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PILLAR 3 DISCLOSURES 30 JUNE 2021

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1. Introduction

This report provides an overview of the regulatory capital and risk management practices and exposures of APS Bank and its subsidiaries (hereafter 'the Group') in line with Pillar 3 of the Basel framework. Pillar 3 of the Basel framework aims to promote financial market discipline through regulatory disclosure requirements. These requirements enable market participants to access key information relating to a bank's regulatory capital and risk exposures, in order to increase transparency and confidence about a bank's exposure to risk and the overall adequacy of its regulatory capital.

The Pillar 3 disclosures within this report are prepared in line with Banking Rule BR/07/2014 - *Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised Under the Banking Act 1994*, and governed by Part Eight of the Capital Requirements Regulation (CRR) II No. 2019/876. To enhance the comparability and consistency of banks' Pillar 3 disclosures, the EBA published guidelines on disclosure requirements under Part Eight of the CRR.

This report is not subject to external audit, with the exception of any disclosures that are equivalent to those made in the 2021 Interim Financial Statements, which adhere to International Financial Reporting Standards as adopted by the European Union (EU IFRSs). However, this report has undergone comprehensive internal review and has been approved by the Group's Board of Directors (hereafter referred to as 'the Board'). A reference has been added in cases where additional information addressing Pillar 3 requirements is included in the Interim Financial Statements. The Board is satisfied that the internal controls implemented around the preparation of these Additional Regulatory Disclosures are adequate and such disclosures present a fair and accurate picture of the Group's risk profile and capital position.

2. Key Risk Metrics

The Risk Department performs regular risk assessments and stress testing exercises, the results of which are presented to the Board of Directors, Risk Committee and other committees as may be required, including the ALCO and the Executive Committee. The Risk Appetite Dashboard, which complements the Risk Appetite Statement, is presented to the Board of Directors on a quarterly basis. These reports provide insight on the Group's risk profile and benchmarks this with the Group's risk appetite and internal limits. Risk reports are presented using a RAG (also known as "traffic lights") approach. Early warning signals and excesses are escalated to the Chief Risk Officer, followed by the Risk Committee and the Board of Directors, as deemed applicable, to ensure that the necessary corrective actions are implemented.

EU KM1 - Key metrics

		Jun-21	Mar-21	Dec-20	Sep-20	Jun-20
	Available own funds (€000)					
1	Common Equity Tier 1 (CET1) capital	176,878	172,142	174,915	171,898	172,436
2	Tier 1 capital	176,878	172,142	174,915	171,898	172,436
3	Total capital	231,452	226,705	229,473	171,898	172,436
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1,339,304	1,256,854	1,241,291	1,204,628	1,169,772
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13.21%	13.70%	14.09%	14.27%	14.74%
6	Tier 1 ratio (%)	13.21%	13.70%	14.09%	14.27%	14.74%
7	Total capital ratio (%)	17.28%	18.04%	18.49%	14.27%	14.74%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.70%	3.70%	3.70%	3.70%	3.70%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2.08%	2.08%	2.08%	2.08%	2.08%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.78%	2.78%	2.78%	2.78%	2.78%
EU 7d	Total SREP own funds requirements (%)	11.70%	11.70%	11.70%	11.70%	11.70%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	0.06%	0.06%	0.06%	0.06%	0.06%
11	Combined buffer requirement (%)	2.56%	2.56%	2.56%	2.56%	2.56%
EU 11a	Overall capital requirements (%)	14.26%	14.26%	14.26%	14.26%	14.26%
12	CET1 available after meeting the total SREP own funds requirements (%)	1.51%	2.00%	2.39%	2.57%	3.04%

	Leverage ratio					
13	Total exposure measure	2,715,917	2,597,965	2,491,603	2,403,422	2,360,105
14	Leverage ratio (%)	6.51%	6.63%	7.02%	7.15%	7.31%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14c	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	409,288	384,824	358,015	345,271	334,477
EU 16a	Cash outflows - Total weighted value	344,096	336,901	329,145	318,376	306,196
EU 16b	Cash inflows - Total weighted value	57,640	56,505	63,272	62,305	64,330
16	Total net cash outflows (adjusted value)	286,456	280,396	265,873	256,071	241,866
17	Liquidity coverage ratio (%)	142.63%	137.24%	135.10%	135.42%	138.84%
	Net Stable Funding Ratio					
18	Total available stable funding	2,156,637				
19	Total required stable funding	1,584,417				
20	NSFR ratio (%)	136.12%				

