

Pillar 3 Disclosures

31 December 2025

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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/07/2024 - *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 No. 2024/1623. To enhance the comparability and consistency of banks' Pillar 3 disclosures, the EBA published guidelines on disclosure requirements under Part Eight of the CRR.

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 went live in December 2025, with the first reporting reference date being June 2025.

Disclosures on the Remuneration Policy are published in the 'Remuneration Report' included in the Group's Annual Report. To enhance the comparability and consistency of banks' Pillar 3 disclosures, the EBA published Implementing Technical Standards (ITS) on institutions' public disclosures of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

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, with the exception of any disclosures that are equivalent to those made in the 2025 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 as outlined in the Pillar 3 Disclosures Policy. Accordingly, the report was assessed and validated by the Head of Enterprise Risk Management and the Chief Risk Officer. The report was reviewed by the Risk Committee and Audit Committee and approved by the Group's Board of Directors (hereafter referred to as 'the Board'). This report has been subject to an independent review to ensure that the disclosures are complete, transparent and in line with the CRR articles. A reference has been added in cases where additional information addressing Pillar 3 requirements is included in the 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. Risk Management Framework

The Group's Risk Appetite Statement is reviewed and approved by the Board and captures and describes the most significant risks to which the Bank is exposed and sets guidance on the types and maximum amount of risk that the Board considers acceptable (the risk capacity). It forms an integral part of the Bank's overall Risk Management Framework and contributes to aligning strategy and business objectives with the mission, vision and core values of the Bank. More information on risk governance is provided within Section 3¹.

Risk culture influences the decisions of management and employees during the day-to-day activities of the Group and has an impact on the risks the Group assumes. The Group's management, including key function holders, contribute to the internal communication of core values and expectations to staff. Staff are expected to be risk-aware and act in accordance with the Group's Code of Conduct, all applicable laws and regulations and the Group's policies, and promptly escalate observed non-compliance within or outside the institution. To create an environment of trust and maximum protection that makes it easier for all employees to report any improper practice, the Group has a Whistleblowing Policy approved by the Board of Directors.

The management body on an ongoing basis promote, monitor and assess the risk culture of the Group; they consider the impact of the risk culture on the financial stability, risk profile and robust governance of the Group; and make changes where necessary and align risk-taking behaviour with the Group's risk profile and long-term objectives.

¹ Disclosures 'EU OVA'

3. Risk Governance

EU OVA – Institutions risk management approach

(a)	Disclosure of concise risk statement approved by the management body	<p>The Risk Appetite Statement sets the “tone at the top” and is cascaded down to the tactical and operational levels through risk policies, key risk indicators, limits and established processes and controls. This Statement is supported by a Risk Appetite Dashboard, which sets out risk limits and triggers to benchmark the Bank’s risk profile with its risk appetite (through a ‘traffic lights approach’).</p> <p>Disclosures ‘KM1’ and ‘KM2’ within Section 4.1 of this Report include the Bank’s Key Risk Indicators, covering the Bank’s capital position (including an analysis of risk weighted assets and MREL), leverage risk, liquidity and funding. All metrics were within the Bank’s risk appetite throughout the reporting period.</p>
(b)	Information on the risk governance structure for each type of risk	<p>Information on the risk governance structure for each type of risk</p> <p>Responsibility for risk management lies at all levels within the Group through the adoption of the Institute of Internal Auditors’ (IIA) Three Lines Model, which promotes strong governance and risk management. Business units, as the first line, align operations with the risk management framework. The second line, represented by the Risk Management and Compliance Departments, develops risk policies, conducts risk assessments and monitors risk exposures. This includes carrying out forward-looking assessments to capture emerging risks through key risk indicators and through the monitoring of risks recorded in the Risk Register. This involves working closely with management (both first and second line) to ensure controls are in place. The Internal Audit Department, as the third line, provides independent assurance to the Board on the adequacy and effectiveness of the risk strategy and compliance with policies.</p> <p>The Risk, Compliance and Legal functions are led by the Chief Risk Officer who reports directly to the Risk Committee. The Risk Committee establishes and ensures the implementation of the Group’s risk management and compliance strategy, systems and policies. The Risk Committee meets regularly to monitor the assessment and management of the risk profile of the Group and ensures that policies are in place in line with the Group’s risk appetite, as set by the Board. During 2025, the Risk Committee met nine (9) times².</p> <p>Risk Management Function</p> <p>The Risk Management function maintains a comprehensive enterprise-wide view of the risks facing the Group and ensures that these are within the Risk Appetite set by the Board. The Group’s Risk Appetite is reviewed and approved by the Board through the annual review of its Risk Appetite Statement. The Risk function is responsible for bringing to the attention of the Risk Committee emerging risks and material changes to existing risks within the Group’s risk profile, including as part of the business planning process, to ensure that Management operate within the risk appetite approved by the Board. Subsequently, it is the role of the Chair of the Risk</p>

