

Pillar 3 Disclosures

30 September 2025

TABLE OF CONTENTS

1.	Introduction	3
2.	Key Risk Metrics	4
3.	Capital Management.....	6
3.1.	Capital Instruments	6
3.2.	Capital Requirements	6
4.	Liquidity and Funding Risk.....	9
4.1.	Liquidity Coverage Ratio.....	9

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/07/2024 - *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) III. The disclosures are in accordance with the Implementing Technical Standards (ITS) published by the EBA to ensure comparability and consistency of banks' Pillar 3 disclosures.

The European Banking Authority (EBA) introduced the Pillar 3 data hub (P3DH) to facilitate centralised access by all stakeholders to prudential data from all EEA institutions, promote transparency and market discipline in the EU banking sector, further contributing to the soundness of the European financial system. The P3DH goes live in December 2025, with the first reporting reference date being June 2025.

The Group has in place a Pillar 3 Disclosures Policy which sets out the approach to be adopted to ensure that the Group complies with the disclosure requirements set out in the CRR and respective EBA ITS. The Policy outlines the roles and responsibilities, the basis of preparation of the report and the verification and approval process.

This report is not subject to external audit. However, this report has undergone comprehensive internal review as outlined in the Pillar 3 Disclosures Policy. This report has been reviewed by the Chief Risk Officer and approved by the Board of Directors. A reference has been added in cases where additional information addressing Pillar 3 requirements is included in the Financial Statements. The Board of Directors 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 view 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 Assets and Liabilities Committee (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. These are presented using a RAG approach (also known as "traffic lights"). 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 in line with the Bank's Internal Escalation Procedure, to ensure that the necessary corrective actions are implemented.

The following table summarises the Bank's key regulatory ratios, and their underlying components, for the reporting quarter and the preceding four quarters. These ratios form an integral part of the Bank's strategic planning and risk management framework.

EU KM1 – Key Metrics

		Sep-25	Jun-25	Mar-25	Dec-24	Sep-24
	Available own funds (€000)					
1	Common Equity Tier 1 (CET1) capital	280,377	282,229	277,952	277,407	266,381
2	Tier 1 capital	280,377	282,229	277,952	277,407	266,381
3	Total capital	384,655	386,490	382,187	381,617	370,565
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1,906,850	1,878,198	1,829,513	1,900,999	1,855,625
4a	Total risk exposure pre-floor ¹	1,906,850	1,878,198	1,829,513	-	-
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14.70%	15.03%	15.19%	14.59%	14.36%
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	-	-	-	-	-
6	Tier 1 ratio (%)	14.70%	15.03%	15.19%	14.59%	14.36%
6b	Tier 1 ratio considering unfloored TREA (%)	-	-	-	-	-
7	Total capital ratio (%)	20.17%	20.58%	20.89%	20.07%	19.97%
7b	Total capital ratio considering unfloored TREA (%)	-	-	-	-	-
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.15%	3.15%	3.15%	3.15%	3.15%
EU 7e	of which: to be made up of CET1 capital (percentage points)	1.77%	1.77%	1.77%	1.77%	1.77%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	2.36%	2.36%	2.36%	2.36%	2.36%
EU 7g	Total SREP own funds requirements (%)	11.15%	11.15%	11.15%	11.15%	11.15%
	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 (%)	-	-	-	-	-

¹ 'Total risk exposure pre-floor' was introduced upon the implementation of CRR III, therefore this figure is available from March 2025 onwards.

9	Institution specific countercyclical capital buffer (%)	0.08%	0.09%	0.07%	0.08%	0.10%
EU 9a	Systemic risk buffer (%)	0.57%	0.56%	0.53%	0.52%	0.52%
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	0.44%	0.44%	0.438%	0.375%	0.375%
11	Combined buffer requirement (%)	3.59%	3.59%	3.54%	3.48%	3.49%
EU 11a	Overall capital requirements (%)	14.74%	14.74%	14.72%	14.63%	14.64%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.56%	6.66%	6.83%	6.23%	5.99%
Leverage ratio						
13	Total exposure measure	4,489,809	4,428,192	4,330,192	4,283,466	4,045,486
14	Leverage ratio (%)	6.24%	6.37%	6.42%	6.48%	6.58%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall 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)	608,132	658,553	628,187	579,719	525,047
EU 16a	Cash outflows - Total weighted value	501,637	446,099	447,456	434,628	375,825
EU 16b	Cash inflows - Total weighted value	224,948	176,887	116,572	140,926	68,588
16	Total net cash outflows (adjusted value)	349,222	352,813	330,884	293,702	307,236
17	Liquidity coverage ratio (%)	174.14%	186.66%	189.85%	197.38%	170.89%
Net Stable Funding Ratio						
18	Total available stable funding	3,717,445	3,702,399	3,624,481	3,563,901	3,379,737
19	Total required stable funding	2,684,279	2,630,985	2,568,352	2,537,937	2,462,752
20	NSFR ratio (%)	138.49%	140.72%	141.12%	140.43%	137.23%

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.

