activity with local counterparties.

The Bank continued to fulfil its discretionary portfolio investment management and administration mandate with the National Development and Social Fund (NDSF). The Bank supported NDSF on a range of investment-related matters. The Fund's portfolios delivered overall positive performance. The fixed income segment benefited from higher bond yields, while equity markets performed well over the year despite a volatile start following the "Liberation Day" episode. The NDSF entrusted the Central Bank of Malta with the establishment and management of a new Global fixed income portfolio. Launched at the beginning of the year, the portfolio recorded positive performance in its first year of operation. In 2025, the Bank also continued to manage the Investor Compensation Scheme and the Depositor Compensation Scheme (DCS) portfolios.

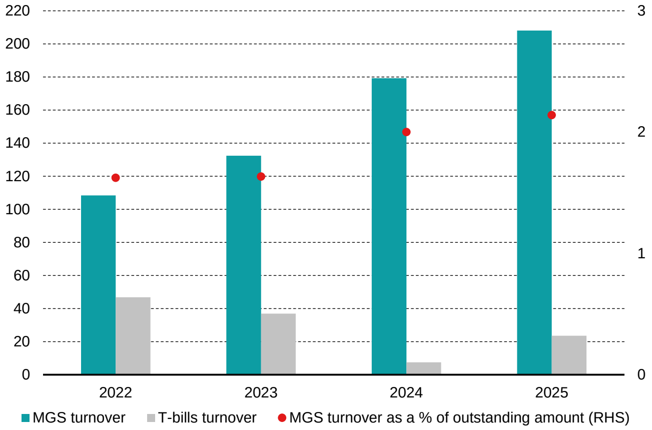
### Malta Government Securities market-making operations

In 2025, the Bank continued to fulfil its role as the sole market-maker for Malta Government securities, enhancing liquidity in secondary market dealing. Considering this function, the Bank publishes daily indicative bid and offer prices, enabling market participants to engage in two-way trading. Additionally, the Bank served as an agent on behalf of public institutional clients, facilitating their transactions in these instruments.

As shown in Chart 1.4, overall secondary market trading in Malta Government Bonds (MGSs) continued its upward trajectory, extending the recovery observed since the low levels recorded in 2022. Total on-exchange turnover in 2025 reached €208.1 million in market value, exceeding the 2024 level by €28.8

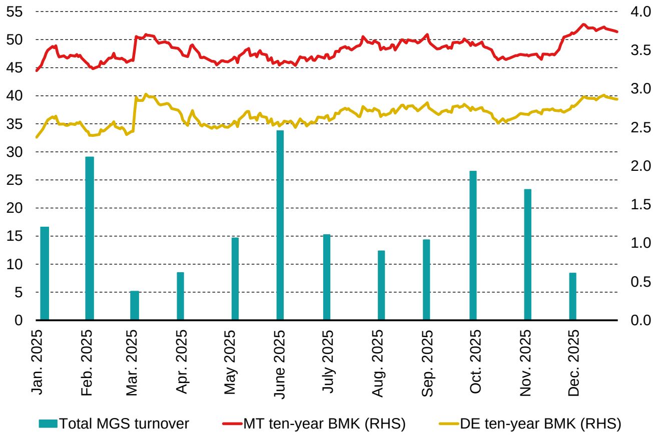
million. This is equivalent to 2.1% of the total outstanding MGSs at the end of 2025, slightly higher than the 2.0% recorded in 2024. Traded volumes in Treasury bills were significantly smaller by comparison.

**Chart 1.4**
**TURNOVER IN MALTA GOVERNMENT SECURITIES**
*(EUR millions; per cent)*




Source: Central Bank of Malta.

**Chart 1.5**
**MONTHLY TURNOVER IN MALTA GOVERNMENT BONDS**
*(EUR millions; per cent)*




Source: Central Bank of Malta.

Trading activity in 2025 was influenced by movements in the domestic sovereign yield that closely tracked other euro area sovereign yields (see Chart 1.5). Peak months for turnover were February (€29.1 million) and June (€33.8 million). Yield decreases in these months generated opportunities for profit-taking that elevated turnover. February was a volatile month, stemming from geopolitical tensions and weak economic data, that sparked flight-to-safety demand for government bonds. The high turnover figures registered in June reflected a period of declining yields amid US tariff risks, the ECB's fourth rate cut, and stronger euro area indicators. By contrast, March and April recorded the lowest activity, as Germany's debt brake reform and announcements of US tariffs pushed yields higher globally, decreasing profit opportunities.

The Bank maintained its leading role in the secondary market for MGSs, representing 80.7% of total turnover. This share reflects both transactions for the Bank's market-making portfolio and those executed on behalf of public institutional clients. In nominal terms, total on-exchange purchases by the Bank amounted to €167.9 million, an increase of €32.5 million from 2024. During 2025, the Bank sold a total nominal amount of €0.9 million, down from €2.8 million sold in 2024.

On-exchange secondary market turnover in Malta Treasury Bills (T-bills) rose to €23.6 million in 2025, from €7.5 million in 2024 (see Chart 1.4). Throughout the year, the Bank was the sole purchaser on the on-exchange market, reflecting an increase from the previous year in which it absorbed 97.3% of total T-bill turnover. This highlights the Bank's role in sustaining liquidity in the short-term segment of the domestic sovereign market. As in 2024, the Bank did not affect any T-bills sales during the year under review.

In the primary market, the Treasury Department raised a total of €1,264.0 million through regular MGS issuances, and €55.7 million via 62+ Savings Bonds. Overall, MGS issuances remained slightly below the €1,500.0 million envisaged in the Treasury's borrowing plan for the year. In regular issuances, retail investor participation reached a total nominal of €406.0 million. Furthermore, wholesale demand totalled €1,188.0 million, of which €858.0 million were allotted. The Bank continued to support the Treasury Department by providing insights into prevailing market conditions and assisting in the assessment of pricing scenarios, maturities and coupons offered in the primary market.

## 2. FINANCIAL STABILITY

The Central Bank of Malta is Malta's macroprudential authority, responsible for safeguarding the stability of the country's financial system. It monitors and evaluates systemic risks and undertakes macroprudential research. In addition, the Bank designs and maintains stress testing frameworks and sensitivity analyses to evaluate the banks' resilience under extreme yet plausible stress scenarios. Furthermore, the Bank continuously refines and expands its macroprudential policy toolkit to mitigate emerging systemic vulnerabilities and preserve financial stability.

### Main developments

During 2025, the Bank actively engaged with stakeholders on key financial stability developments. In February, it hosted the *15th Forum for Financial Stability* which addressed key risks and policy implications, presented research on macro-financial cyclical risk regimes and provided insights into the environmental sustainability ("greenness") of Maltese banks' portfolios. In November, the Bank organised a seminar on *Financial Stability in the Digital Age*, featuring a keynote address by Mr Paul Hiebert, the then Head of the Systemic Risk and Financial Institutions Division at the ECB. His intervention focused on potential structural challenges to financial stability, including climate change, digital finance and artificial intelligence. Other presentations covered the first phase of a network model of the Maltese banking system, an assessment of the Central Bank of Malta Directive No. 16 on Regulation of borrower-based measures, macroeconomic drivers of insurance premia in Malta and an overview of the Bank's latest stressing test results.

*Panel speakers at the 15th Forum for Financial Stability*

*Panel speakers at the seminar – Financial Stability in the Digital Age*

The Bank published its two flagship reports, namely the *Financial Stability Report (FSR) 2024*, which provided a comprehensive review of financial stability developments over the year, and the *Interim FSR 2025* which summarised key trends during the first half of the year. The *FSR 2024* included an analysis of cyclical risk dynamics and sectoral credit gaps, assessments of the greenness of banks' portfolios and risks associated with bank-financed commercial real estate. It also featured policy-oriented articles on the Central Bank of Malta Directive No. 16 and the potential extension of the sectoral systemic risk buffer (sSyRB) as well as an update to the Bank's expected credit loss model. The *Interim FSR 2025* examined the impact of the CRR III on banks' risk weights, introduced a clustering methodology based on banks' credit-risk profiles, assessed trends in payment transactions and explored domestic macroeconomic drivers of insurance premia.

The Bank organised a series of internal macroprudential research seminars. Staff members contributed to international conferences and workshops, published research in international peer-reviewed journals and co-authored an ESRB Working Paper.

Two working papers were published by the Central Bank of Malta, with a third currently in progress. The first paper introduced a credit risk-based clustering framework for Maltese banks using a two-mode network model, while the second examined the identification of macro financial risk regimes in Malta. Work on a paper analysing the causal impact of Directive 16 on Maltese mortgage lending behaviour was initiated and in the process of being finalised.

Moreover, the Bank enhanced its risk monitoring framework. Comprehensive dashboards, covering the insurance and investment funds sectors, were finalised. The banking dashboard was updated biannually and was subsequently presented to the Bank's Financial Stability Committee. These tools support ongoing surveillance and serve as early warning mechanisms for emerging vulnerabilities.

### Macroprudential policy developments

In line with the ESRB Recommendation ESRB/2015/2 on the assessment of cross-border effects and voluntary reciprocity for macroprudential measures, the Bank reviewed the policy measures recommended by other EU Member States. After due consideration, the Bank maintained its previously issued positions of non-reciprocation.

The Bank further refined its calibration and assessment framework for the countercyclical capital buffer (CCyB). Furthermore, in accordance with the ESRB Recommendation (ESRB/2015/1) on recognising and setting CCyB rates for exposures to third countries, the Bank undertook the annual review of material third-country exposure, identifying the United Kingdom and the United Arab Emirates as material for the period between second quarter of 2025 to that in 2026.

The Bank, in collaboration with the MFSA, carried out its annual assessment to identify domestic Other Systemically Important Institutions (O-SIIs) in accordance with the Central Bank of Malta Directive No. 11 on Macroprudential Policy. The assessment for 2024 resulted in the designation of the same four credit institutions as O-SIIs, namely Bank of Valletta plc, HSBC Bank Malta plc, MDB Group Ltd and APS Bank plc, with O-SII buffer rates ranging between 0.50% and 2.00%.

Following the introduction of the sSyRB on domestic residential real estate in 2023, emerging vulnerabilities in the corporate sector, particularly sectors exposed to real estate beyond residential property, prompted a review of the buffer's scope. This led to the broadening of the buffer to cover both households and NFCs involved in real estate borrowing, for property that is both commercial and residential in nature. During the first half of 2025, a *Consultation on the Proposed Decision to Extend the Coverage of the Sectoral Systemic Risk Buffer* was issued, followed by a feedback statement. The Bank, in close collaboration with the MFSA and under the auspices of the JFSB, published a statement of decision on their respective websites on the 24 December 2025. The decision to widen the scope of the buffer is applicable as from 30 June 2026, with the buffer rate remaining set at 1.5%.

In 2025, banks submitted the results of their compliance audits, in accordance with the requirements of Central Bank of Malta Directive No. 16 covering lending activities undertaken during the 2024 financial year. This marked the second external audit exercise, providing an independent assessment of banks' adherence to the Directive. External auditors confirmed broad alignment with the Directive, complementing internal reviews based on corresponding hard data on lending activity. The Bank will continue reviewing the Directive to ensure it remains effective and aligned with market developments.

Moreover, following the publication of the amended Capital Requirements Directive (CRD)/CRR text, the Bank transposed the relevant provisions into Directive No.11. A four-week public consultation was launched on 5 May followed by a feedback statement in July. In line with CRD VI timelines, the revised provisions took effect on 19 December 2025, while the CRR amendments became directly applicable from 1 January 2025.

The Bank carried out its annual stress tests to evaluate banks' resilience to severe but plausible shocks and detect any vulnerabilities. The Bank continuously updates its tool kit to reflect emerging risks and international best practices. In 2025, the credit risk module was enhanced by segmenting loan portfolios into three categories, namely NFCs, mortgages and consumer credit. This refinement enabled a more precise identification of key risk drivers and vulnerabilities.

Quarterly BLS rounds continued to be conducted among the four major core domestic banks. Findings were featured in a dedicated box within the FSR 2024, offering a comparative analysis of domestic trends against those observed in the euro area.

### Committee meetings at domestic and European levels

The Bank's Financial Stability Committee continued to discuss key financial stability issues. The Bank continued to participate actively in the JFSB, the Domestic Standing Committee and its Crisis Management Working Group. It also held bilateral discussions with the Ministry for Finance on matters related to the Crisis Management and Deposit Insurance. Senior officials participated in several meetings at the European level. Additionally, discussions on financial stability were also held with the IMF as part of Article IV mission, the European Commission, and credit rating agencies.

### Future developments

The Bank will continue to strengthen its analytical capacity, enhance its suite of stress testing frameworks and deepen its monitoring of emerging risks especially those related to climate change, digital transformation and cyber resilience.

Given the growing threat posed by cyberattacks, the Bank plans to integrate cyber-related stress testing of payment systems leveraging tools developed by peer central banks while also developing its own in-house models for payment system stress testing. Furthermore, given the growing importance of non-bank financial institutions and their potential spillover effects on other segments of the financial system, the Bank aims to assess further such links within the financial system. The Bank will also explore the second phase of the financial network model.

The Bank remains committed to invest further in research related to financial stability and macroprudential policy with the aim of disseminating findings through both local and international fora.

## 3. ECONOMIC ANALYSIS AND RESEARCH

The Central Bank of Malta closely monitors and evaluates economic trends and prospects to support its core policy-making responsibilities. In addition, the Bank carries out economic research and develops and maintains a suite of econometric models.

The Bank conducted four projection exercises, two of which form part of the Eurosystem's Broad Macroeconomic Projection Exercise. Apart from further refinements to the tools used in the projection exercise, a preliminary assessment of Malta's exposure and macroeconomic effects arising from new tariffs imposed by the US administration was carried out. Preparations were also launched as regards the adaptation of the inflation forecasting toolkit to cater for the new structure of the HICP applicable from 2026.[1] The Bank continued to collect and report information to the ECB on various fiscal measures. In this context, it closely monitored developments related to Next Generation EU and the Emissions Trading Scheme 2, while also carrying out a first assessment of the macroeconomic anticipated effects of the parent tax reform announced in Budget 2026. The commentary on the Bank's projections featured boxes on specific aspects of the forecasts. Apart from analysis on tariffs and the parent tax reform, these explored the broad implications of Budget 2026 for the Bank's fiscal projections, the composition of government's capital expenditure and the net expenditure path. Other analysis focused on passenger transport by air and the outlook for long-term potential output. As in previous years, meetings were held with officials from the European Commission, the IMF and major credit rating agencies to discuss the local economic situation and outlook.

The Central Bank of Malta continued to report on domestic and foreign economic and financial developments in its Quarterly Review and Annual Report. Moreover, the monthly Economic Update was maintained. These publications continued to feature, in addition to official data, commentaries on several internally developed indicators, including the Bank's estimate of potential output and structural unemployment and the BCI.

In 2025, the Bank began to publish a monthly EPU Index available online. This indicator monitors economic policy uncertainty by synthesising information gleaned from Maltese news portals.

Meanwhile, the Bank enhanced its annual debt sustainability assessment with methods that allow the computation of probabilities of the government debt ratio exceeding certain thresholds.

The Central Bank of Malta carried on with publishing the results of its regular dialogue with business representatives and public sector institutions. The Bank published additional results from an earlier ad-hoc survey on the impact of climate change on Maltese firms and launched a new one on firms' wage setting process as well as their recruitment and employee retention practices. The results of this survey are expected to be available in 2026.

The Bank kept up its work on finalising the fifth wave of the Household Finance and Consumption Survey (HFCS). For the second consecutive year, it worked with the Gozo Regional Development Authority on a regional analysis of the HFCS data. The Bank also continued to collaborate with the ECB on an experimental set of distributional wealth statistics, which link distributional information with financial accounts data.

In 2025, the Bank has launched a new publication series entitled *Discussion Paper series*. Bank staff undertook specialised economic research which resulted in six discussion papers, seven working papers, four policy notes and 30 boxes that featured in the Bank's regular publications. The Bank's working papers included a study on credit risk and bank clustering in the Maltese banking sector, an examination of loan pricing and how monetary policy is transmitted through credit markets across the euro area and a study that identifies macro-financial risk regimes in Malta while shedding light on different phases of financial stress and stability.

The policy notes focused on key socio-economic issues shaping Malta's medium-term outlook.

[1] COICOP, 2018.

The discussion paper series included a study of Malta's labour supply dynamics, providing updated insights into how the labour market is evolving. Another paper analysed Malta's air connectivity in 2024, exploring trends and implications for the economy, and a study on the length of stay of foreign workers with updated data. Another paper analysed the effects and reach of energy subsidies in Malta. The most recent paper in the series evaluated the Maltese aircraft registry's global reach and carbon footprint.

In 2025, the Central Bank of Malta organised the Annual Research Workshop, during which, the eighth edition of the Research Bulletin was launched. The Research Bulletin included short research articles covering inflation measurement, fiscal policy, monetary policy, macroeconomic modelling and climate risks. A keynote speech by Chiara Osbat, Adviser at the Monetary Policy Research Division within the ECB, on the increased adoption by the literature of micro data for macroeconomic analyses, emphasizing its challenges and opportunities, particularly for small economies, was delivered during the workshop. A presentation, delivered by Bank staff, on machine learning techniques applied to a mix of economic and climate data followed.


*Research Workshop*

The Bank carried out the upkeep of its existing models as well as the development of new modelling tools to be used in future policy and research work. During this year, the Bank's staff concluded a major revamp of STREAM, the Bank's macroeconometric model. The Bank will continue to develop its semi-structural models with more theory consistent features, ensuring that the model's supply side is more responsive to current economic developments.

The Bank organised regular internal seminars to stimulate economic discussion and debate on its studies prior to their publication. Staff members kept regular contact with academia, both locally and abroad. The Bank also remained active in domestic fora, such as the National Productivity Board and the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism.

Going forward, the Central Bank of Malta will continue with its efforts to improve its forecasting and nowcasting performance by combining innovative data and methods with a deeper understanding of data revisions and their effects on accuracy, recognising that reliable short-term assessments remain central to effective policy. It will place greater emphasis on understanding the way demographics, labour participation and productivity can affect Malta's long-term outlook. The Bank will also seek to increase the granularity of the models and data used, through greater sectoral detail and new input-output and value-chain linkages, improving the understanding of how shocks propagate across the economy. Finally, the Bank will attempt to further develop spillover and scenario-analysis frameworks to better assess how global, regional and climate-related developments affect Malta.

## 4. STATISTICS

The Bank is also responsible for the processing of a wide range of data collected from credit and financial institutions licensed in Malta. Such data are transformed into aggregates or indicators in the areas of monetary, banking, financial, payments, securities, financial accounts and financial markets statistics. The Bank contributes to the compilation of Malta's BOP/international investment position (IIP) statistics and government finance statistics which are compiled by the NSO. The Bank also compiles composite indicators to produce indicators of business and financial conditions, economic policy uncertainty and house price misalignment.


The Bank fulfils various international statistical reporting obligations. Moreover, participation in Eurosystem-related tasks continued. In conjunction with the ESCB, work proceeded on the update of the ECB's regulation concerning statistics on the assets and liabilities of investment funds, targeted to come in force in December 2025. Following the consultation with the funds industry on this revised reporting framework, the Bank organised two technical seminars in 2025 to give additional guidance on the technical requirements of this updated return.

Bank staff participated in an ECB expert group on climate change statistical indicators. In addition, work on the operational phase of the *Anacredit* database proceeded. During the year, the Bank enhanced the *Anacredit*'s data quality framework to ensure consistency with other datasets.

Moreover, the Bank enhanced the quality of the Maltese securities data held within the ECB's *Centralised Securities Database*, while collecting a range of securities holding statistics by institutional sector.

The Bank intensified its participation in the ESCB's Integrated Reporting Framework programme. The programme, which also forms part of the ESCB's IT Common Data Management solution, is aimed to integrate various ECB statistical regulations addressed to credit institutions into one common reporting framework. The ECB's Register of Institutions and Affiliates Database continued to be updated and populated.

In 2025, the Bank strengthened its efforts to improve the robustness of the reported real estate data in line with the ESRB's Recommendation on closing real estate data gaps. The collected data, which will be released in 2026 in an interactive website dashboard, also enables the Bank to monitor developments as per Directive No. 16 entitled *Regulation on the borrower-based measures* and fulfils the Bank's requirements on the hedonic property price index and lending standards.

The Bank continued its collaboration with the NSO to enhance the quality of the BOP/IIP and other external statistics. The Bank followed up on the recommendations of the ECB and Eurostat on the BOP/IIP dataset within the framework of the *Macroeconomic Imbalances Procedure*. Concurrently, the Bank continued to provide its statistical infrastructure to the NSO for the processing of the BOP/IIP statistics. Financial accounts statistics were fully aligned with the amended ECB statistics.

In November, an updated MoU was signed between the Central Bank of Malta, the Malta Statistics Authority and the NSO. This MoU focuses on the exchange of statistical information and strengthened cooperation in economic and financial statistics.

During the year, the statutory return for selected financial institutions was redesigned to simplify reporting requirements with the aim of reducing the reporting burden. In cooperation with the MFSA, the Bank intensified its dialogue with various associations representing financial institutions with the aim of achieving further progress in simplifying reporting requirements. The Survey of the Other Financial Institutions was published for the first time.[1] Cooperation with the MFSA in statistical areas continued through the Joint Data Coordination Group, which recommends policy actions on common data management. The discussion also centred on the planned enhanced collection of data from crypto-asset service providers. The Bank continued to improve its data sharing capabilities with the MFSA.

In its efforts to continuously improve data quality and statistical robustness, the Bank stepped up its use of business intelligence and machine learning techniques.

The Bank continued to migrate large amount of historical data from the legacy databases to the current integrated solution. Following the repeal of Banking Rule No. 6 (BR/06) by the MFSA, the Bank assumed full ownership for this statutory return which fulfils various ECB regulations, guidelines and national statistical requirements. This was communicated to the industry through a joint CBM/MFSA circular and came into effect as from the January 2026 reference period.