² Further information on the Group’s Committees is included in the Corporate Governance Statement published within the Annual Report

Committee to report to the Board on such developments. As the second line, the Risk function operates independently of the Bank's business activities, which are vested in the first line. The Risk function is made up of three Units:

- **Credit Risk Management (CRM)**: The CRM Unit is responsible for the oversight of the Bank's credit risk exposure and management thereof. The Unit is responsible for reviewing the Credit Risk Policy, duly supported by Credit Key Risk Indicators and the underlying procedures, in line with the Bank's Risk Appetite. The CRM Unit provides independent evaluation and recommendations (from a second line perspective) on credit proposals presented by the first line which either exceed a certain monetary threshold or are not in line with the Bank's Policy, Lending Parameters or Procedures. The Unit ensures that lending practices and new or revamped lending products are both consistent with the applicable regulations, as well as the Bank's credit risk appetite. Ensuring compliance with the credit regulatory reporting framework is the responsibility of the CRM. The oversight on the identification and monitoring of Non-Performing Loans (NPLs) and relative provisioning falls under the remit of this function. The ongoing monitoring of NPLs, through regular reporting from the first line, also falls under the responsibility of the CRM. The Recoveries and the Credit Administration functions of the Bank, both of which deal with unimpaired and impaired NPLs, are both being overseen by the CRM.
- **Enterprise Risk Management (ERM)**: The ERM's objective is to articulate and champion the Risk Appetite set by the Board and ensure that business functions operate within this framework. The Unit continuously seeks to enhance the Bank's risk culture through risk-awareness initiatives (like training sessions and workshops) which are considered a key element of an effective risk management function. The ongoing update of the Risk Register resides with the ERM through the collaboration with other Departments within the Bank. The compilation and submission of the regulatory Internal Capital and Liquidity Adequacy Assessment Process Report and Recovery and Resolution Planning fall under the remit of this function. The ERM performs regular sensitivity analyses and stress testing encompassing all material risks facing the Bank and periodical risk assessments reporting to the Board of Directors, Risk Committee, Executive Committee and Assets-Liabilities Committee. The management of credit risk within the investment's portfolio, liquidity and funding risk and market risk are also the responsibility of the ERM.
- **The Operational Resilience Department (ORD)**: ORD acts as the Group's second line for operational resilience and operational risks. The Department is responsible for independently monitoring, measuring and reporting on the Group's operational risk profile, ensuring that risks are managed within the established risk appetite framework and in coordination with the first line. ORD conducts Operational Risk Assessments, oversees the real-time reporting framework for operational loss and near miss incidents, maintains a centralised loss database, and ensures timely escalation and response where required. A monthly Operational Risk Dashboard is presented to the Executive Committee and the

Risk Committee to provide oversight of the operational losses and near misses. ORD is responsible for maintaining, testing and regularly updating the Group's Business Continuity Plan (BCP), while promoting business continuity awareness across the Group. The Department also provides second-line oversight of digital operational resilience matters, including those arising under the Digital Operational Resilience Act (DORA). With respect to IT and Cyber risk, ORD independently monitors, measures and reports on the Group's risk exposure in coordination with the first line. In addition, ORD performs second-line monitoring of reputational risk in accordance with the Reputational Risk Policy through the circulation of a quarterly Reputational Risk Dashboard to the Executive Committee and the Risk Committee. In line with DORA and BR14 requirements, ORD oversees risks arising from contractual arrangements with third-party providers and submits notifications and information on same as requested by the authorities. The management of the Group's insurance programme is an also integral part of the Bank's risk transfer mechanism. The Bank's Management Body is kept updated on all the aspects of the Bank's Operational Resilience Framework through a board pack presented annually.