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.

3.1. Capital Instruments

The Bank's capital is composed of Common Equity Tier 1 (CET 1) and Tier 2 capital instruments, as defined by the CRR. CET 1 capital is the highest quality capital and, therefore, the most effective in absorbing losses. The Bank's capital is mainly composed of CET 1 capital, which primarily consists of ordinary share capital and retained earnings. In June 2022 the Bank issued its first equity public offering amounting to €65.8 million, hence strengthening further its capital position. Further information on the share capital composition is provided in Note 47.5 to the 2024 Financial Statements.

In November 2020, the Bank joined the list of issuers on the Malta Stock Exchange for the first time with the listing of the €55 million 3.25% APS Bank plc Unsecured Subordinated Bonds 2025-2030. In November 2023, the Bank announced the issuance of €50 million 5.80% Unsecured Subordinated Bonds 2028-2033. The subordinated bonds qualify as Tier 2 Capital, which ranks after the claims of all depositors (including financial institutions) and all other creditors.

Further information on the main features and terms and conditions of the Bank's capital instruments is provided in Note 47.5 appended to the 2024 Financial Statements which are available on the Bank's website.

Following shareholders' approval at the Annual General Meeting of 8 May 2025, in Q3 2025 the Bank announced its plans to raise €45 million of new equity by way of a Rights Issue of new ordinary shares. This will further strengthen the Bank's capital base, also ensuring that it is in line with relevant regulatory and SREP requirements.

3.2. Capital Requirements

In accordance with the CRR, the Bank 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 4% of the matched position for closely correlated currencies, while a capital allocation of 8% of the position is applied for non-closely correlated currencies.
- The Business Indicator Approach for the purposes of calculating its risk-weighted exposure to operational risk. Under this approach, the Bank applies fixed percentages to different components of the Bank's business indicator.

The following table discloses the Bank's risk weighted assets and capital requirements as at 30th September 2025 for each exposure class in line with the CRR, and the respective Pillar 1 capital requirement based on the methods outlined above. The difference between the capital requirement of the Group and the Bank is immaterial.

EU OV1 – Overview of total risk exposure amounts

		RWA		Minimum Capital requirements
		Sep-25 €000	Jun-25 €000	Sep-25 €000
1	Credit risk (excluding counterparty credit risk)	1,781,329	1,752,674	142,506
2	<i>Of which: standardised approach</i>	1,781,329	1,752,674	142,506
	<i>Central government or central banks</i>	3,026	3,028	242
	<i>Regional government or local authorities</i>	-	-	-
	<i>Public sector entities</i>	-	-	-
	<i>Multilateral development banks</i>	-	-	-
	<i>International organisations</i>	-	-	-
	<i>Institutions</i>	38,422	40,218	3,075
	<i>Corporates</i>	198,781	217,206	15,902
	<i>Retail</i>	46,849	45,492	3,748
	<i>Secured by mortgages on immovable property</i>	1,293,279	1,252,527	103,462
	<i>Exposures in default</i>	34,540	34,583	2,763
	<i>Items associated with particular high risk</i>	-	-	-
	<i>Covered bonds</i>	117	-	9
	<i>Claims in the form of CIU</i>	29,601	29,705	2,368
	<i>Equity exposures</i>	318	318	25
	<i>Other Assets</i>	136,396	129,597	10,912
20	Market risk	74	78	6
21	<i>Of which: standardised approach</i>	-	-	-
21a	<i>Of which the Simplified standardised approach (S-SA)</i>	74	78	6
24	Operational risk	125,447	125,446	10,036
24a	<i>Exposures to crypto-assets</i>	-	-	-
25	<i>Output floor applied</i>	-	-	-
29	Total	1,906,850	1,878,198	152,548

The Bank is required to meet a total SREP capital requirement (TSCR) of 11.15%, consisting of 8.0% minimum Pillar 1 requirement and a 3.15% Pillar 2 requirement (P2R)². In line with the Capital Requirement Directive (CRD VI), 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/15/2025 – *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 Bank maintains a Capital Conservation Buffer (CCB), a Countercyclical Capital Buffer (CCyB), an Other-Systemically Important Institutions (O-SII) buffer and Systemic Risk Buffer (sSyRB). The latter was implemented by the Central Bank of Malta (CBM) in 2023 on all domestic Residential Real Estate ("RRE") mortgages to natural persons applicable to all credit institutions in Malta. 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 Bank's capital buffer requirements is provided in tables 'EU CC1' and 'EU CCyB1' below.