In 2025, the Bank extended its collaboration with Banca d'Italia (BdI) on the Bank's statistical platform, INFOSTAT.

The Bank continued to operate its CCR to provide borrowers' credit risk information to both credit institutions as well as natural and legal borrowers. The searches on prospective and existing customers by credit institutions totalled 53,964 in 2025, while those requested by customers were 1,281. During the year, the Bank introduced a new version of the CCR solution. Moreover, following various consultations, the Bank published a revamped Central Bank of Malta Directive No. 14 entitled *The Establishment and Operation of the Central Credit Register*. The Directive brings within scope eligible financial institutions and financial vehicle corporations, thus expanding the coverage of the Register.

The Bank, as the supervisory authority on CRAs in Malta, maintained an open dialogue with the two licenced agencies. Following a public consultation, the Bank also published a revamped Central Bank of Malta Directive No. 15, entitled *Supervision of the CRAs*, which *inter alia* permits CRAs to use the Bank's anonymised

[1] The other financial institutions, except MFIs or credit institutions, include investment funds, insurance corporations, pension funds, lending institutions, financial vehicle corporations, captive financial institutions including holding companies, e-money and payments institutions, and other financial auxiliaries.

granular data in the provision of products related to the assessment of creditworthiness. The Bank also publishes a register of the CRAs licensed in Malta on its website. The Forum for Central Bank of Malta Statistics, which is chaired by the Bank and includes representatives from credit institutions, the MFSA, the NSO and the Malta Bankers' Association, promoted dialogue on financial data, metadata, data formats and statistics among stakeholders. The Bank also organised dedicated technical workshops aimed at ensuring that credit institutions are kept abreast of developments in concepts and methodology.

Concurrently, Bank officials participated in the ESCB Statistics Committee and its various substructures, as well as in joint ECB and Eurostat committees. The Bank's internal Statistics Committee convened six times during the year to establish and execute the Bank's policy on statistical information.

# 5. CURRENCY, PAYMENT SYSTEMS AND BANKING SERVICES

The Central Bank of Malta is responsible for the issue and circulation of euro banknotes in accordance with the legal framework of the ESCB and the ECB. The Bank also issues euro coins on behalf of the Government of Malta through an MoU. In addition, the Central Bank of Malta is responsible for ensuring the transparency and smooth functioning of payment systems in Malta by means of regulations and directives. The Bank is also responsible for the oversight of the local payment systems.

## Currency operations

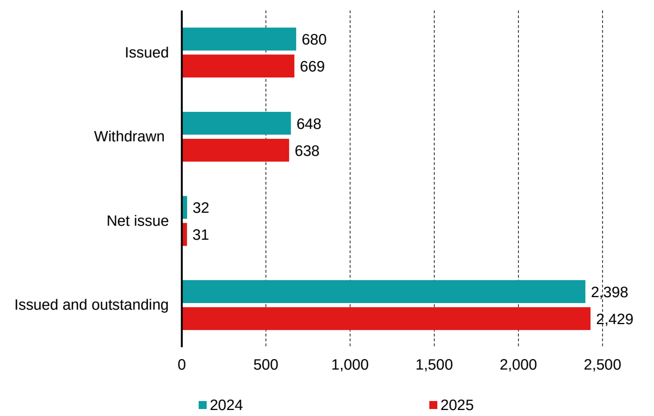
The Central Bank of Malta maintains an adequate supply of euro banknotes and coins to meet the demand of the banking system and ensures the high quality and authenticity of currency in circulation. All currency returned to the Bank is processed by ECB/EC accredited machines. Counterfeit banknotes and coins are withdrawn while those found to be unfit for circulation are destroyed. Currency stocks and flows data are reported to the ECB through the Currency Information System on a daily and a monthly basis.

In line with the obligations laid down in Central Bank of Malta Directive No. 10, the Bank monitors currency recycling activities performed by credit institutions and other professional cash handlers. The Bank also monitors banknote handling and coin processing machines. The Bank analyses banknotes and coins suspected to be counterfeit and provides expert evidence related to counterfeit currency in terms of the obligations laid down under Article 54 of the Central Bank of Malta Act (Cap. 204).

### *Circulation of notes and coins*

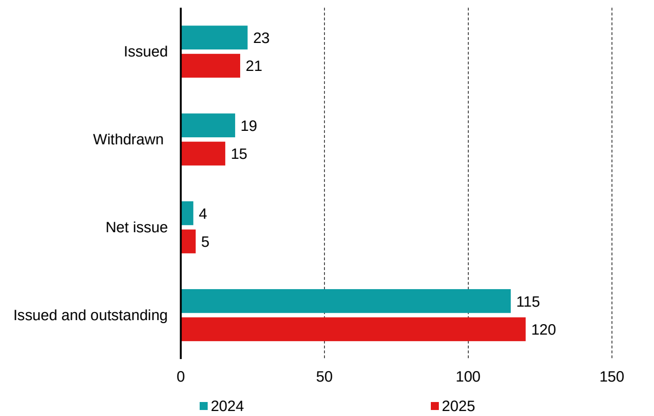
In 2025, the Bank inspected 26.6 million banknotes, compared to 28.3 million in 2024, which represents a 6.0% decrease in volume. The inspected banknotes had a total value of €627.5 million when compared to the previous year's value of €640.6 million (a 2.0% decline). During 2025, 21.3 million banknotes, with a total value of €492.6 million, were deemed fit for re-issue, while 5.3 million banknotes, with a value of €134.9 million were deemed to be unfit. In 2025, the value of euro banknotes in circulation increased by 1.3%, reaching a total of €2,428.6 million by year-end (see Chart 5.1). The ECB continued the process of the development of a new third series of euro banknotes. In 2025, the outstanding volume of euro coins rose by 4.5%. By the end of the year, there value of coins issued and outstanding reached €120.0 million (see Chart 5.2).

**Chart 5.1**
**BANKNOTES ISSUED AND OUTSTANDING BY THE CENTRAL BANK OF MALTA**
*EUR millions*




Source: Central Bank of Malta.

**Chart 5.2**
**COINS ISSUED AND OUTSTANDING BY THE CENTRAL BANK OF MALTA**
*EUR millions*




Source: Central Bank of Malta.

During 2025, the Bank processed 28.2 million coins, equivalent to €16.0 million. Between 2024 and 2025, the number of coins examined by the Bank decreased by 19.5%. This drop is mainly attributed to the rise in recirculation and hence processing of coins by commercial banks. No coins were demonetised or ceased to be exchangeable during 2025. Following a public procurement procedure for an automated coin-processing line, the sorting, counting, authentication and packing of euro coins were insourced from 1 June 2025. During 2025, there were no new developments regarding Bank Directives relating to cash management.

### *Anti-counterfeit measures*

During 2025, the Central Bank of Malta continued to monitor credit institutions and other professional cash handlers, ensuring that all cash handlers were appropriately certified and trained. In addition, Bank staff performed monitoring tests on all types of banknote handling and coin processing machines.

Quarterly meetings on currency matters and counterfeit developments were held with credit institutions.

Among the suspected banknotes and coins examined by the Bank during the year under review, the €20 note was the most counterfeited denomination, while the €500 note was the least affected. All identified counterfeits were duly reported to the ECB's Counterfeit Monitoring System.

In 2025, the Bank provided expert evidence during five court hearings. The Bank also delivered training in counterfeit recognition to the Malta Police Force and continued to strengthen public outreach with the annual publication of information on euro banknote counterfeiting in Malta.

The Bank continued its educational campaign to raise public awareness on banknote authenticity through both social media outreach and in-person engagement.

## BOX 4: NUMISMATIC RELEASES 2025

In 2025, the Central Bank of Malta launched a numismatic coin programme comprising four different themes, outlined below. All the coins were minted at the Royal Dutch Mint.

### The Malta Railway – a set of three silver coins


The three silver coins issued by the Bank give prominence to Malta's railway heritage. The steam-driven locomotive was a product of the Industrial Revolution in Britain, and the first railway line was opened in 1825. The coins were designed and engraved by Miriam Mazzali.

### J.M.W. Turner – 250th Anniversary


The Bank marked the 250th anniversary from the birth of Joseph Mallord William (J.M.W.) Turner, a renowned 19th century British artist, and a leading exponent of the Romantic Movement in art, with a silver and gold coin issue. The coins were designed by Noel Galea Bason.

### Maltese Walled Cities – Mdina


In 2025, the Bank issued a €2 commemorative coin and a silver coin, both having the walled city of Mdina as their theme. The coins depict Mdina, Malta's old capital, which traces its roots to the Roman town of Melite. Mdina is on the tentative list of UNESCO World Heritage Sites. The coin is the second in the series dedicated to Maltese walled cities. The coins were designed by Noel Galea Bason.

### Il-Gendus Malti (the Maltese ox)


The second commemorative €2 coin for 2025 depicted il-Gendus Malti (Maltese ox). The coin was designed by Maria Anna Frisone.

### Malta's €10 Silver 'Maltese Honey Bee' Coin Wins two awards

In January 2025, this coin won *the Most Beautiful European Denomination Coin of the Year for 2024 award* by the Ad€ Association (*Les Amis de l'Euro*) under the *Coupure Européenne de l'Année* awards at the Berlin International Coin Fair. In August 2025, the same coin won the *Best Crown Coin* award which was presented at an official ceremony held at the American Best Crown Coin Numismatic Association's World's Fair of Money in Oklahoma, USA.

*The Numismatics and Historical Publications Advisory Board (NHPAB) was set up in 2017 to propose themes for the Central Bank of Malta commemorative coins programme and to act as editorial board for historical publications. It took over this role from the Currency Advisory Board. During 2025, the NHPAB was chaired by the Acting Governor of the Central Bank of Malta, with the Chief Officer Banking Operations, Mr Benoit Waelkens, Professor John Chircop, Dr Lillian Sciberras and Dr Mario Brincat as members. The Board secretary is Mr Kevin Cassar, Curator of the Central Bank of Malta's Museum.*

## Payment and securities settlement systems

The Central Bank of Malta is responsible for the regulation and oversight of payments and securities settlement systems (SSSs) in Malta. The Bank contributes to the relevant regulatory developments and carries out oversight assessments on entities to promote an effective and efficient payments landscape in Malta.

### *Implementation of the updated Guidelines on ICT and Security Risk Management within Annex 2 of CBM Directive No. 1*

Following the introduction of the Digital Operational Resilience Act (DORA) at the beginning of 2025, Central Bank Malta Directive No. 1 was reviewed to reflect the changes DORA brought about in reporting obligations on payment service providers.

### *MTEUROPAY oversight assessment*

The Bank conducted an oversight assessment on MTEUROPAY following its approval as a payment system in 2021. This process involved the development of a self-assessment questionnaire which is based on a subset of the Principles for Financial Market Infrastructures (FMIs). The system operator submitted the completed questionnaire by the end of 2025. The responses were analysed by Payments Policy and Compliance Office, and a detailed assessment report is expected to be published in 2026 with a set of recommendations to the system operator.

### *Cyber resilience assessment*

The fourth cycle of the Cyber Resilience Survey was conducted on the national FMIs, which include MTEUROPAY and the MSE to evaluate their cyber resilience framework. A presentation on the high-level findings was delivered to each FMI. A detailed report, which shall include a set of recommendations, will also be shared with the relevant FMIs by end of the first quarter of 2026.

### *Oversight of the MSE under the Central Securities Depository Regulation*

The Bank is also responsible for the continuous review and evaluation of the MSE under the Central Securities Depository Regulation. To this effect, meetings were held between the Bank, the MFSA and the MSE.

### *Analysis of the payment habits in Malta*

In collaboration with the NSO, the Bank conducted a survey on payment habits of residents in Malta in the first quarter of 2024. The survey was carried out using Computer-Assisted Telephone Interviews to ensure reliable and representative data collection, with a report outlining the findings published on the Bank's website in April 2025.

### *Instant Payments Regulation*

Throughout 2025, several provisions under Regulation (EU) 2024/886 on instant credit transfers in euro have entered into force. In January 2025, local payment service providers were required to allow their customers to receive instant credit transfers and to send instant credit transfers by October 2025.

During 2025, the Bank held several bilateral meetings with payment service providers to ensure awareness of these requirements, to clarify any queries and to monitor and support implementation.

### *Complaints*

The Bank is designated as the Complaints Authority under Central Bank of Malta Directive No. 1: Provision and Use of Payment Services and may receive complaints in relation to potential breaches of the same Directive. In 2025, the Bank received around 40 complaints, mostly relating to identity fraud and some relating to surcharging practices in Malta. The Bank reached out to several local merchants with instructions to refrain from applying surcharging practices on electronic payment instruments. Several meetings were held with the MFSA and the Financial Intelligence Analysis Unit (FIAU) to discuss complaints relating to identity fraud and possible measures by local payment service providers to further protect their customers.

## Malta Clearing House

Members of the Malta Clearing House (MCH) met every morning at the Bank's premises to physically exchange the cheques negotiated during the previous working day. As at the end of 2025, the MCH had ten members including the Central Bank of Malta. The number of cheques issued during 2025 continued to decrease when compared to 2024 (see Table 5.1).

**Table 5.1**
**NUMBER AND VALUE OF CHEQUES PROCESSED BY THE MCH, 2024 AND 2025**

| | Number of cheques | Value (EUR millions) |
|---|---|---|
| 2024 | 1,986,359 | 7,749.4 |
| 2025 | 1,712,875 | 7,914.6 |
| Change | -273,484 | 165.2 |
| Percentage change | -13.8% | 2.1% |

Source: Central Bank of Malta.

## Trans-European Automated Real-Time Gross Settlement Express Transfer System 2-Malta

During 2025, the number of direct participants in Trans-European Automated Real-Time Gross Settlement Express Transfer System 2-Malta (TARGET2-Malta) remained 12. The total volume of payments processed was 222,288 for a total value of €271.8 billion (see Table 5.2). TARGET2-Malta payments traffic registered a 1.8% decrease in terms of volume and a decrease of 9.4% in terms of value when compared to 2024. The volume of customer payments was 173,064 for a total value of €27.3 billion. This represents a drop in volume of 3.4% and an increase in value of 3.4% when compared to 2024. The volume of inter-bank payments was 49,224 for a total value of €244.5 billion, indicating an increase of 4.3% in terms of volume and a decrease of 10.6% in terms of value.

**Table 5.2**
**TARGET2 PAYMENTS**

| | Total volume of payments | Total value of payments (EUR billions) | Total volume of customer payments | Total value of customer payments (EUR billions) | Total volume of inter-bank payments | Total value of inter-bank payments (EUR billions) |
|---|---|---|---|---|---|---|
| 2024 | 226,318 | 300.0 | 179,125 | 26.4 | 47,193 | 273.6 |
| 2025 | 222,288 | 271.8 | 173,064 | 27.3 | 49,224 | 244.5 |
| Change | -4,030 | -28.2 | -6,061 | 0.9 | 2,031 | -29.1 |
| Percentage change | -1.8% | -9.4% | -3.4% | 3.4% | 4.3% | -10.6% |

Source: Central Bank of Malta.

## Banker to the Government

The Bank continued to provide banking services to the Government during 2025. The latter comprised the opening and maintenance of various euro and foreign denominated accounts, the encashment of cheques drawn on the Bank and issued by government departments, deposits of cash and cheques, safe deposit facility, safe custody, processing of payment instructions through TARGET2, Society for Worldwide Interbank Financial Telecommunication (SWIFT) and Single Euro Payments Area (SEPA) credit transfers and direct debits.

The number of cheques drawn on the Central Bank of Malta marginally decreased during 2025 when compared to 2024 (see Table 5.3). The decrease may be attributed to the fact that Government cheques issued for tax relief measures were issued towards the end of 2025 and subsequently processed during 2026.

**Table 5.3**
**NUMBER AND VALUE OF CHEQUES DRAWN ON THE CENTRAL BANK OF MALTA BY THE GOVERNMENT**

| | Number of cheques | Value (EUR millions) |
|---|---|---|
| 2024 | 374,728 | 135.5 |
| 2025 | 311,617 | 107.6 |
| Change | -63,111 | 27.9 |
| Percentage change | -16.8% | -20.6% |

Source: Central Bank of Malta.

During 2025, the Bank continued servicing the Government's external debt through periodic payments. Moreover, in 2025, the Bank settled the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency loan amount of €80 million. In 2025, the Bank processed 2.1 million SEPA Credit and Instant Transfers for a total value of €12.8 billion on behalf of its customers. When compared to the previous year, there was a decrease of 40.7% in the volume whilst registering an increase of 33% in the value of SEPA Credit Transfers.

## Banker to the banking system

The Bank operates a retail payments system, MTEUROPAY, through which it provides technical access for payment service providers licensed in Malta, enabling them to send and receive SEPA credit transfers and SEPA direct debits. During 2025, there were 12 institutions participating in the system.

The total volume and values of transactions processed through MTEUROPAY during 2025 are shown in Table 5.4.

**Table 5.4**
**MT EUROPAY**

| | SEPA out – SEPA credit transfers | | SEPA in – SEPA credit transfers | | SEPA out – SEPA direct debits | | SEPA in – SEPA direct debits | |
|---|---|---|---|---|---|---|---|---|
| | Value (EUR millions) | Volume | Value (EUR millions) | Volume | Value (EUR millions) | Volume | Value (EUR millions) | Volume |
| 2024 | 6,666.20 | 490,385.00 | 12,699.00 | 303,539.00 | 63.00 | 99,214.00 | 4.40 | 33,327.00 |
| 2025 | 13,050.00 | 1,875,194.00 | 19,747.50 | 248,553.00 | 49.20 | 103,968.00 | 3.70 | 37,679.00 |
| Change | 6,383.80 | 1,384,809.00 | 7,048.50 | -54,986.00 | -13.80 | 4,754.00 | -0.70 | 4,352.00 |
| % Change | 95.76 | 282.39 | 55.50 | -18.11 | -21.90 | 4.79 | -15.91 | 13.06 |

Source: Central Bank of Malta.

## Eurosystem Collateral Management System

For collateral management, the Bank uses the ECMS, a unified system for managing assets used as collateral in Eurosystem credit operations. The Central Bank of Malta, together with the other Eurosystem NCBs and the ECB, went live with the ECMS project on 16 June 2025. During 2025, a total of 21 marketable asset mobilisations amounting to €81.1 million and four demobilisations amounting to €18.97 million have been processed through ECMS.

## Other financial services

The ECB is developing a solution called PONTES which links Distributed Ledger Technology market platforms with TARGET2 Services, thereby facilitating settlement in central bank money. Several options are being considered and will define the future structure of Distributed Ledger Technology for settlement of payments by means of electronic wallets in central bank money. A pilot with market participants will start during the third quarter of 2026, serving as a development phase, targeting full implementation in 2027.

## Digital euro

In October 2025, the Governing Council of the ECB approved the continuation of technical preparations for the digital euro project. Part 2 of the preparation phase started on 1 November 2025 and runs until 31 December 2027. This part is crucial with the launch of a pilot phase as it would permit NCBs and financial institutions to clearly understand the structure and resources needed and to test the operational functionalities of the system.

During 2025, the suppliers of several components for the infrastructure of the digital euro were selected and the draft *Digital Euro Rulebook* was completed with version 0.9 being available on the ECB website for the public. The latter might require finetuning once the legislation is adopted. Market awareness has been raised through several presentations to market stakeholders like the financial sector as a provider and a distributor, on the one hand and different industry associations as end users and facilitators (merchants), on the other.

On 19 December, the EU Council of Ministers agreed its negotiating position on the legislative proposal for the digital euro. The agreed text will be presented to the European Parliament for debate. The Eurosystem aims to be ready for a potential first issuance of the digital euro in 2029, should the necessary regulation be adopted during 2026.

## 6. CORPORATE GOVERNANCE

### Governance

The Board of Directors of the Central Bank of Malta is responsible for the policy making and the general administration of the Bank, except for functions relating to the Treaty on the Functioning of the ECB, or the protocol of the ESCB, or functions which are conferred exclusively on the Governor in terms of the Central Bank of Malta Act (Cap. 204).

All members of the Board are appointed for a statutory term of five years and are eligible for reappointment. In terms of the Central Bank of Malta Act (Cap. 204), the Governor and the Deputy Governors are appointed by the President of Malta acting on the advice of the Cabinet of Ministers. The other non-executive Directors of the Board are appointed by the Prime Minister acting on the advice of the Cabinet of Ministers.

In 2025, the Central Bank of Malta Board of Directors was composed of Professor Edward Scicluna as Governor and Chairman, Mr Alexander Demarco and Mr Oliver Bonello as Deputy Governors responsible for Monetary Policy and Financial Stability respectively, and Professor Peter J. Baldacchino, Professor Frank Bezzina, Dr Romina Borg and Professor Lauren Ellul as non-executive Directors. On 1 August 2024, Professor Scicluna stepped aside as Governor. In line with the provisions of article 8 of the Central Bank of Malta Act, he designated Mr Demarco to assume the role of Acting Governor as of that date. Mr Demarco continued to fulfil the role of Acting Governor until 31 July 2025 when Professor Scicluna reassumed the role of Governor of the Bank on 1 August 2025. The term of office of Professor Scicluna as Governor came to an end on 31 December 2025. Mr Francis Bugeja continued to act as Secretary to the Board. The Board met 13 times in 2025.

#### *Management and internal organisation*

In January 2025, the Board decided that upon the retirement of Chief Officer Internal Audit, the Internal Audit, Compliance and Legal Division was to be split into two departments, Legal and Internal Audit, the former reporting directly to the Governor while the latter keeping on reporting functionally to the Audit Committee and administratively to the Governor.

In February 2025, the Board approved the role of Deputy Head in a number of Departments as well as the role of Office Manager at the Principal Executive Grade in various Offices following the establishment of these two new grades with the Collective Agreement signed in October 2024. Furthermore, it approved the establishment of new offices within a number of Departments.

In July 2025, the Board approved several changes to the then standing version of its Policies and Procedures. In August 2025, the Board approved the Bank's updated Risk Provision Framework and the amended Night Safe Deposit Terms and Conditions. The Board of Directors also approved the revised pricing structure and the terms and conditions for the Safe Custody Facilities provided by the Bank.