Compliance Function

The Compliance function is overseen by the Compliance Committee, a management committee, which meets on a regular basis and is chaired by the Chief Risk Officer. The purpose of this Committee is to ensure that prescribed regulations, rules, policies, guidelines and procedures are being followed and anticipated. The Compliance Committee acts as a decision point for business acceptance, on-boarding and exit of customer relationships, in line with the Bank's on-boarding and exit policies.

The Compliance function is constituted by two Units, namely Regulatory Compliance and Financial Crime Compliance.

Regulatory Compliance (RC): The Bank has established an independent, permanent, and effective RC Unit to manage regulatory compliance risks. Regulatory Compliance is an integral part of good governance. The Bank seeks to ensure that through the RC Unit, the credit institution activity, investment services activity and insurance intermediation activity are carried out in line with the applicable Rules/Regulations/Supervisory Guidance (and others as applicable).

The key areas within scope of RC Unit's remit as part of the second line are the following:

- Conduct of business and treating customers fairly (TCF)
- Conflicts of interest
- Market Abuse
- Marketing and promotions of products and services
- Product Oversight Governance (POG)
- GDPR

Clear demarcations exist between those persons within the Bank who are responsible for monitoring regulatory compliance risk and establishing its appropriate limits and thresholds, to those persons who operationally own the risk. RC within the Bank is led by a Head of Regulatory Compliance

who is also the Compliance Officer of the Bank as approved by the MFSA. The Unit is divided into Regulatory Development and Regulatory Oversight.

The Regulatory Development function is in charge of analysing and tracking in terms of compliance risk those laws, regulations and standards which are material and relevant to the Bank and fall within the overall scope of regulatory compliance. In addition, the function constantly interacts with relevant Units for the implementation of new/amended laws, regulations, and standards.

The Regulatory Oversight team is responsible for conducting oversight monitoring on the various functions within the Bank to ensure that the operational procedures are in line with the regulatory requirements through a set Compliance Monitoring Programme and ad hoc reviews. This function provides assistance and advice on new Projects, Product Launches and Complaints Management and is responsible for Regulatory Reporting and Tax Compliance.

Both functions are interdependent and provide support to each other on an ongoing basis. In addition to the above, the GDPR function falls within the remit of RC, and this is represented by the Data Protection Officer.

Financial Crime Compliance (FCC): This unit is a dedicated control function responsible for preventing, detecting, and mitigating the risk of financial crime arising from the misuse of the Bank's products and services. FCC oversees key risk areas including Anti-Money Laundering, Counter-Terrorist Financing, sanctions compliance, proliferation financing, bribery and corruption, and fraud. The function designs and maintains a robust financial crime framework through policies, procedures, risk assessments, monitoring, and training. FCC acts as the Bank's subject matter expert on financial crime risks, ensures compliance with applicable local and international regulations, and investigates and reports suspicious activity. The function is led by the Head of FCC, who also acts as the Money Laundering Reporting Officer, with direct access to Senior Management and the Board.

Legal Function

The Legal function is responsible for the identification, assessment and management of Legal Risks that arise out of the business activities and operations of the Bank, and those which arise due to external factors. The Legal Department's primary role is to act as the legal guardian of these risks by identifying, analysing, evaluating, monitoring, mitigating, and controlling such risks, and by communicating the legal strategy to the management body (in its supervisory and executive function) as well as to members of staff. The function is led by the Head of Legal and is comprised of three separate Units:

- The Legal Services Unit is responsible for the drafting of its legal policy and procedures, provision of general legal advice and guidance, supporting Branches, Business Risk, Products and other Business lines, reviewing and drafting the Bank's contracts and other legal documents as required, collaborating with stakeholders during contract review and maintaining updated records of signed contracts through the Bank's system.
- The Advances Legal Unit is responsible for the drafting of its legal policy and procedures, provision of general legal advice and review of all legal documentation in connection to lending and to immovable property that is hypothecated in favour of the Bank

		<p>during the entire contract cycle, the administrative work connected to the signing of deeds of loans and overdraft, the representation on deeds of waiver/postponement or cancellation of hypothecary rights and deeds of constitution of debt, and keeping updated records of defaulting customers.</p> <ul style="list-style-type: none"> The Court Management Services Unit is responsible for the receipt, implementation and documentation of all Court orders, the provision of evidence during Court proceedings, reviewing and authorizing payments with regards to Exempt Accounts, Garnishee Orders, Interdicted Customers and Customers under Guardianship, recording receipt of revocations of Powers of Attorney and administrative work in relation thereto.
(c)	Declaration approved by the management body on the adequacy of the risk management arrangements.	<p>The Group's risk profile is managed within the risk appetite set by the Board, and this is supported by a strong capital base and an adequate portfolio of highly liquid assets to meet its financial obligations as they fall due.</p> <p>As at end of December 2025, the Board declares that the Group's risk profile remained well within its risk appetite and tolerance limits as set by the Board. This is supported by adequate risk management arrangements in relation to the overall risk profile and business model.</p>
(d)	Disclosure on the scope and nature of risk disclosure and/or measurement systems.	<p>The Group's risk disclosure and measurement systems are integrated into its Risk Management Framework. They provide a structured approach to identifying, assessing, monitoring, and reporting risks across all material risk categories. The systems are designed to ensure consistency in methodologies, alignment with regulatory expectations, and transparency of risk information across the organisation.</p> <p>The Group employs quantitative and qualitative tools to measure risk exposures, including model-based metrics, scenario analyses, and stress testing. These measurement processes are subject to robust governance, including model validation, periodic reviews, and oversight by the Risk Management function, Senior Management, and the relevant Board and Management Committees.</p> <p>Risk information is aggregated and reported through established reporting channels, ensuring that decision-makers have access to accurate, timely, and comprehensive insights. This supports effective risk-taking, the safeguarding of the Group's capital and liquidity positions, and the fulfilment of regulatory disclosure obligations.</p>
(e)	Disclose information on the main features of risk disclosure and measurement systems.	<p>The Group's risk disclosure and measurement systems ensure consistent identification, measurement and reporting of all material risks. Standardised methodologies, centralised data aggregation and defined reporting cycles support the timely and accurate communication of risk information. Governance processes - including independent oversight, regular reviews and escalation to senior management and board committees - ensure transparency, comparability and reliability across all disclosures. Further information on the frequency of monitoring and reporting and the methodologies used is included in points (f) and (g) below.</p>
(f)	Strategies and processes to manage risks for each separate category of risk.	<p>The Bank manages its risks through a structured governance framework led by the Board of Directors, which sets the overall risk appetite, and overseen by the specialised committees such as the Risk Committee and ALCO. Credit risk is controlled through board-approved lending policies, delegated approval limits, internal credit rating systems, portfolio diversification, and continuous monitoring of exposures, including early warning systems for higher-risk accounts. Market risk, primarily arising from interest rate and foreign exchange exposures, is managed through defined risk limits, regular monitoring, stress testing, and ALCO oversight to ensure balance sheet stability. Operational risk, including IT and Cyber</p>
(g)	Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants.	

		<p>risk, is addressed via a dedicated operational risk and resilience framework that includes risk control self-assessments, internal loss event reporting, documented procedures and controls, and business continuity and disaster recovery planning. Liquidity and funding risk are mitigated through a formal liquidity policy, maintenance of high-quality liquid asset buffers, asset-liability maturity matching, regular monitoring of regulatory liquidity ratios, and a contingency funding plan for stress scenarios. Regulatory and compliance risk is managed by an independent regulatory compliance function and financial crime and compliance function responsible for monitoring both RC and FCC risks.</p> <p>Additionally, the Bank integrates sustainability and ESG considerations into its risk framework through a sustainability risk policy and board oversight, ensuring emerging environmental and social risks are incorporated into strategic and operational decision-making. The effectiveness of these mitigants is monitored through key risk indicators, stress testing, internal reporting to senior management and the Board, and regulatory disclosures, ensuring alignment with the Bank’s risk appetite and a strong capital position.</p>
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EU OVB – Disclosure on governance arrangements