3. Capital Management

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

In response to the COVID-19 pandemic, European and national authorities took swift measures to address the impact on the financial sector. In March 2020, the ECB Banking Supervision Unit announced a number of temporary capital and operational relief measures to ensure that banks could continue to fulfil their role in funding the real economy amidst the impact of COVID-19. Banks were allowed, amongst other measures, to fully use capital and liquidity buffers, including Pillar 2 Guidance (P2G). Banks also benefited from anticipated relief in the composition of capital for Pillar 2 requirements.

Capital planning is a crucial pillar of the Group's business planning process. The Group examines both the current and future capital requirements in line with its Risk Appetite and strategic business objectives, in order to establish its near and long-term capital needs, capital expenditures required for the foreseeable future, target capital levels and potential sources of capital. Capital planning is the responsibility of the ALCO.

As an integral part of the Group's business planning process, the Risk Department performs a detailed analysis of the capital requirements over the medium- and long-term, which are part of the Internal Capital Adequacy Assessment Process (ICAAP). This involves compiling scenario analysis and stress testing exercises to evaluate the impact of the Bank's strategic growth on its risk profile, whilst also taking into consideration regulatory requirements. The impact of business objectives on the Group's risk profile is also evaluated as part of the annual budgeting process.

Capital Instruments

The Group' capital is composed of Common Equity Tier 1 (CET 1) and Tier 2 capital instruments, as defined by the CRR. CET 1 capital is the highest quality capital and, therefore, the most effective in absorbing losses. The Group's capital is mainly composed of CET 1 capital, which primarily consists of ordinary share capital and retained earnings.

Further information on the main features and terms and conditions of the Group's capital instruments is provided in Note 44.6 appended to the 2020 Financial Statements which are available on the Bank's website.

Capital Requirements

In accordance with Banking Rule BR/08/2012 – *Capital Adequacy of Credit Institutions Authorised Under the Banking Act 1994* and the CRR, the Group calculates its capital requirements for Pillar 1 risks using the following approaches:

- The Standardised Approach for the purposes of calculating its risk-weighted exposure to credit risk. The minimum regulatory capital allocation to credit risk is calculated at 8% of the credit risk-weighted exposures.
- The Standardised Approach for the purposes of calculating its risk-weighted exposure to foreign exchange risk. The capital allocation for foreign exchange risk is therefore equal to 8% of the higher of the sum of the Group's net short or net long positions.
- The Basic Indicator Approach for the purposes of calculating its risk-weighted exposure to operational risk. Under this approach, a 15% capital charge is applied on the average operating income for the previous three financial years.

The table below shows the Bank's risk weighted exposure for each exposure class in line with the CRR, and the respective Pillar 1 capital requirement based on the methodology outlined above.

The following table discloses the Bank's risk weighted assets and capital requirements as at 30 June 2021, classified by exposure class. The difference between the capital requirement of the Bank and the Group is immaterial. Capital allocation is based on the methods highlighted above.

EU OV1 – Overview of total risk exposure amounts

		RWA		Minimum Capital requirements
		Jun-21 €000	Dec-20 €000	Jun-21 €000
1	**Credit risk (excluding counterparty credit risk)**	**1,244,872**	**1,140,148**	**99,589**
2	Of which: standardised approach	1,244,872	1,140,148	99,589
	Central government or central banks	9,515	10,145	761
	Regional government or local authorities	-	-	-
	Public sector entities	-	-	-
	Multilateral development banks	423	424	34
	International organisations	-	-	-
	Institutions	35,978	28,567	2,878
	Corporates	353,828	351,954	28,306
	Retail	56,809	57,752	4,545
	Secured by mortgages on immovable property	498,444	456,595	39,876
	Exposures in default	81,650	31,991	6,532
	Items associated with particular high risk	97,955	102,598	7,836
	Covered bonds	422	462	34
	Claims in the form of CIU	39,553	42,251	3,164
	Equity exposures	329	929	26
	Other Assets	69,966	56,480	5,597
19	**Market risk**	**155**	**187**	**12**
20	Of which: standardised approach	-	-	-
23	**Operational risk**	**94,277**	**94,277**	**7,542**
24	Of which basic indicator approach	-	-	-
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
29	**Total**	**1,339,304**	**1,234,612**	**107,143**

The Bank is required to meet a total SREP capital requirement (TSCR) of 11.7%, consisting of 8.0% minimum Pillar 1 requirement and a 3.7% Pillar 2 requirement (P2R). In line with the Capital Requirement Directive (CRD V), which came into force in June 2021, banks may partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example Additional Tier 1 or Tier 2 instruments, to meet the P2R.