During the year, the Board agreed on further organisational changes to some Departments.

In November 2025, the Board approved the methodology for the Strategic Benchmark allocation for tactical external funds as well as the Strategic Benchmark allocation for 2026.

### Anti-Financial Crime activities

The Bank carries out due diligence in respect of applications for the opening of new accounts and existing accounts of credit and financial institutions, changes to government accounts signatories, correspondent and counterparty banks, Bank Fund applications and shortlisted candidates and new employees.

The new Instant Payments Regulation (EU) 2024/886) was fully rolled-out for banks in October 2025 (both for receiving and sending payments). The Bank continues to regularly perform customer name sanctions screening to remain compliant with sanctions imposed by the United Nations Security Council, the Council of the

European Union and any sanctions imposed by the local competent authority i.e. the Sanctions Monitoring Board. The screening process also includes politically exposed persons lists and regulatory and law enforcement lists.

Monitoring of transactions processed on behalf of MTEUROPAY indirect participants was implemented as at the end of 2023. During 2025, a total number of 11,345 transactions were monitored, which is double that monitored in 2024. There were 322 requests for further information and documentation sent to the respective credit or financial institutions. All monitoring alerts were closed for 2025.

In line with Subsidiary Legislation 373.03, Centralised Bank Account Register Regulations, the Bank completed 54 submissions.

Requests for information were officially received pertaining to Police, Court Investigation Orders and Attachment Orders, and Asset Recovery Bureau freezing orders – these were investigated and replied to in a timely manner.

During 2025, several suspicious activity transaction reports were submitted by the Money Laundering Reporting Officer to the FIAU.

### Audit Committee

The Bank's Audit Committee, chaired by Professor Peter J. Baldacchino and comprising Professor Frank Bezzina, Professor Lauren Ellul, and Dr Romina Borg, convened eight times during the year. During such meetings, the Chief Audit Executive provided regular briefings on matters relating to governance, risk management and the adequacy and effectiveness of the Bank's control framework. Updates were also given on the implementation of the Annual Audit Plan, which encompassed both local and ESCB audits. By the end of 2025, the Bank successfully completed all planned engagements.

In addition, the Chief Audit Executive kept the Committee informed of progress in addressing outstanding audit findings and presented regular audit opinions at bank-wide, divisional and individual business area levels. During the October meeting, the Chief Audit Executive reported on the Department's annual review of its five-year rolling strategic plan. This report provided a comprehensive account of progress towards achieving the Department's strategic objectives. The Audit Committee also received briefings on operational risk and business continuity matters.

### External Auditors

The Bank's external auditors, Deloitte Audit Limited, conducted the statutory audit for the financial year ending 31 December 2025. They expressed their opinion on the financial statements and presented their Management Letter to the Board.

### Internal Audit Department

The Internal Audit Department continued to deliver assurance by conducting risk-based audits in accordance with the approved 2025 Annual Audit Plan. During the year, the Department completed 21 local audit engagements, most of which evaluated the effectiveness of governance, risk management and control processes across various

business areas. In addition, the Department carried out a smaller number of audits focusing on areas considered inherently more susceptible to fraud. Several asset spot checks were also performed throughout the year.

As a member of the ESCB Internal Auditors Committee (IAC) within the Eurosystem, ESCB, and SSM structures, the Internal Audit Department continued to provide assurance to the ESCB decision-making bodies through the execution of IAC audits and active participation in IAC meetings.

During 2025, the Department conducted two IAC audits. In addition, through its membership, the Department actively engaged in two IAC Audit substructures, namely those focused on Statistics and Quality Management.

Between January and March 2025, the Internal Audit function accepted an invitation to conduct a comprehensive governance audit at an NCB in the Western Balkans. This also included an on-site visit during which a team of auditors held extensive meetings with several representatives from this institution to assess its governance and control practices and provide recommendations on areas which called for improvement.

Throughout 2025, the Internal Audit function also continued to review several of the Bank's policies and procedures. In addition, it participated in several committee meetings, primarily in an observer capacity, to maintain its independence and objectivity.

**2025 AUDIT ACTIVITY OVERVIEW**

**32 Policies & Procedures Reviewed & Finalised**

## Risk Management

The Central Bank of Malta Risk Committee convened six times in 2025, focusing on risks associated with the Bank's operations and the financial assets on its balance sheet. During these meetings, the Committee reviewed these risk exposures, addressed incidents as they arose and endorsed appropriate mitigation measures. Moreover, the Committee oversaw the implementation of newly introduced controls and enhancements to the overall risk management framework.

The operational risk status across business areas was reported to the Risk Committee on a regular basis. The Bank completed the seventh cycle of the Operational Risk Management process, with the resulting analysis scheduled for presentation to the Risk Committee, the Audit Committee and the Board of Directors in early 2026.

During 2025, business areas updated their Business Impact Analysis and produced new assessments where required. Critical operations underwent a comprehensive review of their business continuity plans, supported by regular resilience testing. The results from the sixth cycle of the Business Continuity Management program will be presented to the Risk Committee, Audit Committee and the Board of Directors in the first quarter of 2026.

On 10 June 2025, the Bank conducted a cyber-attack simulation exercise for the Crisis Management Group at the Central Bank of Malta. The exercise assessed the team's response to a ransomware attack and extortion scenario. All recommendations arising from the exercise are currently being implemented and will continue throughout 2026 to further reinforce the Bank's resilience to cyber threats.

As part of its information security mandate, the Bank performed multiple risk assessments on various initiatives undertaken by business areas. The new information security policy and updated set of related standards were reviewed by the Risk Committee and Management Committee and will be presented to the Executive Committee and Board of Directors in the first quarter of 2026.

### *Financial Risk Management*

Financial risk management experts actively participated in all the monthly IPC meetings, providing insights on the performance of assets under management relative to the tactical and strategic benchmarks. They closely monitored the performance of investments managed by the Bank's external asset managers and contributed to finalising the 2026–2028 Strategic Asset Allocation framework.

### *Climate-Related Disclosures*

In June 2025, the Bank published its annual climate-related disclosures report for its euro-denominated non-monetary policy portfolios, covering governance, strategy and risk management, together with key metrics and targets.

## Legal issues

In 2025, the Bank was involved in the amendment and issuance of the following Central Bank of Malta Directives:

1. Directive No. 1 on the Provision and Use of Payment Services and Directive No. 2 on Payment and Securities Settlement Systems were amended to implement amendments to the revised Payment Services Directive (PSD2[1]) and the Settlement Finality Directive.[2]
2. Directive No. 6 on New Generation Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) was amended by means of Guideline ECB/2025/28 amending Guideline (EU) 2022/912 on a new-generation TARGET ECB/2022/8. The amendments brought about the revision of the central counterparty credit facility in TARGET, the introduction of non-bank payment service providers in the list of entities eligible to participate in designated payment systems and the introduction of TARGET Instant Payment Settlement (TIPS) one leg out payments.
3. Directive No. 8 on Monetary Policy Instruments and Procedures was amended to implement measures following the go live of the new ECMS in June 2025, a unified system for managing collateral for central bank operations launched by the ECB in June 2025.
4. Directive No. 11 on Macro Prudential Policies was amended to transpose the provisions of the revised Capital Requirements Directive (CRD VI[3]) which fall under the responsibility of the Bank.
5. Directive No. 14 on the Establishment and Operation of the CCR was amended to expands the list of reporting institutions to include financial institutions and financial vehicle corporations that hold exposures, enhancing data collection and counterparties' creditworthiness.
6. Directive No. 15 on the Supervision of the CRAs was amended to permit CRAs to use anonymised granular data provided by the Bank in the development or provision of products related to creditworthiness assessment, including for benchmarking and monitoring purposes.
7. In October 2025, a public consultation was launched on the proposed amendments to Directive No. 19 on the Use of Cheques and Bank Drafts, aimed to promote alternative payment methods to cheques, in line with evolving payment trends and recent regulatory developments.

The Bank's Legal Department continued to provide advisory support on legal, contractual, and operational matters, including reviewing the Bank's policies and procedures and vetting contracts, agreements, and memoranda of understanding. Legislative developments impacting the Bank were also thoroughly assessed.

In addition, the Bank also contributed to the drafting of Legal Notice 278 of 2025, Central Bank of Malta (Appointment of Designate Authority to implement Macro-Prudential Instruments) (Amendment) Regulations, 2025. Through this Legal Notice, the Bank was appointed as the designate authority tasked with

[1] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.

[2] Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and SSSs.

[3] Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance (ESG) risks.

the responsibility of carrying out specific assessments under the revised CRR III,[4] including those relating to risk weights. In this regard, the Bank will act jointly with the MFSA. This represents a significant step forward in strengthening Malta's legislative framework governing exposures secured by immovable property, the application of risk weights, and the establishment of prudent parameters to ensure that Malta's financial stability remains safeguarded.

The Bank's responsibilities in compliance include the conduct of periodical exercises, such as the annual Bank-wide data protection stocktake exercise and the bi-annual prevention of abuse of insider information compliance exercise.

The legal function also maintained its involvement in various internal committees and continued to participate in the ESCB's Legal Committee and its sub-structures.

[4] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

# 7. RESOURCES MANAGEMENT

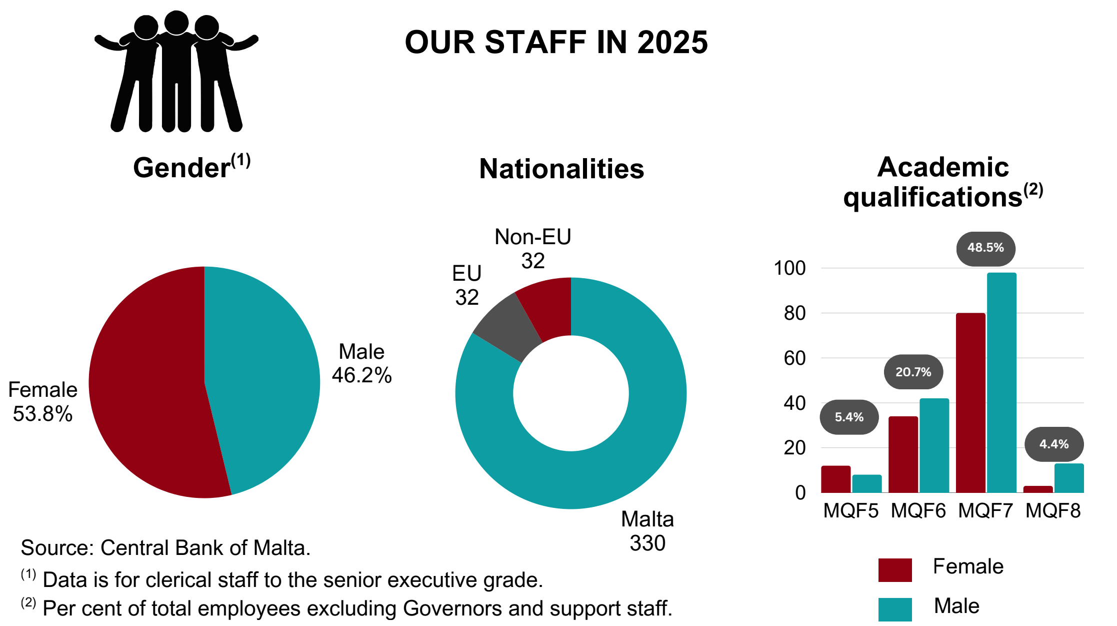
## Human resources

The Bank's staff complement as at the end of 2025 stood at 394, including nine employees on a part-time basis. The full-time equivalent as at end 2025 numbered 369.9 employees.

During 2025, the Bank recruited 45 employees, among which, two Senior Executives, three Executives, 15 Assistant Executives, 22 Officers II and three Support Officers. Twenty-three employees resigned, one fixed-term contract of employment expired and seven staff members retired.

At the end of 2025, eight employees were seconded to offices within the public sector while another staff member was seconded with the Permanent Representation of Malta in Brussels and another employee was seconded to the ECB under the European System of Central Banks/International Organisation contract.

Ten university students were offered temporary summer work experience between mid-July and mid-September, eight of whom were offered an internship on a part-time basis following the successful work experience, during the period October 2025 to June 2026. During their internship, university students continue with their academic studies and undertake supervised practical work related to their line of study. Following the participation in the second edition of the Malta College of Arts, Science and Technology Apprenticeship Onboarding Event, the Bank offered temporary work placements to three students following different programmes of studies within the Institute of Information and Communication Technology.




Source: Central Bank of Malta.
(1) Data is for clerical staff to the senior executive grade.
(2) Per cent of total employees excluding Governors and support staff.

### *Equality, diversity and inclusion*

The Bank continues to support gender equality and provides family-friendly measures to ensure that career progression, personal growth and opportunities for development are open to all staff irrespective of their gender or caring responsibilities.

In March 2025, in line with its commitment to provide an equal and diverse workplace, the Central Bank of Malta signed the Malta Diversity and Inclusion Charter. The Charter fosters higher Equality, Diversity and Inclusion standards. The Charter was signed by Ms Helga Ellul, President of Corporate Citizenship for Responsible Enterprise (CORE) and Mr Alexander Demarco, Acting Governor of the Central Bank of Malta.

In December 2025, the Central Bank of Malta together with CORE Platform hosted the third exclusive meeting for the signatories of the Malta Diversity and Inclusion Charter at the Central Bank of Malta premises. The keynote speech was entitled Supported Employment and Supported Business. It was followed by the premiere of a short video entitled *The Power of Diversity and Inclusion* and the welcoming of new Charter members.

*Signing of the Malta Diversity and Inclusion Charter*

*Participants at the meeting for signatories of the Malta Diversity and Inclusion Charter*

In addition, the Central Bank of Malta organised a staff event to celebrate International Women's Day.

These initiatives demonstrate the Bank's ongoing determination to foster a supportive and inclusive workplace for all employees.

*Female staff during the International Women's Day event*

### *Gender balance*

By the end of 2025, 29.2% of the staff in the top grades at the Bank – comprising Senior Executives, Deputy Heads, Heads and Chief Officers – were females, compared to 16.7% in 2015. The gender distribution of clerical staff below Senior Executive grade is more balanced, with 53.8% of all staff in these grades being females as at the end of 2025, compared to 50.4% a decade ago.

### *Nationality Statistics*

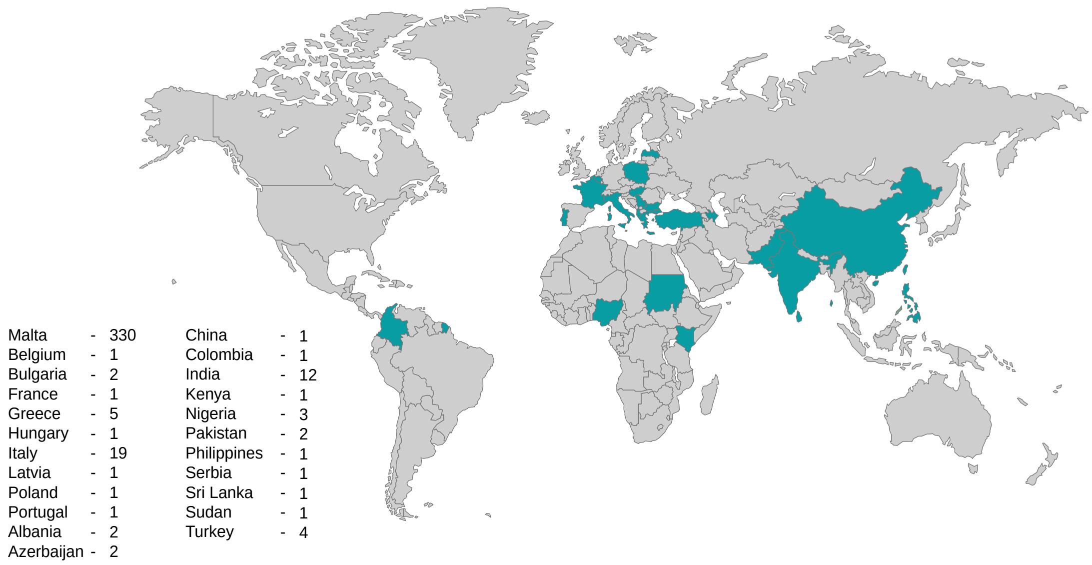
The Central Bank of Malta is an inclusive employer and as such it employs indigenous and foreign staff as indicated in Table 7.1.

**Table 7.1**
**NATIONALITY STATISTICS, 2025 VERSUS 2015**

| Nationality | Number of employees | | Per cent of all staff | |
|---|---|---|---|---|
| | 2025 | 2015 | 2025 | 2015 |
| EU countries | 32 | 11 | 8.1 | 2.9 |
| Non-EU countries | 32 | 0 | 8.1 | 0.0 |
| Malta | 330 | 364 | 83.8 | 97.1 |

Source: Central Bank of Malta.

**EMPLOYEES PER NATIONALITY, 2025**




Source: Central Bank of Malta.

## *Training and development*

As in previous years, resources were allocated to internal and external staff training, with participation being both physical and online.

A total of 217 participants attended 20 in-house courses physically, while 735 participants attended nine in-house online courses. These were mainly induction programmes, coaching and mentoring techniques for economists, training for risk coordinators, health and safety, effective communication, fundamentals of project management, advanced Microsoft Excel training and a crisis management exercise involving senior and middle management. Furthermore, 4,484 participants attended online cybersecurity training spread over 12 different modules. This training was coordinated by Cybersecurity Office as part of its ongoing commitment to raise awareness about security threats and educate staff members on security best practices.

During the year under review, Human Resources Department in collaboration with the Innovation and Technology Services Department launched another online training session covering Anti-Money Laundering, combating the Financing of Terrorism and Sanctions. All employees were requested to undergo this mandatory training and were also asked to undertake an assessment at the end of the session to measure the learning.

As shown in Table 7.2, 481 staff members participated in external training programmes in 2025, offered by local and foreign institutions. Two-thirds of these courses were facilitated online and provided by local training organisations and professional institutions, the ECB, other central banks, several European universities and financial institutions. The courses covered various areas of interest to the Bank.

In 2025 the Bank launched a mentorship programme within Economic Analysis Department with the assistance of a local organisation. This programme forms a central component of the Bank's ongoing efforts to strengthen employee relationships, provide structured support to junior staff and enhance knowledge transfer.

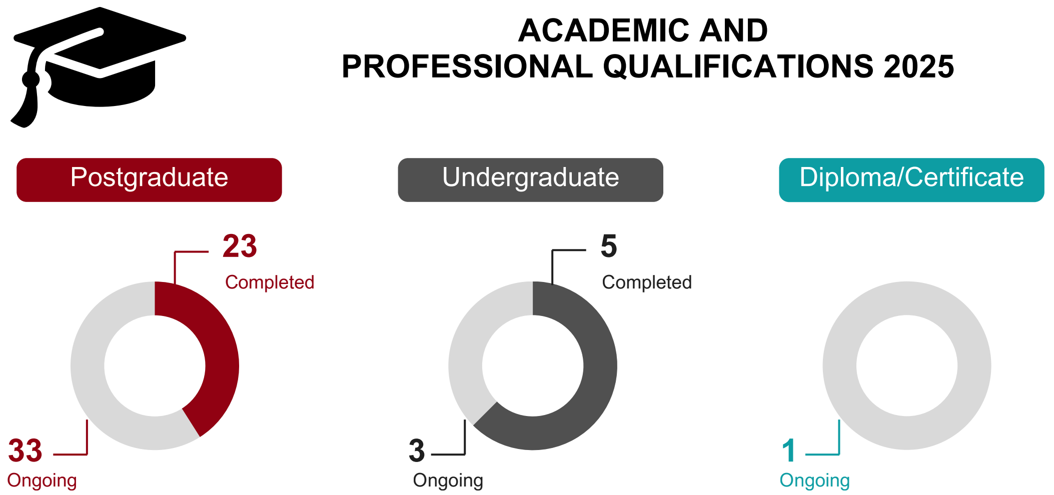
During the year under review, the Bank conducted an employee satisfaction survey with participation of staff up to the Senior Executive grade with a response rate of 82%.

**Table 7.2**
**STAFF TRAINING DURING 2025**

| Type of training | Number of courses/seminars | Number of participants |
|---|---|---|
| **Internal** | **41** | **5,436** |
| Internal physical | 20 | 217 |
| Internal online | 21 | 5,219 |
| **External** | **237** | **481** |
| Local physical | 56 | 112 |
| Local online | 81 | 117 |
| Foreign physical | 41 | 44 |
| Foreign online | 59 | 208 |

Source: Central Bank of Malta.

During 2025, several employees completed or continued their programme of studies. The postgraduate education was completed by 23 employees, two of whom were fully supported by the Bank under the Learning, Research and Development Study Programme to read on a full-time basis an MSc Banking and Finance and an MSc Sustainable Finance and Investment, both at Utrecht University. A total of 33 employees continued their enrolment in postgraduate degree programmes, while three employees were reading qualifications at undergraduate level and another employee was following a course at diploma level.




Source: Central Bank of Malta.

In 2025, an Office Manager embarked on a Central Banking and Banking Supervision Executive Education Programme offered by the European University Institute's Florence School of Banking and Finance. This programme was designed together with the ECB under its technical and leadership pillars of the ESCB & SSM learning and development strategy. The Head of Department who had embarked on the same programme in 2024, successfully completed this programme in July.

During 2025, an economist who had embarked upon the Bank's Doctoral internship programme launched in 2024, successfully completed the internship and his studies and joined the Bank on a full-time basis.

Several employees attended the newly launched initiative organised by the ECB on ESCB/SSM AI Foundations Programme with the objective to demystify artificial intelligence, introduce key concepts, explore opportunities and common misconceptions and discuss the responsible use of AI.

*Schuman Programme*

The Bank participated in the seventh edition of the Schuman Programme which offers all employees within the ESCB an opportunity to work on interesting projects in NCAs, NCBs or the ECB for six to nine months on a full-time basis. In 2025, the Bank hosted one participant on this programme from Danmarks National Bank to work on an assignment. This assignment ends in March 2026.