(a)	The number of directorships held by members of the management body.	A recruitment policy applies to members of the management body that are employed within the Bank. The only member of the management body that is a member of the management body in its supervisory function and is an employed person is the CEO, who is the only Executive Director on the Board. His appointment is provided for in the Bank’s Articles of Association that specifically mentions that a CEO will ex officio be appointed Executive Director on the Board of Directors, subject to regulatory approval.
(b)	Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise.	The rest of the Board are non-executive and are therefore nominated in their position in terms of the Nominations and Succession Policy. Further information on the members of the management body, including the number of directorships held, is included in the Annual Report available on the Bank’s website.
(c)	Information on the diversity policy with regard of the members of the management body.	The Bank has a Diversity Policy for the management body in its supervisory function. The Policy Statement describes the Bank’s commitment to fostering diversity on its Board. The Board aims to consist of highly skilled individuals with diverse competencies, experiences, and attributes, recognising diversity as a competitive advantage. All Board appointments are merit-based, considering both individual and collective suitability. The Board Diversity Policy Statement is in line with the targets contemplated in the EU’s Women on Boards Directive. Further information is included in the Corporate Governance Report, part of the Group’s 2025 Annual Report, published on its website.
(d)	Information whether or not the institution has set up a separate risk committee and the frequency of the meetings.	As mentioned above, the Group’s Risk Committee met nine (9) times in 2025. Further information on the Risk Committee is included in the Corporate Governance Report, part of the Group’s 2025 Annual Report, published on its website.
(e)	Description on the information flow on risk to the management body.	The Bank has a formal risk information flow from operational units up through senior management to the Bank’s governing bodies to ensure that the Board of Directors and its committees are fully informed and can exercise effective oversight of risk. Several reports are compiled periodically by the different functions within the second line which analyse trends and evaluate control effectiveness. Summarised risk information is then presented to management committees — including the Executive Committee, Asset-Liability Committee (ALCO), Management Credit Committee and Compliance Committee. The Risk Committee receives regular

		<p>detailed risk reports covering credit, market, liquidity, operational, compliance and other key risk categories, and reviews the risk management framework, emerging issues and risk appetite alignment. Additionally, specialised committees such as the Board Credit Committee and Technology & Innovation Committee provide focused oversight on specific risk domains, feeding their findings back to the Board. At the highest level, the Board of Directors receives consolidated risk information, including committee reports, key risk metrics, and risk mitigation effectiveness, enabling it to make informed strategic and governance decisions. This structured flow of information ensures transparent, timely escalation of risks and supports ongoing monitoring and oversight of the Bank's risk profile.</p>
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4. Key Risks

Below is a list of the material risks to which the Group is exposed. The subsequent sections (as indicated below) provide an overview of each material risk, including the management of each risk and capital allocation techniques adopted. The Bank considers the risk of its subsidiary, ReAPS Asset Management Limited, to the extent that this constitutes a material impact on the Group's risk profile. The subsidiary has its own Risk Management and Compliance policies and documented procedures that delineate the risk management and compliance processes, which facilitate reporting to the Risk Committee on the assessment of the subsidiary's risk profile, carried out by the Risk and Compliance personnel engaged with the entity which carry a dual reporting line to both the Chief Risk Officer and to the Managing Director of ReAPS Asset Management Limited.