Banking Rule BR/15/2015 – *Capital Buffers of Credit Institutions Authorised Under Banking Act 1994* requires institutions to maintain capital buffers over and above the Pillar 1 requirements. In accordance with this Rule, the Group maintains a Capital Conservation Buffer (CCB), a Countercyclical Capital Buffer (CCyB) and an Other-Systemically Important Institutions (O-SII) buffer. The capital buffers (collectively referred to as the Combined Buffer Requirement) are to be met from Common Equity Tier 1 capital and, if the minimum buffer requirements are breached, the Group might be subject to capital distribution constraints. Further information on the Group's capital buffer requirements is provided in tables 'EU CC1' and 'EU CCyB1' below.

As at 30 June 2021, the Bank's Tier 1 and Total Capital Ratios stood at 13.21% and 17.28%, respectively. Further information is provided in the table below.

EU CC1 - Composition of regulatory own funds

		€000
1	Capital instruments and the related share premium accounts	72,882
2	Retained earnings	84,273
3	Accumulated other comprehensive income (and other reserves)	28,034
EU-3a	Funds for general banking risk	1,700
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**186,889**
7	Additional value adjustments (negative amount)	
8	Intangible assets (net of related tax liability) (negative amount)	(9,738)
27a	Other regulatory adjustments	(273)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(10,012)
29	**Common Equity Tier 1 (CET1) capital**	**176,878**
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	
44	**Additional Tier 1 (AT1) capital**	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**176,878**
46	Capital instruments and the related share premium accounts	54,574
51	**Tier 2 (T2) capital before regulatory adjustments**	**54,574**
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-
58	**Tier 2 (T2) capital**	**54,574**
59	**Total capital (TC = T1 + T2)**	**231,452**
60	**Total risk exposure amount**	**1,339,304**
61	Common Equity Tier 1 capital	13.21%
62	Tier 1 capital	13.21%
63	Total capital	17.28%
64	Institution CET1 overall capital requirements	10.76%
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical capital buffer requirement	0.0015%
67	of which: systemic risk buffer requirement	0.00%
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.0625%
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**8.71%**

The following table provides a reconciliation of regulatory own funds to the statement of financial position within the audited financial statements.

EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published financial statements €000	Under regulatory scope of consolidation €000
Assets			
1	Intangible Assets	9,738	9,738
2	Prudent Valuation adjustment		(273)
	Total assets	**9,738**	**9,465**
Shareholders' Equity			
1	Share Capital	62,429	62,429
2	Debt securities in issue	54,574	54,574
3	Share Premium	10,453	10,453
4	Revaluation Reserve (and other reserves)	28,033	29,734
5	Retained Earnings	92,104	84,273
	Total Shareholders' Equity	**247,593**	**241,463**

The CCyB is calculated as the weighted average of the buffers in effect in the jurisdictions to which the Bank has a credit exposure. The following table discloses the geographical distribution of the Bank's credit exposures relevant for the calculation of the institution-specific CCyB and the amount of the institution specific CCyB.

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the counter-cyclical buffer

Country	Exposure value under the standardised approach	Total exposure value	Own Funds Requirement	Risk-weighted exposure amounts	Own fund requirements weights	Counter-cyclical buffer rate
	€000	€000	€000	€000	%	%
Czech Republic	210	210	17	-	0.01	0.50
Norway	1,150	1,150	92	605	0.04	1.00
Slovakia	2,757	2,757	221	-	0.10	1.00
Others	2,711,800	2,711,800	216,944	-	99.85	0.00
Total	**2,715,917**	**2,715,917**	**217,274**	**605**		

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

Total Risk Exposure Amount (€000)	2,715,917
Institution Specific Countercyclical Buffer Rate	0.00%
Institution Specific Countercyclical Buffer Requirement (€000)	3

4. Leverage Ratio

The Leverage Ratio measures the relationship between the Group's Tier 1 Capital and its on- and off-balance sheet exposures. Under the CRR, the Group is required to maintain a minimum Leverage Ratio of 3%.

