

BANKING RULE BR/07

**PUBLICATION OF ANNUAL REPORT AND
AUDITED FINANCIAL STATEMENTS OF
CREDIT INSTITUTIONS AUTHORISED UNDER
THE BANKING ACT**

CONTENTS

INTRODUCTION.....	4
SCOPE AND APPLICATION	5
SUBMISSIONS TO THE AUTHORITY AND THE CENTRAL BANK	5
PUBLISHED ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS	6
EXHIBIT OF AUDITED FINANCIAL STATEMENTS	7
BRANCHES OF THIRD COUNTRY CREDIT INSTITUTIONS.....	7
BRANCHES OF EEA CREDIT INSTITUTIONS	8
AUTHORISATIONS REGARDING LATE SUBMISSIONS	9
DISCLOSURES FOR PARENT UNDERTAKINGS	9
CURRENCY OF FINANCIAL STATEMENTS.....	9
COUNTRY-BY-COUNTRY REPORTING.....	10
PUBLIC DISCLOSURE OF RETURN ON ASSETS	10
MAINTENANCE OF A WEBSITE ON CORPORATE GOVERNANCE AND REMUNERATION	11
LANGUAGE OF PUBLICATION	11

REVISIONS LOG

VERSION	DATE ISSUED	DETAILS
1.00	27.05.2024	Review of the Rule thereby ensuring that all requirements are streamlined and references to EU legislation updated

PUBLICATION OF ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF CREDIT INSTITUTIONS AUTHORISED UNDER THE BANKING ACT

INTRODUCTION

1. In terms of article 4 of the Banking Act 1994 (Chapter 371 of the Laws of Malta) (“the Act”) the competent authority (“the Authority”) as defined in article 2(1) of the Act is empowered to make Banking Rules as may be required for carrying into effect any of the provisions of the Act. The Authority may also amend or revoke such Banking Rules and any amendment or revocation thereof shall be officially communicated to credit institutions and the Authority shall make copies thereof available to the public.

2. The publication of audited financial statements by credit institutions is to be made pursuant to article 30 of the Act:

“Every credit institution and, where applicable, financial holding company and mixed financial holding company, shall, not later than four months from the closing of its financial year or at any other time as may be authorised in writing by the competent authority –

(a) forward to the competent authority and the Central Bank, and

(b) make available to the public, in paper or electronic form,

a copy of its audited financial statements or consolidated financial statements, as may be applicable, drawn up and published in such manner as may be specified in accordance with a Banking Rule.”

SCOPE AND APPLICATION

3. Banking Rule BR/07 (“the Rule”) applies to all credit institutions licensed under the Act, and, where applicable, financial holding companies and mixed financial holding companies.
4. With respect to accounting standards, the Rule expects institutions to take into account the requirements of the Act, the Companies Act (Chapter 386 of the Laws of Malta) as well as the Commission Regulation (EC) No 2023/1803 of 13 August 2023 in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, locally applied through Legal Notice 19 of 2009, and any subsequent amendments thereto.
5. Accordingly, credit institutions, and, where applicable, financial holding companies and mixed financial holding companies, shall prepare their annual accounts, both on an individual and consolidated basis, as may be applicable.
6. The Rule aims to:
 - i. outline the Authority’s views and interpretations of the provisions of article 30 of the Act; and
 - ii. implement Articles 89, 90 and 96 of the Capital Requirements Directive¹ (i.e. paragraphs 22 to 27 of this Rule).

SUBMISSIONS TO THE AUTHORITY AND THE CENTRAL BANK

7. Article 30(a) of the Act requires a credit institution and, where applicable, financial holding companies and mixed financial holding companies, to forward a copy of its audited financial statements to the Authority and the Central Bank of Malta.

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 as amended from time to time.

8. The copy submitted to the Authority and to the Central Bank of Malta in accordance with paragraph 7, shall be accompanied by the Declaration Form in Appendix 1, as well as all statements under paragraphs 10 and 11 of this Rule and shall:
 - i. bear the original signatures of the auditor of the credit institution and, where applicable, of the financial holding company and mixed financial holding company, the signature of the chairperson of the credit institution and, where applicable, of the financial holding company and mixed financial holding company and/or of other officials signing the accounts as the case may be; or
 - ii. be authenticated by the company secretary where such signatures are not the originals.

9. Pursuant to article 20(1) of the Act and in addition to the submission of audited financial statements as required by article 30 of the Act, credit institutions and, where applicable, financial holding companies and mixed financial holding companies, are required to submit a copy of the auditors' management letter and the respective reply thereto, within six (6) months from the closing of its financial year.

PUBLISHED ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

10. The Authority expects that the published Annual Report shall, as a minimum, include the following:
 - i. Directors' Report²;
 - ii. Statement of Directors' responsibilities;
 - iii. Report of the auditors on financial statements;
 - iv. A complete set of financial statements including notes thereto;

² When compiling the Director's Report, credit institutions shall take into account the requirements of the Companies Act.

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- v. Five-year summary figures.
11. In the case where a credit institution and, where applicable, a financial holding company or a mixed financial holding company, is listed on a regulated market authorised in Malta in terms of the Financial Markets Act (Chapter 345 of the Laws of Malta), the publication of the financial statements shall include all other financial information required for publication under the listing requirements in terms of the Financial Markets Act.