## Innovation and Technology Services

From a technological and cybersecurity perspective, during 2025, the Bank further developed its multi-cloud infrastructure and enhanced and strengthened cohesion with its on-premises platforms (datacentres and end-user devices) with the aim to increase efficiency, resiliency and redundancy. The Bank upgraded its core financial system and human resources applications through its hybrid technology framework and further improved its instant payments solution. These critical projects were delivered ensuring sound digital asset security, appropriate risk management, performance monitoring and threat intelligence activities. Considerable effort was made to keep all the team abreast to latest developing technology, whilst acting proactively to deal with cyber threats. The Bank continued its efforts to implement artificial intelligence solutions for its staff members, through targeted initiatives. The team actively contributed to committees and working groups in the ESCB/SSM community.

## Knowledge services

Corporate records constitute the Bank's official and legally mandated documentation, demonstrating adherence to regulatory requirements and capturing the full scope of its operational activities. The Bank continues to leverage innovative knowledge management practices to capture, organise, preserve and share information efficiently across the organisation. The ongoing digitisation, scanning, uploading and cataloguing of policy documents through the new knowledge management system ensures the seamless delivery of critical services to staff.

The Bank's website serves as the primary platform for publishing and archiving official communications, publications and statistical data, providing stakeholders with transparent, timely and easy access to high-quality information. Through these efforts, the Bank reinforces its position as a modern, knowledge-driven institution committed to excellence, accessibility and the strategic use of information.

## The Library

The Central Bank of Malta's Library continued to strengthen its role as a key enabler of the Bank's mandate by providing seamless access to high-quality, authoritative information resources. In support of the Bank's ambition to further enhance its research capacity, policy formulation and investment activities, the Library expanded its portfolio of digital resources, responding proactively to the evolving and diverse needs of business areas. Throughout 2025, the Library actively disseminated information and promoted the Bank's research output, reinforcing its contribution to knowledge sharing and institutional visibility. Continued investment in specialised databases ensured reliable access to targeted, premium information tailored to specific operational requirements. Looking ahead, plans are underway to transform the physical Library space and its collections, strengthening its position as a modern, central knowledge hub that supports research excellence, professional development and informed decision-making across the Bank.

## Publications

The Bank's flagship publications were issued in a timely manner and their design underwent continued enhancements, with greater use of visuals and interactive dashboards, improved accessibility and strengthened engagement with a broad readership.

During the year, the website was regularly updated and the public was kept informed of the Bank's work through various press and web releases. Accordingly, the website is an important tool for the Bank to communicate with its stakeholders and the public.

## Social Media

Over recent decades, central banks have increasingly harnessed social media to reach diverse audiences and foster greater transparency. The Bank maintained a strong presence across major platforms, including

Facebook, Instagram, LinkedIn, X and YouTube, which serve to share informative and educational content. In 2025, these channels supported targeted communication campaigns, including initiatives on euro banknotes and surveys about the Bank's *Annual Report* and awareness about the digital euro. The use of interactive content, particularly infographics, was expanded to enhance user engagement and promote understanding of the Bank's work among a wider audience.

## Notte Bianca

The Central Bank of Malta once again opened its doors to the public on Notte Bianca, a key event in Malta's cultural calendar. More than 4,000 guests visited the Bank during the event.

At the Bank's Currency Museum in Castille, visitors could explore a splendid selection of coins and banknotes, showcasing the rich history of currency. Bank's counterfeit experts provided insights into detecting fraudulent money.

A static display by the Military Vehicle Collectors Club was organized in front of the Bank's main premises. The display included ex-military vehicles, both World War Two and Post World War Two.

In collaboration with the Customs Department, Żekkin, the labrador sponsored by the Bank, demonstrated the way money-related crime is detected. Żekkin and smart sniffer dogs were active in simulation exercises at the Upper Garden.

Live music was provided by Pomelia's band. Artist Carmel Serracino performed plein air painting while a few of his paintings were exhibited at the entrance of Binja Ġlormu Cassar. A team from ĠEMMA discussed financial literacy topics.

*A sniffer dog in action during a simulation exercise*

*Ġemma representatives discussing financial literacy with the public during Notte Bianca*

## Events

In 2025, the Central Bank of Malta delivered a wide-ranging calendar of policy, institutional and outreach activities, beginning with a Monetary Policy event, together with payments committee meetings, delegation and courtesy visits. February saw the Forum for Financial Stability, one of the year's principal policy engagements, followed in April by the launch of the Annual Report, a Bank's flagship event. The Bank also contributed to the European Money Week and marked social initiatives such as International Women's Day. It continued its numismatic programme through several coin launches and a coin-swapping event, alongside the Bee Coin award presentation to the Governor in recognition of its international awards. The Bank hosted the Standing Committee of European Central Banks Union's (SCECBU) Annual Executive Committee Meeting for EU Member States. Moreover, the Bank welcomed Her Excellency, the President of Malta, for an official visit on 4 September. The Joint European Tender Meeting was also held. The year concluded with a series of knowledge-sharing activities, including the FSR Seminar and the Annual Research Workshop in November.


*Acting Governor Alexander Demarco flanked by Deputy Governor for Financial Stability Mr Oliver Bonello and Chief Economist Dr Aaron G. Grech at the Annual Report launch*

*Coin swapping*

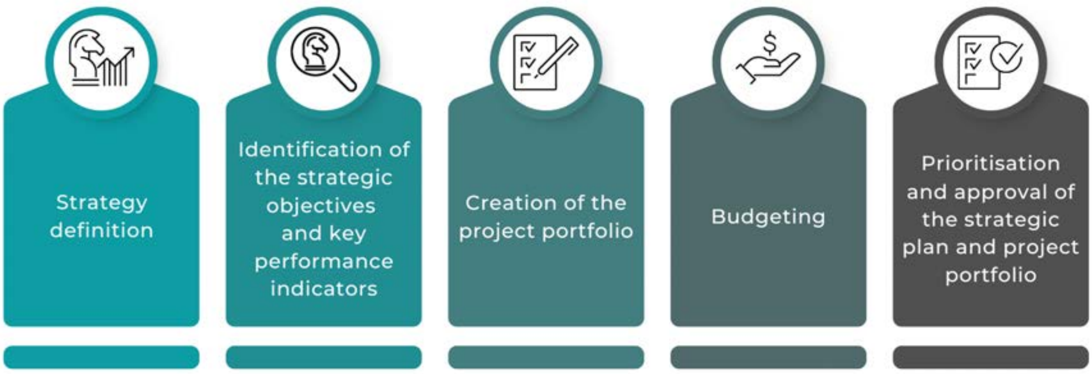
*Participants at the Joint European Tender meeting*


*H.E. Myriam Spiteri Debono, President of Malta, addressing staff*

## Corporate Strategic Planning

The Bank continued to operate its corporate strategic planning process, which consists of five phases, as indicated in the infographic and structured its projects according to a prioritisation framework that takes into consideration several variables, to better assess the contribution of each initiative to the Bank's mission.

### CORPORATE STRATEGIC PLANNING




Source: Central Bank of Malta.

The main objective of the Corporate Strategic Plan is to provide strategic direction to the Bank's staff and to ensure that the Central Bank of Malta fulfils its mandate in an efficient and effective way. The Plan ensures that the strategic goals are translated into divisional, departmental and office goals in accordance with the Bank's organisational structure. The eight pillars of the strategic plan are the following:

- Contribute effectively to the European System of Central Banks, supporting its primary objective of price stability, while participating in its fora and activities.
- Foster financial stability by strengthening the resilience of the domestic financial sector.
- Ensure a smooth functioning payment system and a secure provision of cash.
- Continue to be a reference for economic and financial analysis, research and statistics in Malta.
- Optimise return on the Bank's financial assets, while contributing positively to the environment.
- Enhance risk mitigation and security measures, especially to fully safeguard the systems' integrity.
- Maintain strong internal governance, in full compliance with the law.
- Improve the overall efficiency and effectiveness, while actively promoting environmental awareness, corporate social responsibility (CSR), inclusiveness and diversity.

During 2025, the Bank monitored closely and achieved its strategic objectives across the Bank's Divisions, Departments and Offices. The implementation of its project portfolio was completed, with 66 projects successfully concluded.

## Property and procurement

During 2025, the Bank undertook several projects, including the completion of works on the new coin processing facilities, the replacement of a lift, the consolidation of structures overlooking the ditch adjacent to Saint James's Counterguard and the renovation works on the Annex to the Bank's Castille premises.

Regarding its procurement activities, the Bank issued seven calls for tenders and 14 requests for quotations with respect to purchases of a certain value, apart from numerous requests for quotations for low value purchases of goods and services. In its procurement practices, the Bank always seeks to adopt fair and competitive bidding processes, to obtain value for money and remain in line with local and European legislation.

The Bank continued to actively participate in initiatives coordinated by the Eurosystem Procurement Coordination Office, which enables central banks within the Eurosystem and the ESCB to benefit from efficiencies in joint procurement exercises, primarily in the areas of hardware, software, rating agency services and market data provision.

During the year, the Bank also entered into, or renewed, a significant number of maintenance agreements to ensure that its premises and equipment are always serviced and maintained to the highest standards. Where necessary new machinery was installed, while older systems were replaced with more energy efficient products.

In 2025, the Bank also took part in meetings of the European System of Central Banks Heads of Administration Conference, where participants from EU NCBs exchanged best practices and experiences on procurement, property management, new working arrangements, business continuity and environment related issues.

Committee members enhanced their competencies through participation in seminars organised by the Occupational Health and Safety Authority. Training on the handling of equipment, such as pallet trucks, was also provided to staff members who are required to be certified accordingly.

In 2025, the Bank's Health and Safety Committee convened quarterly to review and oversee a broad range of health and safety matters, ensuring continued compliance with regulatory requirements and alignment with best practices. Following the introduction of revised health and safety legislation, the Bank immediately began engaging external Project Supervisors for health and safety matters associated with all construction-related projects. This step reinforces the Bank's commitment to maintaining a safe working environment and ensuring full adherence to statutory obligations.

## 8. CORPORATE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

### Climate change and sustainability

Climate action and sustainability have become important priorities for the Eurosystem as climate change poses tangible risks to the core functions of central banking, including price stability, financial stability and management of the Bank's financial assets. The Eurosystem has integrated climate considerations into its monetary policy framework and risk management tools to support the green transition while mitigating the effects of climate risks on its financial position. Climate risks could impact asset values, economic dynamics and the financial system's resilience. These considerations are aligned with the EU's broader carbon neutrality goals under the Paris Agreement and EU Climate Law. The Central Bank of Malta, as a member of the Eurosystem, embeds sustainability into its strategic planning and investment practices. It strives toward a carbon neutrality in its non-monetary portfolios to safeguard its balance sheet and support an orderly transition to a low-carbon economy. In addition, the Bank has in recent years enhanced its climate-related financial disclosures to lead by example.

### Climate change disclosures in monetary and non-monetary policy portfolios

On 12 June 2025, the ECB published its third set of climate-related financial disclosures providing an overview of the carbon footprint and climate risk exposures of the Eurosystem's monetary policy portfolios, the ECB's foreign reserves and the ECB's non-monetary policy portfolios (NMPPs). The results show that approximately 30% of the Eurosystem's monetary policy corporate bond holdings are concentrated in the three most exposed sectors, which are utilities, food and real estate.

Emissions associated with the Eurosystem's monetary policy portfolios and the ECB's foreign reserves continued to decline in absolute terms and, for most asset classes, relative to their portfolio size. An updated climate stress test of the Eurosystem balance sheet revealed that corporate bonds are still the asset class most exposed to climate risk, underlining the relevance of the ECB's earlier decision to tilt reinvestments towards issuers with a better climate performance. Although reinvestments slowed from mid-2023, tilting still accounted for around one-quarter of total emission reductions between 2021 and the end of 2024, when reinvestments were discontinued. Following its decision last year to set interim emission reduction targets for the aggregate corporate portfolio holdings in the APP and the PEPP, the Governing Council of the ECB set an emission intensity reduction target of 7%, on average, per year. The aim of this target is to keep these holdings on a path that supports the goals of the Paris Agreement and EU climate neutrality objectives. If, on aggregate, these portfolio holdings deviate from this path, the Governing Council will assess, within the limits of its mandate, whether remedial action is warranted.

### Climate change considerations in the collateral framework

On 29 July 2025, the Governing Council of the ECB decided to introduce a new measure within the collateral framework to better manage financial risks related to potential impacts from climate change. In particular, it decided to introduce a "climate factor" which could reduce the value assigned to eligible assets pledged as collateral, depending on their sensitivity to climate uncertainties. The climate factor focuses on marketable assets issued by NFCs as well as their affiliated entities and adverse events specifically associated with the green transition. This measure is due to be implemented in the second half of 2026. It will be regularly reviewed by the Governing Council of the ECB to reflect the increasing availability of data and models, as well as relevant regulatory developments and advances in risk assessment capabilities.

### Climate change and sustainability considerations in the Bank's non-monetary policy portfolios

The integration of sustainability and climate considerations into the resilience of central banks' investment portfolios continues to gain prominence. Sustainability remains a strategic pillar alongside capital preservation, liquidity and return for the Bank, guiding investment decisions and reinforcing its commitment to responsible financial management. This approach is supported by the Eurosystem's minimum climate-related financial disclosures framework, which has been progressively enhanced to improve its transparency and breadth.

During 2025, the Bank strengthened its sustainability strategy through several key actions. The Bank continued to increase investments in equity funds comprising of companies with strong sustainability profiles while aligning with the minimum requirements of EU Paris Aligned Benchmarks. As indicated by the Network for Greening the Financial System (NGFS), "climate benchmarks can be a powerful aspect of a net zero investment strategy" as they aim to reduce financed emissions, prevent greenwashing and support the transition to a low-carbon economy. However, the Bank recognizes that reliance on exclusions alone may hinder the decarbonization of the real economy. Accordingly, the Bank complements its equity strategy by investing in actively managed equity funds that focus on companies which demonstrate meaningful efforts towards improving the environment.

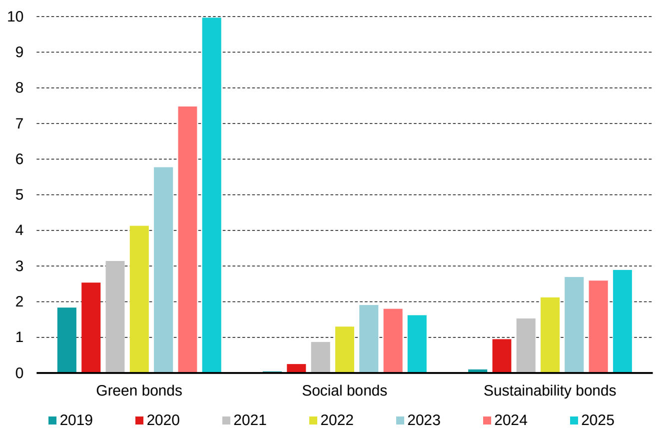
The holdings of such funds are similarly analysed from a broader ESG perspective, also adopting a best-in-class approach to sustainable investing. In addition, the externally managed corporate bond portfolio continued to implement norm-based negative screening based on the Norges Bank Investment Management exclusion list, complemented by Paris-aligned exclusions as introduced in previous years. The Bank kept expanding its exposure to geographically diversified fixed income funds that integrate ESG considerations.

The Central Bank of Malta further scaled up its thematic holdings, namely green, social and sustainability bonds. These reached a nominal value of circa €490.9 million by the end of 2025, up from €409 million in 2024 (see Chart 8.1). These holdings now account for approximately 15% of the Bank's total assets under management, compared with around 12% in the previous year. This increase underscores the Bank's commitment to channel financing toward projects that deliver environmental and social benefits.

Furthermore, the Bank published its third climate-related financial disclosures report[1] in line with the Eurosystem common disclosure principles. The report continued to cover sovereign and sub-sovereign holdings, as well as non-sovereign holdings including supranational bodies, agencies, corporate and covered bonds, and equities. In 2025, the Bank also introduced new elements in its report such as Scope 3 emissions for non-sovereign holdings and a core nature-related metric capturing corporate exposure to nature-sensitive sectors. Building on the progress made in 2024, it also maintained the disclosure of the impact of land use, land use change and forestry on greenhouse gas emissions for sovereign issuers. These disclosures, together with historical[2] and forward-looking climate data and sectoral analyses of corporate and equity holdings, enhance transparency and enable monitoring of progress toward long-term targets.

As part of the Eurosystem, the Bank will strive to ensure that its NMPPs are on a path that supports the goals of the Paris Agreement and the EU's climate neutrality objectives as set out in the European Climate Law. The scale of transformation required across industries and technologies to reach this goal is significant. The Central Bank of Malta acknowledges that the path to decarbonising a diversified portfolio will be neither simple nor linear. As part of this commitment, the Bank aims to reach a total of EUR500 million in green social, and sustainability bonds by end-2026,

**Chart 8.1**
**THEMATIC BOND HOLDINGS**
*(per cent)*




Source: Central Bank of Malta.

1 Climate-related Financial Disclosures Report 2025

2 Updated historical metrics with the latest figures as per market practice to align financial and climate data to the same year to the extent possible, depending on data availability.

thereby directing capital toward projects that deliver environmental benefits and address social challenges.

### Climate change and nature degradation considerations in financial stability

Climate change and nature degradation are being widely recognised as key financial stability concerns owing to the physical and transition risks, they pose to the financial system. Physical risks, such as extreme weather events and rising sea levels, can lead to asset damage, business disruptions and higher insurance costs, impacting credit quality and collateral values. Transition risks, arising from policy changes, technological shifts, and evolving market preferences towards low-carbon solutions, can result in stranded assets and valuation losses. These factors influence banks' balance sheets, investment portfolios, as well as overall systemic risk, making it essential for central banks and supervisors to integrate climate-related considerations into risk assessments and policy frameworks.

Against this backdrop, the Central Bank of Malta conducted a survey among the core domestic banks in 2024 to assess how climate considerations are integrated into credit and investment practices. The results were featured in the Bank's *FSR* 2024, published in July 2025, while initial results were discussed during the meeting of the Forum for Financial Stability in early 2025.[3] The survey showed that most core domestic banks have adapted their lending policies to incorporate climate and ESG risks. Green financial products were introduced and monitoring of both transition and physical climate risks, including via the use of energy performance data and climate-related risk assessments, commenced. While progress is evident, formal targets for green investments remained limited among some institutions, highlighting the need for continued efforts to align financial practices with sustainability goals. Furthermore, green loans and green bonds remain a relatively small share of banks' overall portfolios, indicating that the transition towards greener bank balance sheets is still at an early stage.

### Environmental initiatives

#### *Cleaner banknote production and disposal process*

The ECB is actively working to reduce the environmental footprint of euro banknotes by assessing their full life cycle through the Product Environmental Footprint methodology. This work builds on earlier measures such as switching to 100% sustainable cotton in banknote paper and banning landfill disposal of banknote waste, alongside ongoing research into recycling and more eco-friendly materials.

#### *Eurosystem Climate Change Forum*

In 2025, the Bank reaffirmed its commitment to sustainability by maintaining an active engagement in the Eurosystem Climate Change Forum. Through this platform, the Bank strengthened cooperation and promoted knowledge-sharing on climate and nature-related strategies. Two senior officials represented the Central Bank of Malta, contributing valuable insights and shaping discussions that support the integration of environmental considerations into the Eurosystem's policy framework.

#### *Network of Central Banks and Supervisors for Greening the Financial System*

The Bank continued its active participation in the NGFS, contributing to global efforts to integrate climate and nature-related risks into financial frameworks. Staff engaged in key workstreams, reinforcing the Bank's commitment to sustainable finance. Notably, the Bank's initiatives were highlighted by the NGFS through an interview in the In Conversation With series published in May 2025, showcasing the Bank's approach to climate risk management and transition planning.[4]

#### *Other eco-friendly measures*

In 2025, the Central Bank of Malta pursued its initiatives to further reduce its ecological footprint by adopting various measures, such as the reduction of consumption of paper and the improvement of recycling

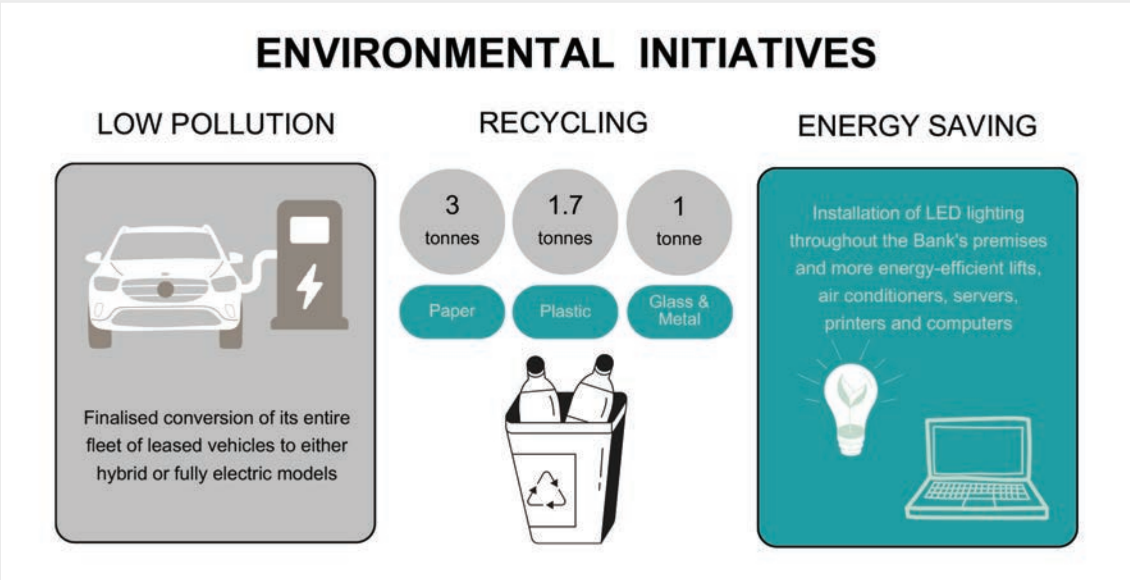
[3] FSR-2024-Box-2.pdf

[4] In Conversation with Ms Wendy Zammit (Head of Financial Stability Surveillance & Research Department, Central Bank of Malta) | Network for Greening the Financial System.

practices. In 2025, the Bank recycled 3 tonnes of paper and cardboard, over 1.7 tonnes of plastic, 1 tonne of glass and metal and 0.8 tonnes of organic waste. The Bank also continued to streamline operational processes with the aim of achieving further efficiencies, through the increased use of digital means.