The Board approves the Group's Leverage Risk Policy, the purpose of which is to set forth a framework for comprehensively identifying, managing, monitoring and reporting on leverage and the risk of excessive leverage. The Bank's leverage ratio is regularly reported to and monitored by the Executive Management, Risk Committee and Board. As at 30 June 2021 the Bank's leverage ratio stood at 6.51%. During 2021 the Bank's leverage ratio remained well above the regulatory minimum requirement of 3% and within the risk appetite set by the Board.

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		€000
1	Total assets as per published financial statements	2,622,198
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	104,212
11		
12	Other adjustments	(10,493)
13	**Total exposure measure**	**2,715,917**

EU LR2 - LRCom: Leverage ratio common disclosure

		€000
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,621,443
6	Asset amounts deducted in determining Tier 1 capital	(9,738)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**2,611,705**
19	Off-balance sheet exposures at gross notional amount	25,320
20	Adjustments for conversion to credit equivalent amounts	78,892
22	**Total off-balance sheet exposures**	**104,212**
23	**Tier 1 capital**	**176,878**
24	**Total Exposures**	**2,715,917**
25	**Leverage Ratio**	**6.51%**

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		€000
EU-1	**Total on-balance sheet exposures (excluding derivatives and SFTs), of which:**	**2,715,917**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	2,715,917
EU-4	Covered bonds	4,219
EU-5	Exposures treated as sovereigns	241,495
EU-6	Exposures to regional governments, MDBs, international organisations and PSE NOT treated as sovereigns	18,431
EU-7	Institutions	91,988
EU-8	Secured by mortgages of immovable properties	1,260,507
EU-9	Retail exposures	75,746
EU-10	Corporate exposures	535,747
EU-11	Exposures in default	58,891
EU-12	Other exposures	428,893

5. Credit Risk

The Group has a detailed Credit Risk Policy in support of its Credit Risk Appetite, which lays down the principles for the management of credit risk within each business area mentioned above. In response to the pandemic, the Bank revisited its appetite for credit risk and revised its lending strategy to reflect the economic environment, which prevailed following the onset of COVID-19.

Credit and financial institutions licensed by the Malta Financial Services Authority have been directed to offer a moratorium on repayments on capital and interest for borrowers who have been negatively affected by COVID-19. In 2020, Central Bank of Malta ("CBM") issued Directive 18 for Moratoria on Credit Facilities in Exceptional Circumstances to which the Group has abided. Further information on the loan balances, which have been granted a temporary moratorium on capital and/or interest payments is provided in Note 3 to the Interim Financial Statements.

In response to the COVID-19 pandemic, the Group also offered a loan product named "APS Jet Pack" to its customers. The "APS Jet Pack" benefits from the support of the Malta Development Bank's COVID-19 Guarantee Scheme to support businesses through the provision of a Guarantee for a maximum amount of €350,000,000, covered by a Government counter-guarantee issued by the Ministry of Finance. Further information on the MDB COVID-19 Guarantee Scheme is included in Note 3 to the Interim Financial Statements.

Credit Quality

The following table provides an overview of the gross carrying amount, related accumulated impairments, and collateral and financial guarantees received for performing and non-performing exposures classified by counterparty sector. Furthermore, table 'EU CR1-A' classifies the exposures (net values) by residual maturity.

EU CR1 - Performing and non-performing exposures and related provisions.