As at 30 September 2025, the Bank's Tier 1 and Total Capital Ratios stood at 14.70% and 20.17%, respectively, thereby above the respective applicable regulatory minima. During Q3 2025, both the Tier 1 and Total Capital ratios declined by 33 bps and 41 bps, respectively. This decrease was primarily driven by a decline of approximately €1.9m in Tier 1 capital, mainly due to lower 'other comprehensive income'. In addition, risk weighted assets continued their growth trajectory, mainly driven by

² Further information on the capital requirements is included in Section 2, table EU KM1

the increase in exposures secured by mortgages on immovable property and Acquisition, Development and Construction (ADC) exposures.

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

Through the Internal Liquidity Adequacy Assessment Process (ILAAP), the Bank ensures that it maintains, at all times, liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. Thus, the ILAAP serves as a key decision-making tool in liquidity and funding management. The latest ILAAP, compiled in line with EBA Guidelines, concluded that the Bank maintains adequate levels of liquidity buffers and adequate funding. The document is reviewed in detail by the Bank's Internal Audit Department and Risk Committee and subsequently presented to the Board for approval. Following Board approval, the ILAAP Report is submitted to the MFSA.

The Bank funds loans primarily by sourcing retail deposits. As at 30 September 2025, the Bank's Loan-to-Deposit ratio, computed in line with the methodology adopted by the EBA, was equal to 95.33%, which is in line with the Bank's risk appetite. Moreover, the Bank has a high level of stable deposits, which acts as a virtually permanent source of liquidity. The Bank also has a portfolio of highly marketable assets that can be easily liquidated in the event of any unforeseen cash flow requirements.

4.1. Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) measures the Group's liquidity buffer to its net liquidity outflows over a 30 calendar day stressed period. The Bank reports this ratio to the MFSA on a monthly basis. During Q3 2025, the Bank's LCR remained consistently above the applicable minimum requirement of 100% and in line with its risk appetite. As at 30 September 2025, the LCR stood at 174.14% (30 June 2025: 186.66%). When compared to the ratio as at end June, the decrease in the Bank's liquidity buffer of circa 7.66% (€50.4M) was higher than the decrease in the Bank's Net Liquidity Outflow of circa 1.02% (€3.59M). The reduction in the liquidity buffer was mainly driven by lower withdrawable central bank reserves and central government assets.

The below table discloses quantitative information on the Bank's LCR for each of the four calendar quarters, starting December 2024 and ending September 2025. The figures are calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter. Given that the Bank does not have another 'material currency'³, other than the Euro, the Bank reports the LCR in the reporting currency (Euro).

³ Banks are required to assess the LCR by material currencies. A currency is considered to be a 'material currency' if the aggregate liabilities denominated in that currency amount to, or exceed, 5% of a bank's total liabilities.

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

Quarter ending on		Total unweighted value (average)				Total weighted value (average)			
		Sep-25 €000	Jun-25 €000	Mar-25 €000	Dec-24 €000	Sep-25 €000	Jun-25 €000	Mar-25 €000	Dec-24 €000
EU 1a		T	T-1	T-2	T-3	T	T-1	T-2	T-3
EU 1b	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					649,390	625,023	572,080	534,286
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	1,900,954	1,766,836	1,661,316	1,596,904	164,583	151,487	139,774	128,551
3	Stable deposits	1,356,549	1,272,318	1,203,382	1,158,319	95,507	88,700	81,568	72,816
4	Less Stable deposits	544,405	494,518	457,934	438,585	69,076	62,787	58,206	55,736
5	Unsecured wholesale funding, of which:	585,318	536,698	497,793	475,372	269,935	250,968	237,165	238,400
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	2,641	2,710	2,614	3,541	660	677	654	885
7	Non-operational deposits (all counterparties)	582,677	533,988	495,179	471,831	269,275	250,291	236,512	237,514
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements, of which:	567,663	553,234	532,504	522,533	42,478	42,642	41,934	42,241
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	567,663	553,234	532,504	522,533	42,478	42,642	41,934	42,241
14	Other contractual funding obligations	4,487	4,647	4,634	4,479	4,487	4,646	4,634	4,479
15	Other contingent funding obligations	22,511	20,696	19,092	17,519	-	-	-	-
16	Total Cash Outflows					481,484	449,743	423,507	413,670
Cash Inflows									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	244,772	209,921	172,480	123,523	109,859	93,772	79,605	63,760
19	Other cash inflows	3,561	3,709	2,360	1,045	3,561	3,709	2,360	1,045
20	Total Cash Inflows	248,333	213,630	174,840	124,568	113,420	97,481	81,965	64,805
Total Adjusted Value									
EU-21	Liquidity Buffer					649,390	625,023	572,080	534,286
22	Total net cash outflows					368,064	352,264	341,541	348,865
23	Liquidity Coverage Ratio (%)					188.67%	186.36%	173.65%	156.84%