As part of its eco-friendly measures the Bank finalised the conversion of its entire fleet of leased vehicles to either hybrid or fully electric models. The Bank now operates, on a restricted basis, only one specialised vehicle powered by an internal combustion engine.

Additionally, more energy efficient LED lighting continued to be installed, while various items of equipment, including lifts, air conditioners, printers, servers and computers, are continually being replaced with more energy efficient models.




## Corporate Social Responsibility

### *Philanthropy and outreach*

In 2025, the Central Bank of Malta's Social Club coordinated several charitable initiatives and awareness campaigns. These included fundraising efforts in support of Europa Donna through the Pink October and Movember campaigns, complemented by two informative talks delivered by experienced speakers on breast cancer and prostate cancer awareness. Dress Down Days were organised to raise funds for the Malta Community Chest Fund and a Figolli Sale for Dar tal-Providenza. The Staff Social Club sponsored staff participation in the President's Solidarity Fun Run. Additionally, three blood donation sessions were organised, during which a strong turnout of donors contributed to saving lives.

*Pink October event – Talk by Ms Gertrude Abela, President of the Europa Donna Malta*

*Movember event – Talk by Mr Tony Cachia, Malta Male Cancer Support Association*

Blood drive event


*Michelle Abela and Melvin Bugeja from the Bank's Social Club Committee during the presentation of cheque to L-Istrina 2025*

Staff members had the opportunity to volunteer at the Soup Kitchen in Valletta. Participants assisted in the preparation and cooking of meals for individuals experiencing homelessness, poverty, or other forms of hardship, under the guidance of regular volunteers. This initiative proved to be a highly rewarding experience for all those involved.

Finally, REACH, the Religious Sub-Committee, organised a number of activities offering spiritual guidance to staff.

*Staff members volunteering at the Soup Kitchen in Valletta*

### *Staff*

The Central Bank of Malta Staff Social Club[5] contributed to the well-being of staff throughout the year by organising a wide range of activities and events. These included an Ice-Cream Day, a Sip & Savour Wine Tasting Event, a Staff Summer Party, Music Bingo Night, Bowling Event, Karaoke Night, the Christmas Staff Gathering and the Children's Christmas Party.

Staff members also participated in five European sports events. The latter allowed staff to engage and compete with fellow central bankers from across Europe. A Central Bank of Malta Football Tournament at the Luxol Grounds was also organized, as well as a padel and a golfing session.

*Ice-cream day*

*Christmas party*

*Bowling event*

*Karaoke night*

[5] The Central Bank Social Club is composed of a main Committee and three sub-committees.

*Euro Football 2025*

*Euro Badminton 2025*

*Euro Hike 2025*

*Euro Table Tennis 2025*

*Staff members during the padel training session*

*Euro Athletics 2025*

## *Financial literacy: outreach programmes*

During 2025, the Bank continued its educational campaign aimed at increasing public awareness against counterfeiting. Numerous educational presentations were delivered both on the Bank's premises and within the local community, reaching various social strata.

These initiatives formed part of the *Active Ageing Programme*, Skola Sajf activities in Malta and Gozo and the *Be Money Smart Programme* in collaboration with the Home Economics Centre. Most participants received hands-on training in the examination of counterfeit banknotes while also gaining general knowledge of the role and functions of the Central Bank of Malta, enabling them to better understand the Bank's purpose and its role within the ESCB.

*Children from Marsascala Primary School following an educational presentation*

*Alexander Grima from the Bank's Currency Operations Office showing the security features of a €20 banknote*

### *Central Bank of Malta Fund*

The Central Bank of Malta Fund's Advisory Board is mandated by the Board of Directors to identify projects of a national stature with lasting visibility worthy of support by the Bank, through funds set aside for non-business-related purposes. The areas pursued by the Fund relate to education, culture, scientific research, preservation of Maltese national heritage and social causes.

In 2025, the members of the Fund's Advisory Board were Dr Narcy Calamatta, who acted as Chair, Professor Yosanne Vella, Professor Marvin Formosa, Marquis Nicholas de Piro and Dr Pauline Lanzon. Dr Jeremy Buttigieg acted as secretary to the Advisory Board, and Mr Raymond Filletti was the Projects and Financial Controller.

Some of the beneficiaries of financial support from the Fund during the year 2025 were *Fondazzjoni Patrimonju Malti* for the publication *Titles to Talkies*, a study on the history of film and cinema in Malta; the Medina Foundation for Music for the purchase of musical instruments for the St Paul Metropolitan Orchestra; the Msida Parish Church towards the restoration of its prestigious pipe organ built by Giovanni Felter in 1899; and the Floriana Parish Church towards the reconstruction of a triumphal wooden arch, a rare example of Maltese cultural heritage. The Bank also pledged support for the restoration and conversion of a dilapidated British military building at the *Majjistral Nature* and History Park into a multi-purpose exhibition hall, pursued by Heritage Parks Federation; and a publication of a historical book on Kalkara led by Assoċjazzjoni Wirt il-Kalkara.

In 2025, the Bank further pledged its support for the procurement and training of a guide dog and a sniffer dog, pursued respectively by the Malta Guide Dogs Foundation and the Malta Tax and Customs Administration.

*Dr Narcy Calamatta and Dr Pauline Lanzon at the official inauguration of the musical instruments together with representatives from the Medina Foundation for Music*

*Restored pipe organ at the Msida Parish Church. Photo courtesy of Noel Gallo, the organ restorer*

## 9. INTERNATIONAL RELATIONS

### Eurosystem and European System of Central Banks

The Governor of the Central Bank of Malta or his alternate is a member of the Governing Council of the ECB, which is the highest decision-making body of the ECB. The Governing Council consists of the members of the ECB's Executive Board and the NCB Governors of the euro area Member States. The Governing Council is responsible for monetary policy in the euro area and decides on the implementation of tasks entrusted to the Eurosystem, the latter being composed of the ECB and the euro area NCBs.

During the year, the Governing Council held 15 meetings. Eight of these focused on monetary policy. Furthermore, the Governing Council took a significant number of decisions by written procedure. In addition, in connection with the ECB's responsibilities in bank supervision, the Governing Council adopted numerous draft supervisory decisions prepared by the ECB's Supervisory Board. A retreat for the Governing Council took place in May, allowing the members to discuss policy issues in an informal setting.

Following decisions taken by the Governing Council during 2025, the Bank signed several agreements. More specifically, these agreements concerned Bulgaria's accession to the euro area on 1 January 2026, and various aspects related to payments and SSSs.

The Governor or his alternate is also a member of the General Council of the ECB, which is composed of the President and Vice-President of the ECB, and the NCB Governors of all Member States of the EU. The General Council mainly performs an advisory role and met four times in 2025.


*Group photo of the Governing Council in Portugal*

The Macroprudential Forum is composed of the Governing Council and the ECB's Supervisory Board. It is a platform for regular, high-level discussions, bringing together microprudential and macroprudential perspectives. It met twice in 2025, with the Acting Governor attending in June, while both Deputy Governors attended in December 2025. Moreover, the Deputy Governor for Financial Stability attended a meeting of the Steering Committee of the Macroprudential Forum, which was held in September.

Furthermore, the Deputy Governor for Financial Stability sits on the ECB's Supervisory Board together with a senior official of the MFSA.

The Governing Council and the General Council are supported by several committees, working groups and other structures, in which various Bank officials participated actively throughout the year. These officials play a key role in briefing the Governor on issues to be discussed ahead of meetings of both the Governing Council and the General Council. They also give feedback on written procedures addressed to the Governing Council and the General Council.

## House of the Euro

Throughout 2025, the Central Bank of Malta – Brussels Office – at the House of the Euro continued to engage with public and private stakeholders, as well as with other central banks, on issues of relevance to the central banking community. These included the digital euro, the Savings and Investment Union, the green transition and macroprudential regulation. As the European Union adapts to a more challenging international environment, close and structured dialogue with policymakers has become increasingly important. In this context, and in addition to its regular behind-the-scenes engagement, the House of the Euro organised a series of public events bringing together high-level decision-makers from across the Union to discuss key policy challenges.

*House of the Euro, Brussels*

## European Systemic Risk Board

The Bank continued to participate actively in the ESRB, with the Governor serving as a voting member of the General Board. In 2025, the Governor, Acting Governor and the Deputy Governor for Financial Stability attended meetings of the General Board, contributing to discussions on emerging vulnerabilities and risks facing the EU financial system, as well as on the corresponding macroprudential policy responses. Senior Bank officials also participated in the meetings of the ESRB's Advisory Technical Committee and its related substructures.

## Other EU institutions

In 2025, the Deputy Governor for Monetary Policy regularly participated in meetings of the Economic and Financial Committee (EFC) when issues relevant to central banks were discussed.

During the year, the Bank engaged in EFC discussions on matters related to the developments in financial markets and the regular monitoring of risks to financial stability in the EU prior to the formulation of appropriate policy responses. Strengthening of the Banking Union, the completion of the Capital Markets Union, the implementation of the Stability and Growth Pact, developments in the Savings and Investment Union and digital finance continued to be topics of discussion.

The EFC continued to play a crucial role in the preparation of discussions ahead of meetings of the EU Council of finance ministers and the formulation of common European positions at the G-20 meetings and other international fora, such as the IMF and the Financial Stability Board.

Other bank officials also participated in meetings of several EFC sub-committees, where matters of relevance to central banks, such as sovereign debt, digital finance, and related topics were discussed.

Apart from participating in the EFC and its sub-structures, Bank staff took part in several other European Union committee structures related to central banking functions. The Deputy Governor responsible for Financial Stability or his alternate represented the Bank at meetings of the European Banking Authority. The Bank also continued to contribute extensively, through consultations on matters of an economic and financial nature, to the participation of Malta's representatives within various European Union decision making bodies.

### International Monetary Fund

In the IMF, Malta forms part of a constituency headed by Italy, together with Albania, Greece, Portugal and San Marino. As the main institution representing Malta, the Bank upheld its leading role in maintaining Malta's relationship with the Fund. The Acting Governor participated in the Spring IMF Meetings in April. In turn, the Governor participated in the IMF Annual Meetings in October. During the year, several resolutions proposed by the Fund's Executive Board were voted on.

As part of the process surrounding the $16^{th}$ General Review of Quotas (GRQ), in January 2025, the Bank signalled consent for Malta's participation in the quota increase. Once implemented, Malta's quota share in the Fund will increase by SDR 84.2 million to SDR 252.5 million. While awaiting the implementation of the $16^{th}$ GRQ, the Bank continued to engage with the Fund over the method and manner of its contribution.

It is expected that the threshold of consent necessary for the $16^{th}$ GRQ will be achieved in 2026, leading to the respective increase in Malta's quota share and associated contribution.

Following an Article IV mission late in the year, the IMF published its concluding statement. Fund staff met senior officials of the Bank, the Government and the MFSA, among other authorities and stakeholders.

### World Bank Group

Although Malta is represented in the World Bank Group (WBG) by the Minister for Finance, throughout the year the Bank continued to assist the Ministry in monitoring developments and providing advice on initiatives from the Group. During 2025, the Bank provided the Ministry with background documentation and recommendations on resolutions that had to be voted upon.

### Commonwealth

The Bank continued to provide banking services to the Commonwealth Small States Trade Finance Facility, which was set up to enhance trade and investment finance particularly for small Commonwealth states. No trade-related transactions involving the Bank took place in 2025.

# III. Financial Statements

## Directors' report

The Directors present their report and the audited financial statements of the Central Bank of Malta (the Bank) for the year ended 31 December 2025.

## Presentation of the financial statements

These financial statements have been prepared so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2025, and of its profit and loss account for the year then ended. The financial statements have been prepared in accordance with the provisions established by the Governing Council of the European Central Bank under Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank and in accordance with the requirements of the Central Bank of Malta Act (Cap. 204). The provisions established by the Governing Council of the European Central Bank are outlined in the Guideline of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2024/31).

## Financial results

The Bank's financial statements for the year ended 31 December 2025 are set out on pages A-4 to A-36 and disclose a profit for the year of €10 million which is payable to the Government of Malta, this following a transfer of €28.92 million to the risk provision.

## Board of Directors

The members of the Board of Directors during the year ended 31 December 2025 and up to the date of authorisation for issue of the financial statements were:

Mr Alexander Demarco – Governor (appointed on 1 January 2026), Acting Governor (up to 31 July 2025), and Deputy Governor Monetary Policy (up to 31 December 2025)
Professor Edward Scicluna – Governor (reassumed duties from 1 August up to 31 December 2025)
Ms Rita Schembri – Deputy Governor Monetary Policy (appointed on 14 January 2026)
Mr Oliver Bonello – Deputy Governor Financial Stability
Professor Peter J. Baldacchino
Dr Romina Borg
Professor Frank Bezzina
Professor Lauren Ellul

During the financial year, Mr Francis Bugeja was secretary to the Board.

## Statement of Directors' responsibilities in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are drawn up in accordance with the requirements of the Central Bank of Malta Act (Chapter 204, Laws of Malta). The Bank is required to prepare financial statements in accordance with the requirements of the Guideline of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2024/31).

The Board of Directors is responsible for ensuring that these financial statements give a true and fair view of the state of affairs of the Bank as at 31 December 2025 and of the profit and loss account for the year then ended.

In preparing the financial statements, the Directors are responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the requirements set out above. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Auditors

Deloitte Audit Limited were appointed as the auditors of the Bank with effect from the financial year ended 31 December 2023 and have signified their willingness to continue in office.

By order of the Board.

| | | |
|---|---|---|
| Mr Alexander Demarco<br>Governor | Ms Rita Schembri<br>Deputy Governor | Mr Oliver Bonello<br>Deputy Governor |

Central Bank of Malta
Pjazza Kastilja
Valletta VLT 1060
Malta

16 March 2026

* www.centralbankmalta.org/annual-reports

## Balance Sheet as at 31 December 2025

| | | 2025 | 2024 |
|---|---|---|---|
| | **Assets** | **€'000** | €'000 |
| **A 1** | **Gold and gold receivables** | **44,895** | **14,655** |
| **A 2** | **Claims on non-euro area residents denominated in foreign currency** | **1,274,405** | **1,371,547** |
| A 2.1 | Receivables from the IMF | 360,841 | 389,887 |
| A 2.2 | Balances with banks and security investments, external loans and other external assets | 913,564 | 981,660 |
| **A 3** | **Claims on euro area residents denominated in foreign currency** | **246,926** | **288,784** |
| **A 4** | **Claims on non-euro area residents denominated in euro** | **934,960** | **981,653** |
| A 4.1 | Balances with banks, security investments and loans | 934,960 | 981,653 |
| A 4.2 | Claims arising from the credit facility under ERM II | - | - |
| **A 5** | **Lending to euro area credit institutions related to monetary policy operations denominated in euro** | **53,000** | **10,000** |
| A 5.1 | Main refinancing operations | 43,000 | 10,000 |
| A 5.2 | Longer-term refinancing operations | 10,000 | - |
| A 5.3 | Fine-tuning reverse operations | - | - |
| A 5.4 | Structural reverse operations | - | - |
| A 5.5 | Marginal lending facility | - | - |
| A 5.6 | Credits related to margin calls | - | - |
| **A 6** | **Other claims on euro area credit institutions denominated in euro** | **196** | **278** |
| **A 7** | **Securities of euro area residents denominated in euro** | **2,701,437** | **2,693,434** |
| A 7.1 | Securities held for monetary policy purposes | 1,388,808 | 1,476,486 |
| A 7.2 | Other securities | 1,312,629 | 1,216,948 |
| **A 8** | **General government debt denominated in euro** | **-** | **-** |
| **A 9** | **Intra-Eurosystem claims** | **3,921,219** | **4,204,198** |
| A 9.1 | Participating interest in ECB | 33,264 | 33,264 |
| A 9.2 | Claims equivalent to the transfer of foreign reserves | 52,235 | 52,235 |
| A 9.3 | Claims related to TARGET | 3,835,720 | 4,118,699 |
| A 9.4 | Net claims related to the allocation of euro banknotes within the Eurosystem | - | - |
| A 9.5 | Other claims within the Eurosystem (net) | - | - |
| **A 10** | **Items in course of settlement** | **12** | **11,077** |
| **A 11** | **Other assets** | **620,629** | **532,042** |
| A 11.1 | Coins of euro area | 14 | 9 |
| A 11.2 | Tangible and intangible fixed assets | 35,461 | 36,531 |
| A 11.3 | Other financial assets | 475,949 | 392,527 |
| A 11.4 | Off-balance sheet instruments revaluation differences | 10,189 | 5,824 |
| A 11.5 | Accruals and prepaid expenses | 48,841 | 52,450 |
| A 11.6 | Sundry | 50,175 | 44,701 |
| **Total Assets** | | **9,797,679** | **10,107,668** |

| | | 2025 | 2024 |
|---|---|---|---|
| | **Liabilities** | **€'000** | €'000 |
| **L 1** | **Banknotes in circulation** | **1,927,247** | **1,890,129** |
| **L 2** | **Liabilities to euro area credit institutions related to monetary policy operations denominated in euro** | **5,113,695** | **5,514,797** |
| L 2.1 | Current accounts (covering the minimum reserve system) | 334,160 | 306,474 |
| L 2.2 | Deposit facility | 4,779,535 | 5,208,323 |
| L 2.3 | Fixed-term deposits | - | - |
| L 2.4 | Fine-tuning reverse operations | - | - |
| L 2.5 | Deposits related to margin calls | - | - |
| **L 3** | **Other liabilities to euro area credit institutions denominated in euro** | **32,322** | **6,551** |
| **L 4** | **Debt certificates issued** | **-** | **-** |
| **L 5** | **Liabilities to other euro area residents denominated in euro** | **923,343** | **780,418** |
| L 5.1 | General government | 804,604 | 668,863 |
| L 5.2 | Other liabilities | 118,739 | 111,555 |
| **L 6** | **Liabilities to non-euro area residents denominated in euro** | **31,934** | **32,352** |
| **L 7** | **Liabilities to euro area residents denominated in foreign currency** | **351,914** | **445,346** |
| **L 8** | **Liabilities to non-euro area residents denominated in foreign currency** | **-** | **-** |
| L 8.1 | Deposits, balances and other liabilities | - | - |
| L 8.2 | Liabilities arising from the credit facility under ERM II | - | - |
| **L 9** | **Counterpart of special drawing rights allocated by the IMF** | **299,221** | **322,017** |
| **L 10** | **Intra-Eurosystem liabilities** | **519,770** | **557,006** |
| L 10.1 | Liabilities equivalent to the transfer of foreign reserves | - | - |
| L 10.2 | Liabilities related to TARGET | - | - |
| L 10.3 | Net liabilities related to the allocation of euro banknotes within the Eurosystem | 501,392 | 507,683 |
| L 10.4 | Other liabilities within the Eurosystem (net) | 18,378 | 49,323 |
| **L 11** | **Items in course of settlement** | **-** | **15** |
| **L 12** | **Other liabilities** | **20,673** | **42,474** |
| L 12.1 | Off-balance sheet instruments revaluation differences | 458 | 1,095 |
| L 12.2 | Accruals and income collected in advance | 8,646 | 9,674 |
| L 12.3 | Sundry | 11,569 | 31,705 |
| **L 13** | **Provisions** | **123,056** | **94,131** |
| L 13.1 | Risk provisions | 123,056 | 94,131 |
| L 13.2 | Other provisions | - | - |
| **L 14** | **Revaluation accounts** | **49,551** | **32,361** |
| **L 15** | **Capital and reserves** | **394,953** | **390,071** |
| L 15.1 | Capital | 20,000 | 20,000 |
| L 15.2 | Reserves | 374,953 | 370,071 |
| **L 16** | **Accumulated losses carried forward** | **-** | **-** |
| **L 17** | **Profit/(loss) for the year** | **10,000** | **-** |
| **Total Liabilities** | | **9,797,679** | **10,107,668** |

## Profit and Loss account for the year ended 31 December 2025

| | | 2025 | 2024 |
|---|---|---|---|
| | | **€'000** | €'000 |
| **1** | **Net interest income/(expense)** | **84,638** | **74,445** |
| 1.1 | Interest income | 183,862 | 301,995 |
| 1.2 | Interest expense | (99,224) | (227,550) |
| **2** | **Net result of financial operations and write-downs** | **6,694** | **13,355** |
| 2.1 | Realised gains/(losses) arising from financial operations | 10,153 | 16,266 |
| 2.2 | Write-downs on financial assets and positions | (3,459) | (2,911) |
| **3** | **Net result of pooling monetary income** | **(18,903)** | **(49,803)** |
| **4** | **Net income/(expense) from fees and commissions** | **(967)** | **(847)** |
| **5** | **Income from equity instruments and participating interests** | **-** | **-** |
| **6** | **Other income** | **3,269** | **2,858** |
| **7** | **Staff costs** | **(19,375)** | **(18,164)** |
| **8** | **Administrative expenses** | **(13,091)** | **(13,360)** |
| **9** | **Depreciation of tangible and intangible fixed assets** | **(3,100)** | **(3,285)** |
| **10** | **Banknote production services** | **(235)** | **(242)** |
| **11** | **Other expenses** | **(5)** | **(6)** |
| | **Profit/(loss) before the transfer (to)/from risk provisions** | **38,925** | **4,951** |
| **12** | **Transfer (to)/from risk provisions** | **(28,925)** | **(4,951)** |
| | **Profit/(loss) for the year** | **10,000** | **-** |
| | **Transfer to reserves for risks and contingencies** | **-** | **-** |
| | **Payable to the Government of Malta in terms of article 22(2) of the Central Bank of Malta Act (Cap. 204)** | **10,000** | **-** |

The financial statements on pages A-4 to A-36 were approved for issue by the Board of Directors on 16 March 2026 and are signed on its behalf by:

Mr Alexander Demarco
Governor

Ms Rita Schembri
Deputy Governor

Mr Oliver Bonello
Deputy Governor

Ms Maryanne Attard
Chief Officer
Financial Control and Risk

Ms Amy Camilleri
Head
Financial Control

# Notes to the financial statements for the year ended 31 December 2025

## General notes to the financial statements

### 1 The Eurosystem

The Central Bank of Malta (the Bank) is a participating member of the Eurosystem and has joint responsibility for monetary policy and for exercising the common strategic goals of the European System of Central Banks (ESCB).[1]

### 2 Basis of preparation

As established by the Central Bank of Malta Act (Chapter 204, Laws of Malta) (the Act), the Bank is required to prepare its financial statements in accordance with the Guideline of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2024/31) (the Guideline).