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
010	**Loans and advances**	**1,872,117**	**1,708,183**	**163,934**	**83,732**	**-**	**83,732**	**(3,067)**	**(1,874)**	**(1,193)**	**(17,226)**	**-**	**(17,226)**	**(20,293)**	**23**	**-**
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	11,259	8,735	2,524	-	-	-	(28)	-	(28)	-	-	-	(28)	23	-
040	*Credit institutions*	24,264	24,264	-	-	-	-	(258)	(258)	-	-	-	-	(258)	-	-
050	*Other financial corporations*	93,468	85,171	8,297	4,549	-	4,549	(200)	(199)	(1)	(1,186)	-	(1,186)	(1,386)	-	-
060	*Non-financial corporations*	439,959	321,601	118,358	65,095	-	65,095	(1,690)	(964)	(726)	(11,140)	-	(11,140)	(12,830)	-	-
070	*Of which SMEs*	356,948	263,476	93,472	62,678	-	62,678	(630)	(373)	(256)	(11,140)	-	(11,140)	(11,770)	-	-
080	*Households*	1,303,167	1,268,412	34,755	14,088	-	14,088	(891)	(453)	(438)	(4,900)	-	(4,900)	(5,791)	-	-
090	**Debt securities**	**315,361**	**315,361**	**-**	**-**	**-**	**-**	**(62)**	**(62)**	**-**	**-**	**-**	**-**	**(62)**	**-**	**-**
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	235,849	235,849	-	-	-	-	(53)	(53)	-	-	-	-	(53)	-	-

120	*Credit institutions*	23,065	23,065	-	-	-	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	13,276	13,276	-	-	-	-	(9)	(9)	-	-	-	-	(9)	-	-
140	*Non-financial corporations*	43,171	43,171	-	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**852,510**	**840,319**	**12,191**	**4,370**	-	**4,370**	-	-	-	-	-	-	-	-	-
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	*General governments*	3,189	3,189	-	-	-	-	-	-	-	-	-	-	-	-	-
180	*Credit institutions*	1,261	1,261	-	-	-	-	-	-	-	-	-	-	-	-	-
190	*Other financial corporations*	24,296	23,077	1,219	14	-	14	-	-	-	-	-	-	-	-	-
200	*Non-financial corporations*	263,265	253,054	10,211	4,203	-	4,203	-	-	-	-	-	-	-	-	-
210	*Households*	560,499	559,738	761	153	-	153	-	-	-	-	-	-	-	-	-
220	Total	3,039,988	2,863,863	176,125	88,102	-	88,102	(3,129)	(1,936)	(1,193)	(17,226)	-	(17,226)	(20,355)	23	-

EU CR1-A – Maturity of exposures

		On-demand	<= 1 year	>1 year< = 5 years	> 5 years	Total
		€000	€000	€000	€000	€000
1	Loans and advances	71,444	122,335	146,352	1,595,347	1,935,478
2	Debt Securities	5,732	33,698	125,281	148,701	313,412
3	**Total**	**77,176**	**156,033**	**271,633**	**1,744,048**	**2,248,890**

The following table shows the changes in the Group's stock of defaulted loans during the six months ending 30 June 2021. None of the Group's holdings of debt securities defaulted during this period.

EU CR2 - Changes in the stock of non-performing loans and advances

		Gross carrying amount
		€000
1	**Initial stock of non-performing loans and advances**	45,528
2	Inflows to non-performing portfolios	845
3	Outflows from non-performing portfolios	(160)
4	Outflows due to write-offs	(295)
5	Inflows to non-performing portfolios due to other situations	37,814
6	**Final stock of non-performing loans and advances**	83,732

The Group renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance') to maximise collection opportunities and minimise the risk of default. The table below shows the gross carrying amount of forborne exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, and collateral and financial guarantees received (as per Commission Implementing Regulation (EU) No 680/2014).

EU CQ1 - Credit quality of forborne exposures

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
		€000	€000	€000	€000	€000	€000	€000	€000
1	**Loans and advances**	**34,634**	**18,526**	**-**	**18,526**	**(73)**	**(4,983)**	**44,792**	**12,994**
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	881	2,695	-	2,695	-	(384)	3,192	2,311
6	Non-financial corporations	22,003	12,423	-	12,423	(44)	(3,056)	28,362	8,835
7	Households	11,750	3,408	-	3,408	(29)	(1,543)	13,238	1,848
8	**Debt Securities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9	Loan commitments given	-	-	-	-	-	-	-	-
10	**Total**	**34,634**	**18,526**	**-**	**18,526**	**(73)**	**(4,983)**	**44,792**	**12,994**

The table below shows the credit quality of performing and non-performing exposures by past due days (as per Commission Implementing Regulation (EU) No 680/2014).