Key Risks of the Group

Risk Type	Description
Capital Adequacy	The risk that the own funds held by the Bank are not sufficient and/or adequate to provide sound coverage of the risks to which it is, or might be, exposed. <i>Pillar 3 Disclosures Report Section 6; and Note 46.5 to the Financial Statements.</i>
Leverage	The risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures of its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets. <i>Pillar 3 Disclosures Report Section 6.4</i>
Credit Risk	The risk that a borrower or counterparty fails to meet the respective obligations in accordance with, or performing according to, agreed terms. The Bank does not engage in derivative exposures as per prudential requirements and, therefore, is not subject to counterparty credit risk. <i>Pillar 3 Disclosures Report Section 7; and Note 46.2 to the Financial Statements.</i>
Market Risk	The risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. The Group's exposure through its trading portfolio is minimal, as well as its exposure to equities. Thus, the Group's exposure to market risk is limited to interest rate risk, foreign exchange risk and other price risk. <i>Pillar 3 Disclosures Report Section 8; and Note 46.4 to the Financial Statements.</i>
Operational Risk	The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. <i>Pillar 3 Disclosures Report Section 10.</i>
IT and Cyber Risk	The impact (financial, reputational, technical and regulatory) to the confidentiality and/or integrity and/or availability of Bank information system (including data managed by these systems) stemming from attempt, successful or otherwise, unauthorized individual/stakeholder/systems/entities. <i>Pillar 3 Disclosures Report Section 10</i>
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. <i>Pillar 3 Disclosures Report Section 9; and Note 46.3 to the Financial Statements.</i>
Environmental, Social and Governance Risk	Environmental, Social and Governance risks are the risks of any negative financial impact on the institution stemming from the current or prospective impacts of ESG factors on the Group, its counterparties or its invested assets. <i>Pillar 3 Disclosures Report Section 11</i>
Reputation Risk	The risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding. <i>Pillar 3 Disclosures Report Section 12.</i>

4.1 Key Risk Indicators

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-Liabilities Committee 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, in line with the Bank's internal escalation process, 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

		Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
	Available own funds (€000)					
1	Common Equity Tier 1 (CET1) capital	326,890	280,377	282,229	277,952	277,407
2	Tier 1 capital	326,890	280,377	282,229	277,952	277,407
3	Total capital	430,265	384,655	386,490	382,187	381,617
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1,853,672	1,906,850	1,878,198	1,829,513	1,900,999
4a	Total risk exposure pre-floor ³	1,853,672	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 (%)	17.63%	14.70%	15.03%	15.19%	14.59%
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	17.63%	14.70%	15.03%	15.19%	14.59%
6	Tier 1 ratio (%)	17.63%	14.70%	15.03%	15.19%	14.59%
6b	Tier 1 ratio considering unfloored TREA (%)	17.63%	14.70%	15.03%	15.19%	14.59%
7	Total capital ratio (%)	23.21%	20.17%	20.58%	20.89%	20.07%
7b	Total capital ratio considering unfloored TREA (%)	23.21%	20.17%	20.58%	20.89%	20.07%
	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%

³ 'Total risk exposure pre-floor' was introduced upon the implementation of CRR III, therefore this figure is available from March 2025 onwards.

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 (%)	0.09%	0.08%	0.09%	0.07%	0.08%
EU 9a	Systemic risk buffer (%)	0.90%	0.57%	0.56%	0.53%	0.52%
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	0.44%	0.44%	0.44%	0.438%	0.375%
11	Combined buffer requirement (%)	3.92%	3.59%	3.59%	3.54%	3.48%
EU 11a	Overall capital requirements (%)	14.74%	14.74%	14.74%	14.72%	14.63%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.75%	6.56%	6.66%	6.83%	6.23%
Leverage ratio						
13	Total exposure measure	4,755,060	4,489,809	4,428,192	4,330,192	4,283,466
14	Leverage ratio (%)	6.87%	6.24%	6.37%	6.42%	6.48%
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	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
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)	750,502	608,132	658,553	628,187	579,719
EU 16a	Cash outflows - Total weighted value	533,520	501,637	446,099	447,456	434,628
EU 16b	Cash inflows - Total weighted value	185,375	224,948	176,887	116,572	140,926
16	Total net cash outflows (adjusted value)	421,288	349,222	352,813	330,884	293,702
17	Liquidity coverage ratio (%)	178.14%	174.14%	186.66%	189.85%	197.38%
Net Stable Funding Ratio						
18	Total available stable funding	3,951,340	3,717,445	3,702,399	3,624,481	3,563,901
19	Total required stable funding	2,788,424	2,684,279	2,630,985	2,568,352	2,537,937
20	NSFR ratio (%)	141.71%	138.49%	140.72%	141.12%	140.43%