In line with the requirements of the Guideline, in cases where the latter does not provide specific direction, the requirements of generally accepted accounting principles are applied. In the case of the Bank, reference is made to International Financial Reporting Standards (IFRS) as adopted by the EU.

These financial statements have been drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2025 and of its profit and loss account for the year then ended. The accounts have been prepared on a historical cost basis, modified to include the revaluation of gold, foreign currency instruments, securities (other than securities classified as held-to-maturity and securities held for monetary policy purposes that are accounted for at amortised cost), as well as other financial instruments, both on-balance sheet and off-balance sheet, at mid-market rates and prices.

### 3 Accounting policies

#### Basic accounting principles

The basic accounting principles applied by the Bank in the preparation of these financial statements are:

- economic reality and transparency;
- prudence;
- materiality;
- consistency and comparability;
- going concern;
- accruals principle;
- post-balance sheet events.

#### Recognition of assets and liabilities

An asset or liability is recognised in the balance sheet when it is probable that any associated future economic benefit will flow to or from the Bank, substantially all of the associated risks and rewards have been transferred to or from the Bank, and the cost or value of the asset or liability can be measured reliably.

[1] The European Central Bank (ECB), together with national central banks (NCBs), shall constitute the ESCB. The ECB together with the NCBs of the Member States whose currency is the euro, constitute the Eurosystem and shall conduct the monetary policy of the Union, as per Article 282.1 of the Treaty of the Functioning of the European Union. The Eurosystem and the ESCB will co-exist as long as there are European Union (EU) Member States outside the euro area.

## Foreign currency transactions

Foreign exchange transactions, comprising spot and forward deals in gold and foreign currencies, are recorded as off-balance sheet commitments on trade date at the prevailing spot exchange rate of the forward transaction. All security transactions in foreign currencies are recorded on-balance sheet on settlement date at the applicable exchange rate. All other transactions are recorded in the balance sheet at market exchange rates prevailing on the day of the transaction.

The average cost method is used on a daily basis for calculating the acquisition cost of assets and liabilities that are subject to price and/or exchange rate movements.

Financial assets and liabilities denominated in foreign currency, including off-balance sheet positions, are revalued at the prevailing mid-market exchange rates at the balance sheet date. Gold balances are revalued at market prices prevailing at the year end. No distinction is made between price and currency revaluation differences for gold, but a single gold revaluation difference is accounted for on the basis of the euro price per defined unit of weight of gold derived from the euro/US dollar exchange rate at the balance sheet date.

Foreign currency positions (including off-balance sheet transactions) are revalued on a currency-by-currency basis. In the case of securities, revaluation is carried out on a code-by-code basis (same ISIN number/ type) and is treated separately from exchange rate revaluation.

In the case of foreign currency or gold positions, inflows and outflows are compared against each other to determine any realised gains or losses. Where a long position exists, net inflows of currencies and gold made during the day shall be added, at the average rate or the average price of gold, to the previous day's holding, to produce a new weighted average cost. In the case of net outflows, the calculation of a second realised gain or loss shall be based on the average cost of the respective currency or gold holding for the preceding day so that the average cost remains unchanged. For short positions, the reverse accounting treatment is applied.

## Securities

All securities are initially recorded at transaction price. The average cost method is used on a daily basis for the purpose of calculating the acquisition cost of a security that is sold.

Debt securities held for monetary policy purposes and marketable debt securities classified as held-to-maturity are measured at amortised cost and subject to impairment.

Held-to-maturity securities have fixed or determinable payments and a fixed maturity date, which the Bank intends to hold until maturity. Securities classified as held-to-maturity may be sold before their maturity in any of the following instances:

- if the quantity sold is considered not significant in comparison with the total amount of the held-to-maturity securities portfolio;
- if the securities are sold during the month of the maturity date;
- under exceptional circumstances, such as a significant deterioration of the issuer's creditworthiness.

Marketable securities (other than those measured at amortised cost) are valued at the mid-market prices at the balance sheet date, on a security-by-security basis.

Marketable investment fund units held for investment purposes without the Bank intervening in the decisions on the purchase or sale of the underlying assets, are valued at market prices on a net fund basis at year end. Gains and losses arising on measurement of these investment funds are accounted for in accordance with the Guideline (see 'Recognition of income and expenses' in 3 'Accounting policies' in the general notes to the financial statements).

Malta Government Stocks (MGS) and Treasury bills purchased on the secondary market in the Bank's role as a market maker are designated as part of an earmarked portfolio. Financial instruments forming part of this earmarked portfolio are measured at mid-market prices prevailing at the balance sheet date. Unrealised gains are reflected in the balance sheet under L 12.3 'Sundry', while unrealised losses are recognised under A 11.6 'Sundry'.

## Off-balance sheet instruments

Spot and forward foreign exchange contracts and daily changes in the variation margins of future contracts are included in the net foreign currency position for the purpose of calculating the average cost of currencies and determining realised foreign exchange gains and losses. Futures are accounted for and revalued on an item-by-item basis. Daily changes in the variation margins of open futures contracts, representing realised gains and losses, are recognised in the profit and loss account.

Gains and losses arising from off-balance sheet instruments are recognised and treated in a similar manner to on-balance sheet instruments. Realised and unrealised gains and losses are measured and accounted for as outlined in 'Recognition of income and expenses' in 3 'Accounting policies' in the general notes to the financial statements.

## Sale and repurchase agreements and lending of securities

Securities sold subject to repurchase agreements (repos) are retained in the financial statements in the appropriate classification on the assets side of the balance sheet while the counterparty liability is included as a collateralised inward deposit on the liabilities side of the balance sheet, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as a collateralised outward loan on the assets side of the balance sheet, as appropriate. The difference between the sale and repurchase price is treated as interest and is accrued in the profit and loss account over the term of the agreement on a straight-line basis. Securities lent to counterparties are also retained on the asset side of the balance sheet.

## Recognition of income and expenses

Income and expenses are recognised in the period in which they are earned or incurred.

### *Interest income and expense*

Interest income and expense are recognised in the profit and loss account for all interest-bearing assets and liabilities.

Interest income and interest expense arising from monetary policy operations are reported on a net basis on a balance sheet sub-item level under either 'interest income' or 'interest expense', depending on whether the net amount generated or incurred is positive or negative.

Premiums or discounts, arising from the difference between the average acquisition cost and the redemption price of all securities, are amortised over the remaining term of the security on a discounted basis. These are presented as part of interest income, together with coupons earned. Accrued interest and premiums and discounts related to financial instruments denominated in foreign currency are converted at the mid-market rate on each business day and are included in the respective foreign currency position.

In respect of forward exchange contracts, the difference between the deemed spot exchange rate of the forward contract and the deal rate is considered as interest income or expense and is amortised on a straight-line basis from the trade date to settlement date.

*Gains and losses arising from foreign exchange, gold and securities*

Realised gains and realised losses can only arise in the case of transactions leading to a reduction in foreign currency positions or on the sale of securities. In the case of securities, realised gains or losses are derived by comparing the transaction value with the average cost of the respective security. All realised gains and losses are taken to the profit and loss account.

Unrealised revaluation gains and losses arise as a result of the revaluation of assets and liabilities by comparing the market value with the average book value. Unrealised gains are not recognised as income but are transferred directly to a revaluation account. At year end, unrealised losses, with the exception of those relating to the MGS and Treasury bills earmarked portfolio, are taken to the profit and loss account when they exceed previous unrealised gains registered in the corresponding revaluation account. Unrealised losses recorded in the profit and loss account in previous years are not reversed against unrealised gains in subsequent years. Unrealised losses in any one security or in any foreign currency, including gold, are not netted against unrealised gains in other securities or other foreign currencies.

## Claims on the International Monetary Fund (IMF)

The IMF reserve tranche position, Special Drawing Rights (SDR) and other claims on the IMF are translated into euro at the year-end ECB euro to SDR exchange rate.

The IMF reserve tranche position is presented on a net basis representing the difference between the national quota and the holdings in euro at the disposal of the IMF. The IMF euro holdings are revalued against the SDR at the prevailing representative rate for the euro as quoted by the IMF on its last working day of the year. The euro current account for administrative expenses is included under L 6 'Liabilities to non-euro area residents denominated in euro'.

## Euro coins

Subsequent to the agency agreement between the Bank and the Government of Malta, euro coins issued by the Bank give rise to a reserve in the form of a capital contribution by the Government. Deposits of euro coins with the Bank constitute a reversal of the capital contribution.

## Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost less depreciation and amortisation, respectively, with the exception of land and works of art which are stated at historical cost and not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the carrying amount of the asset or are recognised as a separate asset, as appropriate, only when they are a present economic resource controlled by the Bank as a result of past events. All repairs and maintenance costs are charged to the profit and loss account 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:

| | |
|---|---|
| Freehold buildings | 2% |
| Leasehold property | over the remaining term of the lease |
| Computer hardware and software, equipment and other fixed assets | 10% to 25% |

Tangible and intangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down to its recoverable amount if that carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses arising on derecognition are determined by comparing sale proceeds with the carrying amount. These are included in the profit and loss account in the year when the asset is derecognised.

### Leases

For lease agreements, the related right-of-use asset and lease liability are recognised in the balance sheet at the lease commencement date under A 11.2 'Tangible and intangible fixed assets' and L 12.3 'Sundry', respectively.

The right-of-use asset is valued at cost less depreciation and impairment (see 'Tangible and intangible fixed assets' in 3 'Accounting policies' in the general notes to the financial statements). Depreciation is calculated on a straight-line basis from the commencement date to either the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the future lease payments, discounted at the Bank's incremental borrowing rate. Subsequently, the lease liability is measured at amortised cost using the effective interest method. The related interest expense is recorded in the profit and loss account under 1.2 'Interest expense'.

Short-term leases with a duration of twelve months or less and leases of low-value assets are recorded in the profit and loss account under 8 'Administrative expenses'.

### Provisions

Provisions are recognised by the Bank in accordance with the Guideline. Taking into due consideration the nature of its activities, the Bank has established a risk provision within its balance sheet to cover all financial risks, defined as market, liquidity and credit risks. The Bank decides on the size and use of the provision on the basis of a reasoned estimate of its risk exposure.

## 4 Capital key

The capital key determines the allocation of the ECB's share capital to the NCBs on the basis of population and gross domestic product in equal share. It is adjusted every five years and whenever there is a change in the composition of the EU in accordance with the requirements of the Statute of the ESCB. The capital key of the Bank as at 31 December 2024 and 2025 was 0.1053%.

The Eurosystem capital key, which is the respective NCB's share of the total share capital held by euro area NCBs, is used as the basis for the allocation of monetary income and the financial results of the ECB among the Eurosystem NCBs. The Bank's Eurosystem capital key as at 31 December 2024 and 2025 stood at 0.1288%.

## 5 Banknotes in circulation

The ECB and the euro area NCBs, which together constitute the Eurosystem, issue euro banknotes. The total value of euro banknotes in circulation is allocated to the Eurosystem NCBs on the last working day of each month in accordance with the banknote allocation key. The ECB has been allocated an 8% share of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to the NCBs according to their weightings in the capital of the ECB.[2] The share of banknotes allocated to each NCB is disclosed in the balance sheet under L 1 'Banknotes in circulation'.

[2] ECB decision of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29), OJ L 35, 9.2.2011, p. 26, as amended.

During the financial years ended 31 December 2024 and 2025, the Bank's share in euro banknotes remained unchanged at 0.1190%.

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation, as reduced by banknotes withdrawn from circulation, gives rise to intra-Eurosystem balances. If the value of the euro banknotes actually put into circulation is greater than the value according to the banknote allocation key, the excess is recognised as a liability in the balance sheet under L 10.3 'Net liabilities related to the allocation of euro banknotes within the Eurosystem'. If the value of the euro banknotes actually put into circulation is less than the value according to the banknote allocation key, the shortfall is recognised as an asset in the balance sheet under A 9.4 'Net claims related to the allocation of euro banknotes within the Eurosystem'. Until 31 December 2024, these balances were remunerated[3] daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations (MROs). Following a decision of the Governing Council of the European Central Bank (Governing Council), as from 1 January 2025, the basis for remuneration of these balances changed to the latest available interest rate applied to the deposit facility offered by the Eurosystem (deposit facility rate).

In the cash changeover year[4] and in the subsequent five years, the intra-Eurosystem balances arising from the allocation of euro banknotes are adjusted to avoid significant changes in the NCB's relative income positions as compared to previous years. The adjustments are affected by taking into account the differences between the average value of the banknotes which the NCB had in circulation in the reference period,[5] and the average value of banknotes which would have been allocated to it during that period in accordance with its capital key. The adjustments are reduced in annual stages until the first day of the sixth year after the cash changeover year, when income on banknotes are allocated fully in proportion to the NCB's paid-up shares in the ECB's capital. The adjustments that resulted from the accession of Hrvatska Narodna Banka on 1 January 2023 will terminate at the end of 2028.

Any interest income or expense on these balances is cleared through the accounts of the ECB and is recognised in the profit and loss account under 1 'Net interest income/(expense)'.

## 6 ECB profit distribution

The Governing Council has decided that the seigniorage income of the ECB, which arises from the 8% share of euro banknotes allocated to the ECB, as well as income arising from the securities held under the securities markets programme (SMP), the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) and the pandemic emergency purchase programme (PEPP) is distributed in January of the following year by means of an interim profit distribution, unless otherwise decided by the Governing Council.[6] Any such decision is taken where, on the basis of a reasoned estimate prepared by the Executive Board, the Governing Council expects that the ECB will have an overall annual loss or will make an annual profit that is less than this income. The Governing Council may also decide to transfer all or part of this income to a provision for financial risks. Furthermore, the Governing Council may decide to reduce the amount of the income on euro banknotes in circulation to be distributed in January by the amount of the costs incurred by the ECB in connection with the issue and handling of euro banknotes.

The amount distributed to the Bank, if any, is recognised in the profit and loss account under 5 'Income from equity instruments and participating interests'.

[3] ECB Decision of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36), OJ L 347, 20.12.2016, p. 26, as amended.
[4] The cash changeover year refers to the year in which the euro banknotes are introduced as legal tender in the respective Member State.
[5] The reference period refers to a 24-month period commencing 30 months prior to the day on which euro banknotes become legal tender in the respective Member State.
[6] ECB Decision of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast) (ECB/2014/57), OJ L 53, 25.2.2015, p. 24, as amended.

## 7 Intra-Eurosystem balances/Intra-ESCB balances

Intra-Eurosystem balances result mostly from cross-border payments in the EU that are settled in central bank money in euro. They are settled in the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET) and give rise to bilateral balances in the TARGET accounts of EU NCBs. Payments conducted by the ECB and the NCBs also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position for each NCB vis-à-vis the ECB. The movements in TARGET accounts are reflected in the accounting records of the ECB and the NCBs on a daily basis.

The Intra-Eurosystem balance of the Bank vis-à-vis the ECB arising from TARGET, is presented on the balance sheet of the Bank as an asset or liability under either A 9.3 'Claims related to TARGET' or L 10.2 'Liabilities related to TARGET'. Until 31 December 2024, the remuneration of the claim or liability related to TARGET, with the exception of reverse transactions in connection with US dollar liquidity-providing operations, was calculated daily at the latest available interest rate used by the Eurosystem for MROs. Following a decision of the Governing Council, as from 1 January 2025, these balances are remunerated daily at the deposit facility rate.

Intra-ESCB balances vis-à-vis non-euro area NCBs not arising from TARGET are disclosed either under A 4 'Claims on non-euro area residents denominated in euro' or L 6 'Liabilities to non-euro area residents denominated in euro'.

Intra-Eurosystem claims arising from the Bank's participating interest in the ECB are reported under A 9.1 'Participating interest in ECB'. This balance sheet item includes: (i) the Bank's paid-up share in the ECB's subscribed capital, (ii) any net amount paid by the Bank due to the increase in its shares in the ECB's equity value[7] resulting from all previous ECB capital key adjustments, and (iii) contributions in accordance with Article 48.2 of the Statute of the ESCB with respect to central banks of Member States whose derogations have been abrogated.

Intra-Eurosystem claims arising from the transfer of foreign reserve assets by the Bank to the ECB are denominated in euro and reported under A 9.2 'Claims equivalent to the transfer of foreign reserves'. Following a decision of the Governing Council, as from 1 January 2025, the daily remuneration basis of these claims changed from the latest available interest rate used by the Eurosystem for MROs to the deposit facility rate, adjusted to reflect zero return on the gold component.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are reported as a single net asset or liability under A 9.4 'Net claims related to the allocation of euro banknotes within the Eurosystem' or L 10.3 'Net liabilities related to the allocation of euro banknotes within the Eurosystem' as appropriate (see 5 'Banknotes in circulation' in the general notes to the financial statements).

Other intra-Eurosystem balances denominated in euro are presented as a single net asset or liability under A 9.5 'Other claims within the Eurosystem (net)' or L 10.4 'Other liabilities within the Eurosystem (net)'. This includes the ECB's interim profit distributions to NCBs, if any, and the balance arising from the monetary income.

## 8 Post-balance sheet events

The values of assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the financial statements are approved by the Board of Directors if they affect the condition of assets or liabilities at the balance sheet date. No adjustment shall be made for assets and liabilities, but disclosure shall be made of those events occurring after the balance sheet date if they do not affect the condition of assets and liabilities at the balance sheet date, but which are of such importance

[7] Equity value consists of the total ECB's reserves, revaluation accounts and provisions equivalent to reserves, less any losses carried forward from previous periods. In the event of capital key changes, the equity value also includes the ECB's accumulated net profit or net loss until the date of the adjustment.

that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions.

Pursuant to the Governing Council decision of 8 July 2025 (2025/1407/EU), taken in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, Bulgaria adopted the single currency on 1 January 2026. In accordance with Article 48.1 of the Statute of the ESCB and the legal acts adopted by the Governing Council on 31 December 2025, the Bulgarian National Bank paid up the remainder of its capital subscription to the ECB. In accordance with Article 48.1, in conjunction with Article 30.1 of the Statute of the ESCB, the Bulgarian National Bank transferred foreign reserve assets to the ECB in an amount corresponding to its subscribed capital share.

Following the Bulgarian National Bank's entry into the Eurosystem on 1 January 2026, the Bank's capital key remained unchanged from that prevailing as at 31 December 2025. Effective on the same date, the Eurosystem capital key and the banknote allocation key of the Bank were adjusted to 0.1273% and 0.1170%, respectively.

## Notes to the balance sheet

## Assets

### A 1 Gold and gold receivables

The Bank's gold balances consist of correspondent accounts with foreign banks and holdings with counterparties. On 31 December 2025, gold was revalued at €3,669.106 (2024: €2,511.069) per fine troy ounce and unrealised valuation gains as at that date amounted to €8,637,361 (2024: €1,699,678) with a corresponding amount disclosed under L 14 'Revaluation accounts'.

| | €'000 | Fine troy ounces |
|---|---|---|
| Balance as at 31 December 2024 | 14,655 | 5,836 |
| Net effect of transactions during the year | 23,303 | 6,400 |
| Valuation movements during the year | 6,937 | - |
| **Balance as at 31 December 2025** | **44,895** | **12,236** |

### A 2 Claims on non-euro area residents denominated in foreign currency

These claims consist of receivables from the IMF and other claims on counterparties resident outside the euro area denominated in foreign currency as follows:

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| US dollar | **449,505** | 527,483 | (77,978) |
| Special drawing rights | **361,150** | 390,122 | (28,972) |
| Australian dollar | **195,906** | 188,935 | 6,971 |
| Canadian dollar | **94,483** | 73,877 | 20,606 |
| Swiss franc | **78,057** | 74,648 | 3,409 |
| New Zealand dollar | **53,215** | 47,127 | 6,088 |
| Great British pound | **28,735** | 37,650 | (8,915) |
| Swedish krona | **8,289** | 23,591 | (15,302) |
| Norwegian krone | **5,005** | 8,058 | (3,053) |
| Others | **60** | 56 | 4 |
| **Total** | **1,274,405** | 1,371,547 | (97,142) |

#### A 2.1 Receivables from the IMF

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Reserve tranche position (net) | **50,675** | 54,207 | (3,532) |
| SDR holdings | **301,773** | 326,648 | (24,875) |
| Resilience and Sustainability Trust (RST) | **8,393** | 9,032 | (639) |
| **Total** | **360,841** | 389,887 | (29,046) |

Malta's quota as a membership subscription to the IMF as at 31 December 2024 and 2025 was SDR168,300,000. Up to 25% of the quota is paid in SDR (IMF's unit of account) or the reserve currencies specified by the IMF, while the remainder of the membership subscription is paid in the member's own currency. The former portion constitutes the reserve tranche as a claim on the IMF, while the residual represents balances in euro at the disposal of the Fund. Hence, the net reserve tranche position represents the difference between the quota of SDR168,300,000 and the balance in euro at the disposal of the IMF. During the year under review, the net reserve tranche position increased by SDR262,500 to SDR43,475,610 (2024: SDR43,213,110), which as at 31 December 2025 amounted to a euro equivalent of €50,675,170 (2024: €54,206,541).