EU CQ3 - Credit quality of performing and non-performing exposures by past due days

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
010	**Loans and advances**	**1,872,117**	**1,708,183**	**163,934**	**83,732**	**43,721**	**2,536**	**704**	**7,502**	**19,483**	**961**	**8,825**	**-**
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	11,259	8,735	2,524	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	24,264	24,264	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	93,468	85,171	8,297	4,549	567	-	-	28	3,954	-	-	-
060	*Non-financial corporations*	439,959	321,601	118,358	65,095	38,357	1,552	-	5,778	11,832	833	6,743	-
070	*Of which SMEs*	356,948	263,476	93,472	62,678	35,940	1,552	-	5,778	11,832	833	6,743	-
080	*Households*	1,303,167	1,268,412	34,755	14,088	4,797	984	704	1,696	3,697	128	2,082	-
090	**Debt securities**	**315,361**	**315,361**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	235,849	235,849	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	23,065	23,065	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	13,276	13,276	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	43,171	43,171	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**852,510**			**4,370**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,353**
160	*Central banks*	-			-	-	-	-	-	-	-	-	-

170	*General governments*	3,189			-	-	-	-	-	-	-	-	-
180	*Credit institutions*	1,261			-	-	-	-	-	-	-	-	-
190	*Other financial corporations*	24,296			14	-	-	-	-	-	-	-	-
200	*Non-financial corporations*	263,265			4,203	-	-	-	-	-	-	-	3,227
210	*Households*	560,499			153	-	-	-	-	-	-	-	126
220	***Total***	3,039,988	2,023,544	163,934	88,102	43,721	2,536	704	7,502	19,483	961	8,825	3,353

The table below shows the collateral obtained by taking possession and execution processes. It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use. No new properties have been repossessed during the six months ending 30 June 2021.

EU CQ7 - Collateral obtained by taking possession and execution processes

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		€000	€000
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&E	-	-
3	Residential immovable property	331	-
4	Commercial immovable property	1,000	-
5	Movable property	-	-
6	Equity and debt instruments	-	-
7	Other	-	-
8	**Total**	**1,331**	**-**

Credit Risk Mitigation

The Group generally takes collateral against its loans and advances portfolio, most of which consists of tangible assets. These are taken by the Group as a fall-back, hence acting as a secondary source of repayment should the primary source of repayment fail. The security provided does not form the main basis of the lending decision. The Group has to be satisfied, amongst other things, that the primary source of repayment will be reliable and robust. In this spirit, the taking of collateral is neither considered a substitute for a comprehensive assessment of the credit application and the corresponding borrower or counterparty, nor can it compensate for insufficient information or deficient primary source of repayment. The Credit Risk Policy of the Bank stipulates inter alia the types of collateral and valuations to be carried out on them.

Other collateral, which is not tangible, is sought to ensure that the borrowing customer will abide by the terms and conditions of sanction, thereby reducing the default risk associated with the borrowing customer. The value and type of collateral required depends on an assessment of the credit risk of the counterparty.

The table below shows the amount of the Bank's on-balance sheet exposure value (Net) as at 30 June 2021 that is unsecured and the amount that is covered by eligible collateral in line with the CRR:

EU CR3 - CRM techniques – Overview: Disclosure of the use of credit risk mitigation techniques

		Exposures unsecured: carrying amount	Secured Carrying Amount			
				Of which: Secured by Collateral	Of which: Secured by financial guarantees	Of which: Secured by credit derivatives
		€000	€000	€000	€000	€000
1	Loans and advances	326,522	1,605,139	1,541,421	63,718	-
2	Debt securities	309,193	4,219	4,219	-	
3	**Total**	**635,715**	**1,609,358**	**1,545,640**	**63,718**	**-**
4	*Of which non-Performing*	16,428	66,527	65,578	949	-
EU-5	*Of which defaulted*	16,428	66,527			

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities are generally unsecured, with the exception of covered bonds which are typically secured by residential mortgages.
The table below shows the on-balance sheet and off-balance sheet exposures before and after the application of the credit risk mitigation (CRM) and credit conversion factors (CCF) in accordance with the CRR. The risk weighted amount for each exposure class is also presented below. The Group applies the standardised approach for the purposes of calculating the risk weighted exposure amounts for credit risk in accordance with Part Three, Title II, Chapter 2 of the CRR.