EU KM 2: Key metrics - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities

		Minimum requirement for own funds and eligible liabilities (MREL)
		T €000
Own funds and eligible liabilities, ratios and components		
1	Own funds and eligible liabilities	596,368
EU-1a	Of which own funds and subordinated liabilities	437,427
2	Total risk exposure amount of the resolution group (TREA)	1,853,804
3	Own funds and eligible liabilities as a percentage of the TREA	32.17%
EU-3a	Of which own funds and subordinated liabilities	23.60%
4	Total exposure measure (TEM) of the resolution group	4,755,213
5	Own funds and eligible liabilities as percentage of the TEM	12.54%
EU-5a	Of which own funds or subordinated liabilities	9.20%
6a	Does the subordination exemption in Article 72b(4) of Regulation (EU) No 575/2013 apply? (5% exemption)	
6b	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max 3.5% exemption)	
6c	If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised under row 1 if no cap was applied (%)	
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL expressed as a percentage of the TREA	24.99%
EU-8	Of which to be met with own funds or subordinated liabilities	-
EU-9	MREL expressed as a percentage of the TEM	5.25%
EU-10	Of which to be met with own funds or subordinated liabilities	-

EU TLAC1: Composition - MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities

		a	b	c
		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII requirement for own funds and eligible liabilities (TLAC)	Memo item: Amounts eligible for the purposes of MREL, but not of TLAC
		€000	€000	€000
Own funds and eligible liabilities and adjustments				
1	Common Equity Tier 1 capital (CET1)	334,053	-	-
2	Additional Tier 1 capital (AT1)	-	-	-
6	Tier 2 capital (T2)	103,374	-	-
11	Own funds for the purpose of Articles 92a of Regulation (EU) No 575/2013 and 45 of Directive 2014/59/EU	437,427	-	-
Own funds and eligible liabilities: Non-regulatory capital elements				
12	Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered)	-	-	-

EU-12a	Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered)	-	-	-
EU-12b	Eligible liabilities instruments that are subordinated to excluded liabilities issued prior to 27 June 2019 (subordinated grandfathered)			
EU-12c	Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items			
13	Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre-cap)	158,941	-	-
EU-13a	Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap)			
14	Amount of non-subordinated eligible liabilities instruments, where applicable after application of Article 72b (3) CRR	158,941	-	158,941
17	Eligible liabilities items before adjustments	158,941	-	-
EU-17a	Of which subordinated liabilities items	-	-	-
Own funds and eligible liabilities: Adjustments to non-regulatory capital elements				
18	Own funds and eligible liabilities items before adjustments	596,368	-	-
19	(Deduction of exposures between multiple point of entry (MPE) resolution groups)		-	
20	(Deduction of investments in other eligible liabilities instruments)			
22	Own funds and eligible liabilities after adjustments	596,368	-	-
EU-22a	Of which: own funds and subordinated liabilities	437,427		
Risk-weighted exposure amount and leverage exposure measure of the resolution group				
23	Total risk exposure amount (TREA)	1,853,804	-	1,853,804
24	Total exposure measure (TEM)	4,755,213	-	4,755,213
Ratio of own funds and eligible liabilities				
25	Own funds and eligible liabilities as a percentage of TREA	32.17%	0.00%	32.17%
EU-25a	Of which own funds and subordinated liabilities	23.60%		
26	Own funds and eligible liabilities as a percentage of TEM	12.54%	0.00%	12.54%
EU-26a	Of which own funds and subordinated liabilities	9.20%		
27	CET1 (as a percentage of the TREA) available after meeting the resolution group's requirements	10.74%	0.00%	
28	Institution-specific combined buffer requirement		0.00%	
29	of which capital conservation buffer requirement		0.00%	
30	of which countercyclical buffer requirement		0.00%	
31	of which systemic risk buffer requirement		0.00%	
EU-31a	of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		0.00%	
Memorandum items				
EU-32	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013		0.00%	