Upon membership, a member's SDR holdings amount to the SDR allocated. Afterwards, SDR holdings are subject to fluctuations as a result of various transactions. As at 31 December 2024 and 2025, the SDR allocated to Malta amounted to SDR256,709,738. This is reported under L 9 'Counterpart of special drawing rights allocated by the IMF'. SDR allocated to Malta cannot be withdrawn unless such advice is received from the IMF.

During 2025, the Bank entered into arrangements with the IMF resulting in the sale of SDR3,000,000. As at 31 December 2025, Malta's SDR holdings, including interest received thereon, amounted to SDR258,899,494 (2024: SDR260,401,915) equivalent to €301,773,250 (2024: €326,648,162). The net reserve tranche position, SDR holdings and the SDR allocation are subject to SDR interest rates quoted by the IMF on a weekly basis.

In 2023, the Bank, in conjunction with the Ministry for Finance, concluded the RST contribution agreement with the IMF. Under the agreement between the Bank and the IMF, the Bank will make available an SDR equivalent of up to €30,000,000 until 2030. As at 31 December 2024 and 2025, an amount of SDR7,200,590 equivalent to €8,393,008 (2024: €9,032,420) was contributed by the Bank.

In 2025, the bilateral SDR-denominated loan agreement with the IMF for €112,000,000, was extended through a successor agreement. No drawings were affected under this agreement during 2024 and 2025.

### A 2.2 Balances with banks and security investments, external loans and other external assets

These assets consist of security investments issued by non-euro area residents and balances with banks.

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Marketable debt securities other than those held-to-maturity | **241,737** | 260,690 | (18,953) |
| Held-to-maturity debt securities | **641,499** | 699,612 | (58,113) |
| Fixed-term deposits with banks | **4,973** | - | 4,973 |
| Current accounts and overnight deposits with banks | **25,355** | 21,358 | 3,997 |
| **Total** | **913,564** | 981,660 | (68,096) |

### A 3 Claims on euro area residents denominated in foreign currency

These foreign currency assets comprise investments in marketable debt securities issued by euro area residents, claims arising from reverse operations with euro area counterparties and balances with banks.

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Marketable debt securities other than those held-to-maturity | **15,006** | 24,090 | (9,084) |
| Held-to-maturity debt securities | **213,425** | 209,065 | 4,360 |
| US dollar liquidity-providing operations | **17,447** | 53,903 | (36,456) |
| Current accounts and overnight deposits with banks | **1,048** | 1,726 | (678) |
| **Total** | **246,926** | 288,784 | (41,858) |

During 2025, credit institutions established in Malta participated for a total amount of US$1,445,500,000 in US dollar liquidity-providing operations. The outstanding amount as at 31 December 2025 stood at US$20,500,000 (2024: US$56,000,000). Under this programme, the US dollar was provided by the Federal Reserve Bank of New York to the ECB by means of a swap line with the aim of offering short-term US dollar funding to Eurosystem counterparties. The ECB simultaneously entered into back-to-back swap transactions with euro area NCBs, which used the resulting funds to conduct liquidity-providing operations with the Eurosystem counterparties in the form of reverse transactions.

Claims on euro area residents were denominated in foreign currency as follows:

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Swiss franc | **106,915** | 81,462 | 25,453 |
| US dollar | **84,520** | 143,611 | (59,091) |
| Australian dollar | **32,262** | 34,837 | (2,575) |
| Great British pound | **23,202** | 25,445 | (2,243) |
| Others | **27** | 3,429 | (3,402) |
| **Total** | **246,926** | 288,784 | (41,858) |

## A 4 Claims on non-euro area residents denominated in euro

These claims consist of marketable debt securities issued by non-euro area residents, a fixed income investment fund managed by external asset managers and balances with banks outside the euro area.

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Marketable debt securities other than those held-to-maturity | **102,382** | 102,647 | (265) |
| Held-to-maturity debt securities | **768,477** | 816,891 | (48,414) |
| Fixed income investment fund | **64,092** | 62,106 | 1,986 |
| Current accounts and overnight deposits with banks | **9** | 9 | - |
| **Total** | **934,960** | 981,653 | (46,693) |

## A 5 Lending to euro area credit institutions related to monetary policy operations denominated in euro

This item consists of operations carried out by the Bank within the framework of the single monetary policy of the Eurosystem.

On 31 December 2025, the total Eurosystem holding of monetary policy assets amounted to €37 billion (2024: €34 billion), of which the Bank held €53,000,000 (2024: €10,000,000). In accordance with Article 32.4 of the Statute, losses from monetary policy operations, if they were to materialise, may be shared, by decision of the Governing Council, in full by the Eurosystem NCBs in proportion to the prevailing ECB capital key shares.

Losses can only materialise if the counterparty fails and the funds recovered from the resolution of the collateral provided by the counterparty are not sufficient. In relation to specific collateral which can be accepted by NCBs at their own discretion, risk sharing has been excluded by the Governing Council.

### A 5.1 Main refinancing operations

MROs are executed through regular liquidity-providing reverse transactions carried out by the Eurosystem NCBs with a weekly frequency and a maturity of normally one week, on the basis of standard tenders. Since October 2008, these operations are conducted as fixed rate tender procedures. MROs play a key role in achieving the aims of steering interest rate, managing market liquidity and signalling the monetary policy stance.

During 2025, MROs carried out with the Bank amounted to €1,589,600,000, of which an amount of €43,000,000 remained outstanding as at the end of the year. As at 31 December 2024, an amount of €10,000,000 was outstanding on these operations.

During 2024, the MRO rate decreased from 4.50% to 3.15% by the end of the year. Throughout the financial year ended 31 December 2025, the Governing Council decided to further reduce this interest rate as shown in the following table.

| With effect from: | | Changes in basis points (bps) | MRO rate (%) |
|---|---|---|---|
| 5 | February | -25 bps | 2.90 |
| 12 | March | -25 bps | 2.65 |
| 23 | April | -25 bps | 2.40 |
| 11 | June | -25 bps | 2.15 |

### A 5.2 Longer-term refinancing operations

Longer-term refinancing operations (LTROs) are regular liquidity-providing reverse transactions aimed at providing counterparties with additional longer-term refinancing liquidity. Participation in LTROs requires the availability of eligible collateral.

LTROs were conducted through fixed rate tender procedures with full allotment, at the average rate of the MROs prevailing over the life of the respective operation. During 2025, credit institutions established in Malta participated in three-month LTROs with an aggregate amount of €43,000,000, of which an amount of €10,000,000 remained outstanding at year end. There were no outstanding LTROs as at 31 December 2024.

### A 5.3 Fine-tuning reverse operations

Fine-tuning reverse operations aim to regulate the market liquidity situation and steer interest rates, particularly to smooth the effects on interest rates caused by unexpected market fluctuations. Owing to their nature, they are executed on an ad hoc basis. No fine-tuning reverse operations were conducted by the ECB during the years ended 31 December 2024 and 2025.

### A 5.4 Structural reverse operations

These are reverse open-market transactions through standard tenders to enable the Eurosystem to adjust its structural liquidity position vis-à-vis the financial sector. No structural operations were conducted by the ECB during the years ended 31 December 2024 and 2025.

### A 5.5 Marginal lending facility

Marginal lending facilities may be used by counterparties to obtain overnight liquidity from Eurosystem NCBs at a pre-specified interest rate against eligible assets. During 2025, the aggregate volume of such transactions with the Bank amounted to €269,626,028. There were no outstanding marginal lending facilities as at 31 December 2024 and 2025.

During 2024, the marginal lending facility rate decreased from 4.75% to 3.40% by the end of the year. Throughout the financial year ended 31 December 2025, the Governing Council decided to further decrease this interest rate as shown in the following table.

| With effect from: | | Changes in basis points (bps) | Marginal lending facility rate (%) |
|---|---|---|---|
| 5 | February | - 25 bps | 3.15 |
| 12 | March | - 25 bps | 2.90 |
| 23 | April | - 25 bps | 2.65 |
| 11 | June | - 25 bps | 2.40 |

### A 5.6 Credits related to margin calls

This sub-item refers to cash paid to counterparties in those instances where the market value of the collateral exceeds an established trigger point implying an excess of collateral with respect to outstanding monetary policy operations.

Since the Bank operates a general pooling system, no payments to counterparties are affected.

## A 6 Other claims on euro area credit institutions denominated in euro

This item consists of claims on credit institutions within the euro area not relating to monetary policy operations, mainly current accounts and overnight deposits with banks.

## A 7 Securities of euro area residents denominated in euro

This item consists of debt securities held for monetary policy purposes, other debt securities and investment funds.

## A 7.1 Securities held for monetary policy purposes

As at 31 December 2025, this sub-item consisted of debt securities acquired by the Bank under the PSPP[8] and the PEPP.[9] The Bank's purchases under these programmes comprised MGS from the secondary market. The SMP[10] security held by the Bank as at 31 December 2023, matured in 2024.

The amortised cost of the securities held for monetary policy purposes as well as their market values,[11] are as follows:

| | **2025** | | 2024 | | Change | |
|---|---|---|---|---|---|---|
| | **Amortised cost** | **Market value** | Amortised cost | Market value | Amortised cost | Market value |
| | **€'000** | **€'000** | €'000 | €'000 | €'000 | €'000 |
| Public sector purchase programme | **940,839** | **828,337** | 993,088 | 886,333 | (52,249) | (57,996) |
| Pandemic emergency purchase programme | **447,969** | **375,829** | 483,398 | 410,565 | (35,429) | (34,736) |
| **Total** | **1,388,808** | **1,204,166** | 1,476,486 | 1,296,898 | (87,678) | (92,732) |

During 2025, the asset purchase programme (APP)[12] and the PEPP portfolios continued to decline at a measured and predictable pace, as the Eurosystem no longer reinvested the principal payments from maturing securities.

The Governing Council assesses on a regular basis the financial risks associated with the securities held for monetary policy purposes. Impairment tests are conducted on an annual basis, using year-end data, and are approved by the Governing Council. In these tests, impairment indicators are assessed separately for each programme. In those instances where impairment indicators are observed, further analysis is performed to confirm that the cash flows of the underlying securities have not been affected by an impairment event. The total Eurosystem NCBs' holding of such securities as at 31 December 2025 amounted to €3,420 billion (2024: €3,907 billion).

In accordance with the decision of the Governing Council taken under Article 32.4 of the Statute, losses from holdings of SMP, CBPP3,[13] ABSPP,[14] PSPP supranational securities, PEPP securities other than public sector securities and CSPP,[15] if they were to materialise, are to be shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares. As a result of the impairment tests carried out as at 31 December 2025, no impairment losses have been recorded by the Bank on its monetary policy portfolios.

[8] ECB Decision of 3 February 2020 on a secondary markets public sector asset purchase programme (ECB/2020/9), OJ L 39, 12.2.2020, p. 12. Under this programme, the ECB and the NCBs may purchase, in the secondary market, euro-denominated securities issued by euro area central, regional or local governments, recognised agencies located in the euro area and international organisations and multilateral development banks located in the euro area.

[9] ECB Decision of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17), OJ L 91, 25.03.2020, p. 1, as amended.

[10] ECB Decision of 14 May 2010 establishing a securities markets programme (ECB/2010/5), OJ L 124, 20.5.2010, p. 8.

[11] Market values are indicative and derived on the basis of market quotes. When market quotes are not available, market prices are estimated using internal Eurosystem models. The market value is not recorded in the balance sheet or in the profit and loss account and is provided for comparison purposes only.

[12] The APP consists of the CBPP3, the ABSPP, the PSPP and the corporate sector purchase programme (CSPP).

[13] ECB Decision of 3 February 2020 on the implementation of the third covered bond purchase programme (recast) (ECB/2020/8), OJ L 39, 12.2.2020, p. 6, as amended.

[14] ECB Decision of 19 November 2014 on the implementation of the asset-backed securities purchase programme (ECB/2014/45), OJ L 1, 6.1.2015, p. 4, as amended.

[15] ECB Decision of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16), OJ L 157, 15.6.2016, p. 28, as amended. Under this programme, the NCBs may purchase investment grade euro denominated bonds issued by non-bank corporations established in the euro area.

### A 7.2 Other securities

This sub-item comprises all the Bank's investments in non-monetary policy debt securities and marketable investment funds with euro area residents.

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Marketable debt securities other than those held-to-maturity | **61,652** | 61,495 | 157 |
| Held-to-maturity debt securities | **676,446** | 623,822 | 52,624 |
| Marketable investment funds | **574,531** | 531,631 | 42,900 |
| **Total** | **1,312,629** | 1,216,948 | 95,681 |

## A 9 Intra-Eurosystem claims

This item consists of claims arising from the Bank's participating interest in ECB, claims equivalent to the transfer of foreign reserves to the ECB, claims related to TARGET and other net claims within the Eurosystem.

### A 9.1 Participating interest in ECB

Pursuant to Article 28 of the Statute, the ESCB NCBs are the sole subscribers to the capital of the ECB. Subscriptions depend on the capital key shares which are determined in accordance with Article 29 of the Statute and are subject to adjustment every five years or whenever there is a change in the number of NCBs of EU Member States, that contribute to the ECB's capital.

The capital key is applied to the ECB's subscribed capital, amounting to €10,825 million, to determine the share of the subscribed capital for each NCB. The euro area NCBs have fully paid up their respective share of subscribed capital, while non-euro area NCBs have paid 3.75% of their subscribed capital as a contribution to the operational costs of the ECB.

As at 31 December 2025, the share that the Bank held in the subscribed capital of the ECB remained unchanged from 31 December 2024 at 0.1053%, amounting to €11,398,732. This sub-item also includes the participating interest in the rest of the ECB's equity. As at 31 December 2025, this amounted to €21,865,042, with no change from the previous year.

### A 9.2 Claims equivalent to the transfer of foreign reserves

This asset represents the Bank's claims arising from the transfer of foreign reserve assets to the ECB when the Bank joined the Eurosystem. As at 31 December 2024 and 2025 these claims amounted to €52,235,216.

### A 9.3 Claims related to TARGET

This item consists of the TARGET balance of the Bank vis-à-vis the ECB, which as at 31 December 2025 amounted to €3,835,719,860 (2024: €4,118,698,985) (see 7 'Intra-Eurosystem balances/Intra-ESCB balances' in the general notes to the financial statements).

### A 9.4 Net claims related to the allocation of euro banknotes within the Eurosystem

This sub-item reflects claims with the Eurosystem, which would arise from application of the banknote allocation key. As at the end of 2024 and 2025, the Bank had no claims in this respect, instead liabilities were recognised and presented in L 10.3 'Net liabilities related to the allocation of euro banknotes within the Eurosystem'.

### A 9.5 Other claims within the Eurosystem (net)

As at 31 December 2024 and 2025, the Bank had a net liability within the Eurosystem as reported under L 10.4 'Other liabilities within the Eurosystem (net) (see 7 'Intra-Eurosystem balances/Intra-ESCB balances' in the general notes to the financial statements).

## A 10 Items in course of settlement

These assets comprise transactions which were not yet settled as at the end of the financial year.

## A 11 Other assets

### A 11.1 Coins of euro area

This sub-item represents the Bank's holdings of euro coins issued by euro area countries.

### A 11.2 Tangible and intangible fixed assets

Tangible and intangible fixed assets comprise the Bank's premises and other assets, including computer hardware and software, and equipment.

| | Land and buildings | Other assets | Total |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| **Cost** | | | |
| As at 31 December 2024 | 35,859 | 19,864 | 55,723 |
| Additions | 228 | 1,709 | 1,937 |
| Derecognition of assets | (3) | (1,091) | (1,094) |
| **As at 31 December 2025** | **36,084** | **20,482** | **56,566** |
| **Accumulated depreciation** | | | |
| As at 31 December 2024 | 6,585 | 13,182 | 19,767 |
| Charge for the year | 508 | 2,505 | 3,013 |
| Derecognition of assets | - | (1,063) | (1,063) |
| **As at 31 December 2025** | **7,093** | **14,624** | **21,717** |
| **Net book value** | | | |
| As at 31 December 2024 | 29,274 | 6,682 | 35,956 |
| **As at 31 December 2025** | **28,991** | **5,858** | **34,849** |

| | Land and buildings | Other assets | Total |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| **Right-of-use assets** | | | |
| As at 31 December 2024 | 404 | 171 | 575 |
| Additions | 2 | 146 | 148 |
| Derecognition of assets | - | (24) | (24) |
| Depreciation charge for the year | (10) | (77) | (87) |
| **As at 31 December 2025** | **396** | **216** | **612** |
| **Total net book value** | | | |
| As at 31 December 2024 | 29,678 | 6,853 | 36,531 |
| **As at 31 December 2025** | **29,387** | **6,074** | **35,461** |

As at 31 December 2025, the net book value included an amount of €1,188,215 (2024: €500,037) which related to assets not yet available for use and not depreciated.

### A 11.3 Other financial assets

The Bank holds an earmarked portfolio comprising MGS and Treasury bills purchased on the secondary market by the Bank in its role as market maker amounting to €475,948,708 (2024: €392,527,406) (see 'Securities' in 3 'Accounting policies' in the general notes to the financial statements).

### A 11.4 Off-balance sheet instruments revaluation differences

This sub-item reflects revaluation gains arising on off-balance sheet positions, mainly foreign exchange forward and swap transactions outstanding as at the balance sheet date.

### A 11.5 Accruals and prepaid expenses

As at 31 December 2025, this sub-item included accrued interest income of €48,840,885 (2024: €52,347,266), of which €5,414,669 (2024: €11,444,273) relates to interest attributable to intra-Eurosystem claims.

### A 11.6 Sundry

Sundry assets mainly consisted of unrealised losses attributable to the earmarked portfolio amounting to €31,874,385 (2024: €27,050,082) and loans amounting to €13,790,457 (2024: €13,426,803). These assets also included realised gains attributable to off-balance sheet positions, principally foreign exchange forward and swap transactions outstanding at the year end of €450,520 (see L 12.3 'Sundry' in the notes to the balance sheet for position held as at 31 December 2024).

## Liabilities

### L 1 Banknotes in circulation

This item consists of the Bank's share of the total euro banknotes in circulation (see 5 'Banknotes in circulation' in the general notes to the financial statements).

During 2025, the total value of banknotes in circulation within the Eurosystem increased by 1.96% from €1,588 billion at 31 December 2024 to €1,620 billion at 31 December 2025. According to the banknote allocation key, the Bank had an amount of euro banknotes in circulation of €1,927,246,650 at the end of the year (2024: €1,890,129,360).

The value of the euro banknotes actually issued by the Bank in 2025 increased by 1.29% from €2,397,812,680 to €2,428,638,725 at year end. As this exceeds the allocated amount, the difference of €501,392,075 (2024: €507,683,320) is shown under L 10.3 'Net liabilities related to the allocation of euro banknotes within the Eurosystem'.

### L 2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

These interest-bearing liabilities arise from the monetary policy operations conducted by the Bank on behalf of the Eurosystem.

### L 2.1 Current accounts (covering the minimum reserve system)

Current accounts contain the credit balances of credit institutions that are required to hold minimum reserves, excluding funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements, which are disclosed separately under L 3 'Other liabilities to euro area credit institutions denominated in euro'.

The minimum reserve requirements must be met on average over the reserve maintenance period in accordance with the schedule published by the ECB. Following a decision of the Governing Council, as from 20 September 2023, these minimum reserve balances are remunerated at zero per cent.

Current accounts amounting to €334,160,435 remained outstanding as at 31 December 2025 (2024: €306,474,300).

### L 2.2 Deposit facility

This facility is available to eligible counterparties to make overnight deposits with Eurosystem NCBs at the pre-specified rate. During 2025, the aggregate volume of such deposits with the Bank amounted to €875,209,746,824. As at 31 December 2025, outstanding deposits amounted to €4,779,534,548 (2024: €5,208,323,316).

During 2024, the deposit facility rate decreased from 4.00% to 3.00% by the end of the year. Throughout the financial year ended 31 December 2025, the Governing Council decided to further reduce this interest rate as shown in the following table.

| With effect from: | | Changes in basis points (bps) | Deposit facility rate (%) |
|---|---|---|---|
| 5 | February | -25 bps | 2.75 |
| 12 | March | -25 bps | 2.50 |
| 23 | April | -25 bps | 2.25 |
| 11 | June | -25 bps | 2.00 |

### L 2.3 Fixed-term deposits

These liabilities relate to liquidity absorbing fine-tuning operations for a fixed-term at variable rate tenders. No liquidity absorbing fine-tuning operations were conducted by the ECB during the years ended 31 December 2024 and 2025.

### L 2.4 Fine-tuning reverse operations

These operations are executed on an ad hoc basis through bilateral procedures with the purpose of managing the liquidity situation in the market and setting interest rates. Their frequency and maturity are not standardised. No fine-tuning absorption reverse operations were conducted during the years ended 31 December 2024 and 2025.

### L 2.5 Deposits related to margin calls

This sub-item refers to cash received from counterparties in those instances where the market value of the collateral pledged has fallen below an established trigger point, implying a shortfall of collateral to cover the outstanding monetary policy operations. No instances of margin calls were recorded during the years ended 31 December 2024 and 2025.

### L 3 Other liabilities to euro area credit institutions denominated in euro

As at 31 December 2025, this item consisted of funds of credit institutions that were not freely disposable amounting to €32,321,750 (2024: €6,550,638).

### L 5 Liabilities to other euro area residents denominated in euro

### L 5.1 General government

This liability consists of current and sinking fund accounts denominated in euro held by the Government of Malta. These balances are repayable on demand and remunerated in accordance with the provisions established by the Governing Council.[16]

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Current accounts | **724,533** | 553,793 | 170,740 |
| Sinking fund accounts | **80,071** | 115,070 | (34,999) |
| **Total** | **804,604** | 668,863 | 135,741 |

### L 5.2 Other liabilities

This sub-item consists of current accounts in euro which are repayable on demand amounting to €118,739,448 (2024: €111,555,096), of which €5,039,370 (2024: €9,199,873) related to balances of former credit institutions. These balances are remunerated in accordance with the provisions established by the Governing Council.[17]

[16] ECB Decision of 20 February 2014 on the prohibition of monetary financing and the remuneration of government deposits by national central banks (ECB/2014/8), OJ L 159, 28.5.2014, p. 54, as amended; the Guideline of 9 April 2019 on domestic assets and liability management operations by the national central banks (recast) (ECB/2019/7), OJ L 113, 29.4.2019, p. 11, as amended; ECB Decision on the remuneration of non-monetary policy deposits held with national central banks and the European Central Bank (ECB/2024/11), OJ L 2024/1209, 3.5.2024; and ECB Decision of 15 October 2019 on the remuneration of holdings of excess reserves and of certain deposits (recast) (ECB/2019/31), OJ L 267, 21.10.2019, p. 12, as amended.