EXHIBIT OF AUDITED FINANCIAL STATEMENTS

12. Article 30(b) of the Act requires a credit institution and, where applicable, a financial holding company and a mixed financial holding company, to make available to the public, in paper or electronic form, a copy of its audited financial statements or consolidated financial statements, as may be applicable.
13. Such exhibit shall, as a minimum, also include items (i) to (iii) under paragraph 10 of this Rule. This shall be accompanied by a note to the effect that the published Annual Report is kept and is made available to any person interested in viewing it.

BRANCHES OF THIRD COUNTRY CREDIT INSTITUTIONS

14. Paragraph 32 of [Banking Rule BR/01](#) on the Application Procedures and Requirements for Authorisation of Licences for Banking Activities under the Act states that a licence issued to a credit institution incorporated in a third country to operate its business of banking through a branch in Malta (referred to as “third-country branch”) is deemed to have been granted to that credit institution as a whole.

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15. In this respect, the requirements of article 30 of the Act shall be deemed as having been satisfied by the credit institution incorporated in a third country when:
- i. forwarding to the Authority and the Central Bank of Malta; and
 - ii. make available to the public, in paper or electronic form, a copy of its audited financial statements.
16. Notwithstanding the provisions of paragraph 15, the Authority may require third-country branches established in Malta to publish, in accordance with International Financial Reporting Standards (“IFRS”), or otherwise, separately abridged or full branch audited accounts, together with other financial or non-financial information as may be relevant considering their own activities in Malta.
17. As an alternative to paragraph 16 the Authority may, if deemed appropriate, require the overseas credit institution to include with its audited financial statements additional information required in pursuance of paragraph 10 of this Rule, as applicable. In making such request, the Authority may take into consideration the provisions laid out in the Branch Accounts Directive 89/117/EEC.

BRANCHES OF EEA CREDIT INSTITUTIONS

18. Where branches of credit institutions within the European Economic Area (EEA) are established in Malta in terms of the European Passport Rights for Credit Institutions Regulations (S.L. 371.11), paragraphs 14 and 16 above shall not apply. However, in line with the provisions of the Branch Accounts Directive 89/117/EEC, the Authority may, if it deems appropriate, require a branch of an EEA institution to publish the additional information relevant to the activities of the branch in Malta.

AUTHORISATIONS REGARDING LATE SUBMISSIONS

19. In terms of article 30 of the Act, if for valid reasons a credit institution and, where applicable, a financial holding company or a mixed financial holding company, is not able to carry out its obligations under that article within four months from the closing of its financial year, it shall apply to the Authority for consent to extend the period of submission as the Authority may authorise in writing.
20. When a credit institution and, where applicable, a financial holding company or a mixed financial holding company, is applying for authorisation under paragraph 19 above, it shall provide all relevant details and reasons for such application and allow appropriate time for the Authority to consider such application.
21. It is at the Authority's discretion to approve such an application and, if approval is given, this shall be for exceptional cases only.

DISCLOSURES FOR PARENT UNDERTAKINGS

22. In accordance with article 30A(2) of the Act, parent undertakings shall publish annually, either in full or by way of references to equivalent information, a description of their legal structure and governance and organisational structure of the group of institutions in accordance with articles 7(1)(e) and 17B(1) of the Banking Act and paragraph 10 of Banking Rule BR/12 on the Supervisory Review Process of Credit Institutions Authorised under the Act.

CURRENCY OF FINANCIAL STATEMENTS

23. Where the financial statements of a credit institution, and, where applicable, financial holding companies and mixed financial holding companies, are drawn up in a currency other than the Euro in terms of article 187(2) of the Companies Act, then that credit institution shall state on its balance sheet the

exchange rate applicable between the functional currency and the local currency.

COUNTRY-BY-COUNTRY REPORTING

24. Credit institutions shall disclose annually, specifying, by Member State and by third country in which it has an establishment, the following information on a consolidated basis for the financial year:
- i. name(s), nature of activities and geographical location;
 - ii. turnover;
 - iii. number of employees on a full time equivalent basis;
 - iv. profit or loss before tax;
 - v. tax on profit or loss;
 - vi. public subsidies received.
25. The information referred to in paragraph 24 shall be audited in accordance with Directive 2006/43/EC (implemented through Act No. IX of 2008³) and shall be published, where possible, as an annex to the annual financial statements or, where applicable, to the consolidated financial statements of the credit institution concerned.
26. To the extent that future EU legislative acts for disclosure obligations go beyond those laid down in paragraphs 24 and 25 above, the latter paragraphs shall cease to apply.

PUBLIC DISCLOSURE OF RETURN ON ASSETS

27. Credit institutions shall disclose in their annual report, among the key indicators, their return on assets, calculated as the net profit divided by the balance sheet total.

³ IX of 2008 - Act to introduce amendments to the Accountancy Profession Act and to other Laws, and to implement Directive 2006/43/EC.

MAINTENANCE OF A WEBSITE ON CORPORATE GOVERNANCE AND REMUNERATION

28. Credit institutions that maintain a website shall explain therein how they comply with the requirements of paragraphs 14 to 18 and paragraph 86 of [Banking Rule BR/24](#) on Internal Governance, paragraphs 24 to 27 of this Rule, [Banking Rule BR/21](#) on Remuneration Policies and Practices, and article 14 of the Banking Act, which relate to governance arrangements, country-by-country reporting, public disclosure of return on assets, management body, remuneration policies, variable elements of remuneration and remuneration committee.

LANGUAGE OF PUBLICATION

29. Any documents and/or submissions provided for in this Rule must be published in one of the official languages of Malta. Where the audited financial statements of credit institutions incorporated in third countries submitted in terms of paragraph 15, are primarily published in another language in the foreign jurisdiction, a certified translation thereof needs to be published locally.