EU CR4 - Standardised approach – Credit risk exposure and credit risk mitigation effects

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount €000	Off-balance sheet amount €000	On-balance sheet amount €000	Off-balance sheet amount €000	RWA €000	RWA Density %
1	Central governments or central banks	420,486	3,171	241,495	-	9,515	4
2	Regional government or local authorities	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	18,431	-	18,431	-	423	2
5	International organisations	-	-	-	-	-	-
6	Institutions	90,113	-	91,988	-	35,978	39
7	Corporates	513,841	295,263	514,069	21,678	353,828	66
8	Retail	72,807	44,018	72,807	2,939	56,809	75
9	Secured by mortgages on immovable property	1,180,911	514,427	1,180,911	79,595	498,444	40
10	Exposures in default	58,891	-	58,891	-	81,650	139
11	Higher-risk categories	65,304	-	65,304	-	97,955	150
12	Covered bonds	4,219	-	4,219	-	422	10
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Claims in CIU	59,886	-	59,886	-	39,553	66
15	Equity	2,432	-	329	-	329	100
16	Other assets	124,384	-	303,375	-	69,966	23
17	**Total**	**2,611,705**	**856,879**	**2,611,705**	**104,212**	**1,244,872**	

The table below presents a breakdown of credit risk exposures under the standardised approach by exposure class and risk weight. The risk weights correspond to the relative riskiness attributed to the exposure according to the standardised approach outlined by the CRR. The risk weight is based on the credit quality step of each exposure as outlined in Part Three, Title II, Chapter 2 of the CRR.

To calculate the risk weighted exposure under the Standardised Approach, the Group refers to credit assessments issued by External Credit Assessment Institutions (ECAIs), in line with the CRR. The ratings are mapped to the credit quality steps as outlined in Regulation (EU) 2016/1800 which lays down the implementing technical standards with regards to the allocation of credit assessments of ECAIs to an objective scale of credit quality steps.

EU CR5 - Standardised approach – exposures by asset classes and risk weights

		Risk Weights									
		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Exposure amount
	Exposure Classes	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
1	Central governments or central banks	226,266	-	2,885	-	6,813	-	5,531	-	-	241,495
4	Multilateral development banks	16,317	-	2,114	-	-	-	-	-	-	18,431
6	Institutions	-	-	52,284	-	33,097	-	1,875	4,732	-	91,988
7	Corporates	-	-	3,426	40,556	305,634	-	186,131	-	-	535,747
8	Retail	-	-	-	-	-	75,745	-	-	-	75,745
9	Secured by mortgages on immovable property	-	-	-	1,114,725	4,184	141,598	-	-	-	1,260,507
10	Exposures in default	-	-	-	-	-	-	13,373	45,518	-	58,891
11	Higher-risk categories	-	-	-	-	-	-	-	65,304	-	65,304
12	Covered bonds	-	4,219	-	-	-	-	-	-	-	4,219
14	Claims in CIU	14,994	-	4,927	-	4,083	-	34,595	1,287	-	59,886
15	Equity	-	-	-	-	-	-	329	-	-	329
16	Other assets	228,783	-	2	-	63	-	69,473	2	5,052	303,375
17	**Total**	**486,360**	**4,219**	**65,638**	**1,155,281**	**353,874**	**217,343**	**311,307**	**116,843**	**5,052**	**2,715,917**

6. Liquidity and Funding Risk

Liquidity risk is the risk that the Group cannot meet its financial obligations as they fall due in the short term and medium term, either at all or without incurring unacceptable losses.

Funding risk is the risk that the Group cannot meet its financial obligations as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably. Funding risk can also be seen as the risk that the Group's assets are not stably funded in the medium and long term.

The Liquidity Coverage Ratio (LCR) measures the Group's liquidity buffer to its net liquidity outflows over a 30 calendar days stress period. The Group reports this ratio to the MFSA on a monthly basis. The Group's LCR fluctuated consistently above the applicable minimum requirement of 100% and, as at 30 June 2021, stood at 143%.

The below table discloses quantitative information on the Bank's LCR for each of the four calendar quarters, starting September 2020 and ending June 2021. The figures are calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter. The difference between the Group and the Bank's LCR is immaterial.