[17] See footnote 16.

## L 6 Liabilities to non-euro area residents denominated in euro

This item consists of balances denominated in euro held by international and supranational organisations, including the IMF current account for administrative expenses. Whereas the IMF account is non-interest bearing, the other balances are remunerated in accordance with the provisions established by the Governing Council.[18]

## L 7 Liabilities to euro area residents denominated in foreign currency

Foreign currency balances held by the Government of Malta which are repayable on demand, deposits by banks subject to fixed interest rates and other customer deposits are included in this item. These liabilities are remunerated in accordance with the provisions established by the Governing Council.[19] Other current accounts included balances of former credit institutions amounting to €61,315,327 (2024: €69,168,960).

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Government of Malta current accounts | **119,517** | 125,800 | (6,283) |
| Government of Malta sinking fund accounts | **-** | - | - |
| Liabilities to banks | **163,318** | 241,725 | (78,407) |
| Other current accounts | **69,079** | 77,821 | (8,742) |
| **Total** | **351,914** | 445,346 | (93,432) |

## L 9 Counterpart of special drawing rights allocated by the IMF

This item represents the counterpart of SDR allocated by the IMF to Malta (see A 2.1 'Receivables from the IMF' in the notes to the balance sheet).

## L 10 Intra-Eurosystem liabilities

This item represents the Bank's liabilities to the ECB and to the other Eurosystem NCBs.

## L 10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem

This sub-item consists of the liability of the Bank vis-à-vis the Eurosystem relating to the euro banknotes put into circulation by the Bank in excess of the amount allocated to the Bank by the ECB in accordance with the banknote allocation key (see 5 'Banknotes in circulation' in the general notes to the financial statements and L 1 'Banknotes in circulation' in the notes to the balance sheet).

## L 10.4 Other liabilities within the Eurosystem (net)

As at 31 December 2025, the balance of €18,378,340 (2024: €49,322,804) included (i) balances resulting from the pooling and allocation of monetary income within the Eurosystem pending settlement (see 3 'Net result of pooling monetary income' in the notes to the profit and loss account), and (ii) balances with the ECB in respect of any amounts receivable or refundable.

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Net result from pooling of monetary income | **18,903** | 49,848 | (30,945) |
| Other claims within the Eurosystem | **(525)** | (525) | - |
| **Total** | **18,378** | 49,323 | (30,945) |

[18] See footnote 16.
[19] See footnote 16.

For the years 2024 and 2025, the Governing Council, in view of the ECB's overall financial result for the year, decided to retain the full amount of income derived from banknotes in circulation, as well as income earned on securities purchased under the SMP, APP and PEPP (see 6 'ECB profit distribution' in the general notes to the financial statements). Therefore, no related amounts were due at the end of 2024 and 2025.

## L 11 Items in course of settlement

These liabilities comprise transactions which were not yet settled as at the end of the financial year.

## L 12 Other liabilities

### L 12.1 Off-balance sheet instruments revaluation differences

This sub-item reflects revaluation losses arising on off-balance sheet positions, mainly foreign exchange forward and swap transactions outstanding as at the balance sheet date.

### L 12.2 Accruals and income collected in advance

This sub-item principally includes accrued interest expense on interest-bearing liabilities of €8,635,804 (2024: €9,566,474), of which €2,552,490 (2024: €4,497,886) relates to interest attributable to intra-Eurosystem liabilities.

### L 12.3 Sundry

Sundry liabilities includes accrued operating expenses, of which €616,417 (2024: €577,984) relates to the lease liability, and unrealised revaluation gains attributable to the MGS and Treasury bills earmarked portfolio amounting to €97,863 (2024: €1,026,604).

As at 31 December 2024, these liabilities also included realised losses attributable to off-balance sheet positions, principally foreign exchange swap transactions outstanding at the year end, amounting to €20,258,104 (see A 11.6 'Sundry' in the notes to the balance sheet for the position held as at 31 December 2025). These losses arose from the conversion of such transactions into their euro equivalent at the respective currency's average cost on the balance sheet date, compared with the euro amounts at which the transactions were initially recorded.

## L 13 Provisions

### L 13.1 Risk provisions

This item comprises a provision for financial risks, which is used to the extent as deemed necessary by the Board of Directors. The size and continuing requirement for this provision is reviewed annually, based on the Bank's assessment of its exposure to financial risks. The Bank's financial risks are fully covered with the provision and the capital and reserves.

In 2025, the Bank generated a profit and transferred an amount of €28,924,547 (2024: €4,951,102) to the provision for financial risks, resulting in a risk provision of €123,055,799 (2024: €94,131,252) as at the end of the year.

## L 14 Revaluation accounts

The revaluation accounts consist of unrealised revaluation gains arising from the valuation of foreign currency on and off-balance sheet positions, gold, marketable debt securities and investment funds at year end.

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Gold | **8,637** | 1,700 | 6,937 |
| Foreign currency positions | **1** | 3 | (2) |
| Marketable instruments | **40,913** | 30,658 | 10,255 |
| **Total** | **49,551** | 32,361 | 17,190 |

## L 15 Capital and reserves

The following table analyses the movement in capital and reserves of the Bank:

| | Capital | General reserve fund | Reserve for risks and contingencies | Capital contribution | Total |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Balance as at 31 December 2024 | 20,000 | 75,505 | 187,776 | 106,790 | 390,071 |
| Net issuance of euro coins | - | - | - | 4,882 | 4,882 |
| **Balance as at 31 December 2025** | **20,000** | **75,505** | **187,776** | **111,672** | **394,953** |

### L 15.1 Capital

In terms of article 19(1) of the Act, the Bank shall have an authorised capital of €20,000,000. This is fully paid-up and is held exclusively by the Government of Malta.

### L 15.2 Reserves

*General reserve fund*

In terms of article 19(2) of the Act, the Bank shall also maintain a general reserve fund which shall be of not less than €20,000,000 and which shall be available for any purpose as may be determined by the Board of Directors. Whenever amounts are drawn from the general reserve fund, these shall be replaced as may be decided by the Board.

*Reserve for risks and contingencies*

The reserve for risks and contingencies is maintained in terms of article 22(1) of the Act to cover the broad range of risks to which the Bank is exposed. The major risks in this regard arise from potential movements in market values of the Bank's holdings of domestic and foreign securities and other investments, losses which could arise from support of the financial system in the Bank's role as a lender of last resort and other non-insured losses.

### *Capital contribution*

This reserve represents the capital contribution made by the Government of Malta to the Bank in respect of the agency agreement between the Bank and the Government relating to the issuance of euro coins. The Bank shall act as agent of the Government and shall retain full responsibility for procurement, storage and issuance of euro coins. This reserve represents seigniorage revenue arising from the issue of euro coins. In terms of the agency agreement, the Government has agreed not to withdraw such revenue and retain these amounts in a reserve account held at the Bank. Allocation of revenue to the reserve account shall be deemed as a capital contribution to the Bank by the Government.

## Notes to the profit and loss account

## 1 Net interest income/(expense)

### 1.1 Interest income

Interest income principally includes income on foreign reserve assets and euro-denominated portfolios, as well as interest income on monetary policy operations and intra-Eurosystem claims.

| | 2025 | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Marketable debt securities | | | |
| - In euro | **51,534** | 44,302 | 7,232 |
| - In foreign currency | **39,274** | 36,110 | 3,164 |
| Fixed-term deposits | | | |
| - In foreign currency | **1,389** | - | 1,389 |
| Current accounts and overnight deposits | | | |
| - In euro | **7** | 16 | (9) |
| - In foreign currency | **802** | 1,099 | (297) |
| IMF | **1,717** | 2,390 | (673) |
| Monetary policy operations | | | |
| - Main refinancing operations | **719** | 328 | 391 |
| - Longer-term refinancing operations | **222** | 374 | (152) |
| - Marginal lending facility | **40** | - | 40 |
| - Securities acquired under the SMP | **-** | 153 | (153) |
| - Securities acquired under the PSPP | **16,340** | 16,560 | (220) |
| - Securities acquired under the PEPP | **3,923** | 3,819 | 104 |
| Intra-Eurosystem claims | | | |
| - TARGET Balances | **54,343** | 181,047 | (126,704) |
| - Claims arising from the transfer of foreign reserves | **1,017** | 1,865 | (848) |
| Forward foreign exchange contracts | **(5,691)** | (4,509) | (1,182) |
| Marketable investment funds | **18,094** | 18,250 | (156) |
| Other interest income | **132** | 191 | (59) |
| **Total** | **183,862** | 301,995 | (118,133) |

### 1.2 Interest expense

Interest expense mainly arises from liabilities to euro area credit institutions related to monetary policy operations, intra-Eurosystem liabilities, the Government of Malta and other customer accounts.

| | 2025 | 2024 | Change |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| Government accounts | | | |
| - In euro | **860** | 962 | (102) |
| - In foreign currency | **140** | 143 | (3) |
| Other customer accounts | | | |
| - In euro | **136** | 143 | (7) |
| - In foreign currency | **7,332** | 8,779 | (1,447) |
| Monetary policy operations | | | |
| - Overnight deposits | **78,928** | 169,951 | (91,023) |
| Intra-Eurosystem liabilities | | | |
| - Net liabilities related to the allocation of banknotes within the Eurosystem | **11,550** | 21,175 | (9,625) |
| Other interest expense | **278** | 26,397 | (26,119) |
| **Total** | **99,224** | 227,550 | (128,326) |

## 2 Net result of financial operations and write-downs

### 2.1 Realised gains/(losses) arising from financial operations

This sub-item consists of net realised results arising from the disposal of financial instruments, mainly marketable instruments, and reductions in foreign currency positions.

| | 2025 | 2024 | Change |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| Net gains on disposal of financial instruments | **5,917** | 12,164 | (6,247) |
| Net gains on foreign currency positions | **4,236** | 4,102 | 134 |
| **Total** | **10,153** | 16,266 | (6,113) |

### 2.2 Write-downs on financial assets and positions

This sub-item comprises unrealised revaluation losses arising from the price revaluation of marketable debt securities and investment funds and the exchange rate revaluation of foreign currency assets and liabilities, including off-balance sheet positions, by comparing the market value at balance sheet date with the average cost.

| | 2025 | 2024 | Change |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| Write-downs on marketable instruments | **1,303** | 2,875 | (1,572) |
| Write-downs on foreign currency positions | **2,156** | 36 | 2,120 |
| **Total** | **3,459** | 2,911 | 548 |

## 3 Net result of pooling monetary income

This item consists of the net result of pooling monetary income for 2025 amounting to an expense of €18,903,340 (2024: €49,780,811). In 2024, this item also included an expense of €66,993 in relation to adjustments from the previous year and the release of the Bank's share of the provision, established in 2023, against losses in monetary policy portfolios of €44,651.

The amount of each Eurosystem NCB's monetary income to be pooled is determined by measuring the annual income that is derived from the earmarkable assets held against the liability base. The liability base consists mainly of the following items: banknotes in circulation; liabilities to euro area credit institutions related to monetary policy operations denominated in euro; net intra-Eurosystem liabilities related to TARGET; net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem, accrued interest recorded at quarter-end by each NCB on monetary policy liabilities with a maturity of one year or longer; liabilities vis-à-vis the ECB backing the claim in relation to swap agreements that earn net income for the Eurosystem; and deposit liabilities to defaulted Eurosystem counterparties which have been reclassified from L 2.1 'Current accounts (covering the minimum reserve system)'. Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

The earmarkable assets consist mainly of the following items: lending to euro area credit institutions related to monetary policy operations denominated in euro; debt securities held for monetary policy purposes; intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB; net intra-Eurosystem claims related to TARGET; net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; claims on euro area counterparties related to swap agreements between the ECB and non-Eurosystem central banks that earn net income for the Eurosystem; accrued interest recorded at quarter-end by each NCB on monetary policy assets with a maturity of one year or longer; and a limited amount of each NCB's gold holdings in proportion to each NCB's capital key share.

In determining the amount of each NCB's monetary income, the actual income that is derived from the earmarkable assets is considered. As an exception to this, gold is considered to generate no income. Furthermore, monetary policy securities, specifically debt instruments issued by central, regional and local governments and recognised agencies and substitute debt instruments issued by public non-financial corporations under the PSPP and PEPP, are considered to generate income at the deposit facility rate.[20]

Included as part of the monetary income to be pooled, is also the amount resulting from applying, on a daily basis, the deposit facility rate to the difference between the value of the NCB's earmarkable assets and the value of the liability base.[21]

The monetary income pooled by the Eurosystem is allocated among NCBs according to the Eurosystem capital key. The pooling and reallocation of monetary income to NCBs leads to certain net reallocation effects. One reason is that the yields earned on certain earmarkable assets and the interest expense paid on certain liability base items may differ to a varying degree among the Eurosystem NCBs. In addition, usually each Eurosystem NCB's share of earmarkable assets and the liability base deviates from its share in the subscribed capital of the ECB. The net result arising from the calculation of monetary income for 2025 was a payment by the Bank of €18,903,340 (2024: €49,780,811). This net result is the difference between the net monetary income pooled by the Bank amounting to €50,691,056 (2024: €107,775,860) and the reallocated amount of €31,787,716 (2024: €57,995,049).

## 4 Net income/(expense) from fees and commissions

Fees and commissions income for the year, principally arising from banking and other services provided by the Bank amounted to €1,104,603 (2024: €1,147,836), while fees and commissions expenses, mainly consisting of custody fees and correspondent account charges, amounted to €2,071,850 (2024: €1,994,970).

[20] Following a decision of the Governing Council, as from 1 January 2025, the basis for the considered remuneration changed from the latest available interest rate used by the Eurosystem for MROs to the deposit facility rate.
[21] See footnote 20.

## 6 Other income

This item mainly includes the income from the issuance of numismatic coins.

## 7 Staff costs

Staff costs consist of salaries and other ancillary costs.

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **€'000** | €'000 | €'000 |
| Staff salaries | **16,475** | 15,646 | 829 |
| Other staff costs | **1,427** | 1,303 | 124 |
| Training, welfare and other related expenditure | **1,473** | 1,215 | 258 |
| **Total** | **19,375** | 18,164 | 1,211 |

The full-time equivalent average number of staff employed by the Bank during the year was as follows:

| | **2025** | 2024 | Change |
|---|---|---|---|
| | **Number** | Number | Number |
| Governors | **3** | 3 | - |
| Chief Officers and Heads | **26** | 26 | - |
| Executives and other officers | **313** | 297 | 16 |
| Non-clerical staff | **25** | 26 | (1) |
| **Total** | **367** | 352 | 15 |

## 8 Administrative expenses

This item consists of operating expenditure incurred by the Bank.

Administrative expenses of €13,090,983 (2024: €13,359,584) comprised maintenance expenditure, professional fees, travelling costs and other expense items which were incurred in the course of the Bank's operations. Auditors' remuneration for the year ended 31 December 2025 amounted to €129,800 (2024: €123,900).

Compensation to the members of the Board of Directors for the financial year ended 31 December 2025 amounted to €442,275 (2024: €442,528).

## 9 Depreciation of tangible and intangible fixed assets

Depreciation of buildings, computer hardware and software, equipment and other assets, and right-of-use assets was charged to the Bank's profit and loss account according to the depreciation rates disclosed in 'Tangible and intangible fixed assets' and 'Leases' in 3 'Accounting policies' in the general notes to the financial statements.

## 10 Banknote production services

This item consists of expenditure relating to the procurement and transportation of euro banknotes and other ancillary costs.

## 12 Transfers (to)/from risk provisions

This item shows the movements in the risk provision (see L 13.1 'Risk provisions' in the notes to the balance sheet).

## Other notes

### Off-balance sheet instruments

As at 31 December 2025, the Bank had outstanding net forward and swap contracts of €841,804,715 against other currencies and unsettled net spot transactions of €2,000,000. As at 31 December 2024, off-balance sheet instruments included net foreign exchange swap contracts of €890,449,007.

As at the balance sheet date, the Bank also had outstanding interest rate futures contracts linked to German government securities (net long position with a notional amount of €5,500,000) and US treasury notes (net short position with a notional amount of US$6,200,000).

### Contingent liabilities and commitments

As at the end of the year, the Bank had commitments in respect of tangible and intangible fixed assets which extended beyond the balance sheet date. Capital commitments, which amount to €3,819,000 (2024: €4,432,000), are expected to be incurred during the forthcoming financial year and relate mainly to capital expenditure attributable to buildings and investment in IT.

### Transactions with the Government

In the course of its operations, the Bank conducts banking transactions with, and provides several banking services to, the Government of Malta, government departments, public sector corporations and other entities owned by the Government. The Bank holds the principal accounts of the Government and maintains accounts for the other entities. Balances held with the Bank by the Government and the other entities as at the balance sheet date, together with the terms of such instruments, are disclosed in L 5 'Liabilities to other euro area residents denominated in euro' and L 7 'Liabilities to euro area residents denominated in foreign currency' in the notes to the balance sheet. The net interest on deposits arising from these banking transactions is recognised in 1.2 'Interest expense' in the Bank's profit and loss account. The Bank provides these entities with foreign exchange and related services, which do not have a significant impact on the Bank's profit and loss account.

### Market maker in Malta Government securities

The Bank acts as market maker in MGS and Treasury bills and ensures their liquidity in the secondary market by being ready to trade in such securities on the initiative of the market (see A 11.3 'Other financial assets' in the notes to the balance sheet). Income earned by the Bank from these assets, amounting to €12,135,907 (2024: €8,699,925), is included in 1.1 'Interest income' in the notes to the profit and loss account and presented within income from euro marketable debt securities.

### Investment securities pledged as collateral

As at 31 December 2025, investment securities were pledged as collateral against the provision of credit lines by a counterparty up to an amount of US$65,000,000 or approximately €55,319,149 (2024: US$65,000,000 or approximately €62,566,176). No amounts were borrowed under these facilities at the balance sheet dates.

### Assets held in custody

As at 31 December 2025, assets held in custody by the Bank in terms of the Insurance Business Act (Cap. 403) amounted to the equivalent of €12,660,928 (2024: €13,107,192).

## Management of funds belonging to the Investor and Depositor Compensation Schemes

The Bank is an investment manager in respect of funds belonging to the Investor and Depositor Compensation Schemes. These funds are managed on a discretionary basis in accordance with the investment parameters set by the Management Committees of the respective Schemes. As at 31 December 2025, the Investor and Depositor Compensation Schemes had deposits of €797,409 (2024: €253,061) and €10,140,092 (2024: €9,290,343), respectively, with the Bank.

## Statement of the Bank's investments as at 31 December 2025

| | Euro | US dollar | Others | Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| **Cash and balances with banks** | | | | **28,437** |
| **Gold balances** | | | | **44,895** |
| **Debt securities by issuer category:** | | | | |
| Government | 2,428,916 | 200,210 | 174,674 | **2,803,800** |
| Monetary financial institutions | 780,940 | 229,045 | 314,525 | **1,324,510** |
| Other financial institutions | 152,514 | 29,934 | 46,718 | **229,166** |
| Non-financial institutions | 14,941 | - | - | **14,941** |
| Supranational | 96,403 | 35,922 | 80,639 | **212,964** |
| | **3,473,714** | **495,111** | **616,556** | **4,585,381** |
| **Claims on the IMF** | | | | **360,841** |
| **Participating interest in the ECB** | | | | **33,264** |
| **Transfer of foreign reserves to the ECB** | | | | **52,235** |
| **Investment funds** | | | | **638,623** |
| **Total investments** | | | | **5,743,676** |

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# Independent auditor's report to the Directors of the Central Bank of Malta

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the Central Bank of Malta ('the Bank') set out on pages A-4 to A-36, which comprise the balance sheet as at 31 December 2025 and the profit and loss account for the year then ended, and notes to the financial statements, which include material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance for the year then ended in accordance with the basis of accounting described in the guideline of the European Central Bank (ECB/2024/31) on the legal framework for accounting and financial reporting in the European System of Central Banks (recast), issued on 14 November 2024 as established by the Central Bank of Malta Act (Cap. 204) and, where the Guideline is silent, IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) as adopted by the EU.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code)* together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive (Maltese Code*) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Independent auditor's report (continued) to the Directors of the Central Bank of Malta

*Information Other than the Financial Statements and the Auditor's Report Thereon*

The directors are responsible for the other information. The other information comprises:

(i) the statement of Directors' Responsibilities on page A-2 to A-3 and the Directors' Report on page A-2 to A-3, and
(ii) the 'Foreword', the 'Financial and Economic Developments' and the 'Bank Policies, Operations and Activities', which are expected to be made available to us after the date of this audit report.

However, the other information 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 on the other information obtained prior to the date of this auditor's report and set out in paragraph (i) above, 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.

When we read the other information expected to be made available to us after the date of this audit report and set out in paragraphs (ii) above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and, if necessary, to take appropriate action, considering our legal rights and obligations, to seek to have an uncorrected material misstatement appropriately brought to the attention of users for whom the auditor's report is prepared.

### Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' responsibilities on page A-2 to A-3, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Guideline, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for using the going concern basis of accounting in accordance with the Guidelines.

The directors are also responsible for overseeing the 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.

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## Independent auditor's report (continued)
## to the Directors of
## the Central Bank of Malta

*Auditor's Responsibilities for the Audit of the Financial Statements (continued)*

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's 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. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Bank's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Bank's ability to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

The audit was drawn up on 16 March 2026 and signed by:

J. Gingell

Julia Gingell as Director
in the name and on behalf of
**Deloitte Audit Limited**
Registered auditor
Central Business District, Birkirkara, Malta.