EU LIQ1 - Quantitative information of Liquidity Coverage Ratio (LCR)

		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on		Jun-21	Mar-21	Dec-20	Sep-20	Jun-21	Mar-21	Dec-20	Sep-20
		€000	€000	€000	€000	€000	€000	€000	€000
Number of data points used in the calculation of average		12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total HQLA					409,288	384,824	358,015	345,271
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	1,014,424	968,671	878,600	924,784	70,179	66,836	64,536	61,047
3	*Stable deposits*	753,277	720,666	646,090	678,459	37,664	36,033	33,923	32,305
4	*Less Stable deposits*	261,147	248,005	232,510	246,325	32,515	30,803	30,613	28,742
5	Unsecured wholesale funding, of which:	388,014	374,478	344,126	360,038	207,960	205,356	201,515	194,553
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	388,014	374,478	344,126	360,038	207,960	205,356	201,515	194,553
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements, of which:	803,818	782,349	756,473	763,157	63,027	62,721	61,342	61,025
11	*Outflows related to derivative exposures and other collateral requirements*	-	-	-	-	-	-	-	-
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	803,818	782,349	756,473	763,157	63,027	62,721	61,342	61,025
14	Other contractual funding obligations	4,445	3,582	3,078	3,167	2,930	1,988	1,753	1,752
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	**Total Cash Outflows**					**344,096**	**336,901**	**329,145**	**318,376**
Cash Inflows									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	63,958	62,588	67,297	68,812	55,641	54,621	60,974	60,072
19	Other cash inflows	1,999	1,884	2,233	2,298	1,999	1,884	2,298	2,233
20	**Total Cash Inflows**	**65,957**	**64,472**	**69,530**	**71,110**	**57,640**	**56,505**	**63,272**	**62,305**
Total Adjusted Value									
21	**Total HQLA**					**409,288**	**384,824**	**358,015**	**345,271**
22	**Total net cash outflows**					**286,456**	**280,396**	**265,873**	**256,071**
23	**Liquidity Coverage Ratio (%)**					**143%**	**137%**	**135%**	**135%**

The Net Stable Funding Ratio (NSFR) measures the amount of stable funding available to a financial institution against the required amount of stable funding. Under CRR, institutions are required to maintain a NSFR of at least 100%.

EU LIQ2 - Net Stable Funding Ratio

		Unweighted value by residual maturity				
		No Maturity	**< 6 months**	**6 months to <1 year**	**> 1 year**	**Weighted Value**
		€000	**€000**	**€000**	**€000**	**€000**
Available stable funding (ASF) Items						
1	Capital items and instruments	-	-	-	247,595	247,595
2	*Own funds*	-	-	-	*247,595*	*247,595*
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits	-	1,278,173	135,624	347,473	1,619,889
5	*Stable deposits*	-	-	-	*212,985*	*212,985*
6	*Less stable deposits*	-	*1,278,173*	*135,624*	*134,488*	*1,406,904*
7	Wholesale funding	-	409,963	98,031	70,420	271,783
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	*409,963*	*98,031*	*70,420*	*271,783*
10	Interdependent liabilities	-	-	-	-	-
11	Other liabilities	-	16,038	1,514	16,613	17,370
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and capital instruments not included in the above categories*	-	*16,038*	*1,514*	*16,613*	*17,370*
14	**Total available stable funding (ASF)**					**2,156,637**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)	-	-	-	-	30,485
17	Performing loans and securities:	-	96,473	121,375	1,692,944	1,305,563
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*	-	*54,888*	*37,148*	*59,956*	*84,019*

20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*	-	*11,200*	*65,679*	*532,293*	*483,409*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	*797*	*3,583*	*37,403*	*26,502*
22	*Performing residential mortgages, of which:*	-	*7,386*	*16,114*	*1,100,695*	*734,618*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	*3,888*	*8,891*	*1,063,610*	*697,736*
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*	-	*22,999*	*2,434*	-	*3,517*
26	Other assets:	-	23,757	17,546	172,354	202,876
27	*Physical traded commodities*	-	-	-	-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
29	*NSFR derivative assets*	-	-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
31	*All other assets not included in the above categories*	-	*23,757*	*17,546*	*172,354*	*202,876*
32	Off-balance sheet items	-	3,753	80,889	746,918	45,493
33	**Total RSF**	-	-	-	-	**1,584,417**
34	Net Stable Funding Ratio (%)	-	-	-	-	136.12%