EU TLAC3a: creditor ranking - resolution entity

		Insolvency ranking								Sum of 1 to 8
		1	2	3	4	5	6	7	8	
		(most junior) €000	€000	€000	€000	€000	€000	€000	(most senior) €000	
1	Description of insolvency rank (free text)	Common Equity Tier 1 instruments	-	Tier 2 instruments	The amount of subordinated debt that is not Additional Tier 1 or Tier 2 capital	-	Ordinary unsecured claims	That part of eligible deposits from natural persons and micro, small and medium-sized enterprises which exceeds the coverage level provided for in regulation 10 of the Depositor Compensation Scheme Regulations	Covered deposits	
2	Liabilities and own funds	326,890	-	103,374	939	-	594,893	1,265,305	2,288,032	4,579,433
3	of which excluded liabilities	-	-	-	-	-	435,952	1,265,305	2,288,032	3,989,289
4	Liabilities and own funds less excluded liabilities	326,890	-	103,374	939	-	158,941	-	-	590,144
5	Subset of liabilities and own funds less excluded liabilities that are own funds and liabilities potentially eligible for meeting MREL.	326,890	-	103,374	939	-	158,941	-	-	590,144
6	of which residual maturity ≥ 1 year < 2 years	-	-	-	-	-	100	-	-	100
7	of which residual maturity ≥ 2 year < 5 years	-	-	53,839	939	-	158,841	-	-	213,619
8	of which residual maturity ≥ 5 years < 10 years	-	-	49,536	-	-	-	-	-	49,536
9	of which residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	-	-	-	-	-	-
10	of which perpetual securities	326,890	-	-	-	-	-	-	-	326,890

5. Scope of Application of the Regulatory Framework

The accounting framework used in preparing the consolidation of the Bank's financial statements is IFRS as adopted by the EU, whereas the prudential consolidation in the statement of capital is based on the Capital Requirements Regulation (CRR). Thus, consolidation under prudential requirements may differ from consolidation under the accounting standards depending on the purpose for which they are being calculated.

The following two tables highlight the main differences between the figures reported in the financial statements in accordance with IFRS and the figures reported for the risk categories in line with the CRR. The differences between the carrying values reported in the financial statements and those reported under the regulatory risk categories pertain mainly to the differences in the accounting and regulatory consolidation methods. Under the regulatory scope of consolidation, assets and liabilities might be subject to capital requirements under more than one risk framework in line with the CRR.

EU LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying value of items:					Not subject to capital requirements or subject to deduction from capital
		Carrying values under scope of prudential consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	
	€000	€000	€000	€000	€000	€000	€000
Assets							
1 Cash and balances with Central Bank of Malta	401,094	401,094	401,094	-	-	41,112	-
2 Loans and advances to banks	51,860	51,860	51,860	-	-	46,534	-
3 Loans and advances to customers	3,377,945	3,377,945	3,377,945	-	-	174	-
4 Syndicated loans	172,716	172,716	172,716	-	-	26,112	-
5 Derivative financial instruments	1,968	-	-	-	-	-	-
6 Other debt and fixed income instruments	462,228	462,228	462,228	-	-	39,868	-
7 Equity and other non-fixed income instruments	6,342	6,342	6,342	-	-	-	-
8 Investment in subsidiaries	40,251	40,251	40,251	-	-	-	-
9 Investment in associates	14,299	14,299	14,299	-	-	-	-
10 Investment properties	13,227	13,227	13,227	-	-	-	-
12 Property and equipment	49,298	49,298	49,298	-	-	153	-
13 Intangible assets	21,731	21,731	6,571	-	-	20	-
14 Right-of-use assets	3,489	3,489	3,489	-	-	-	-
15 Deferred tax assets	-	-	-	-	-	-	-
16 Other receivables	15,387	15,387	15,387	-	-	1,480	-
17 Income Tax	6,699	6,699	6,699	-	-	-	-

18	Cheques in course of collection	-	-	-	-	-	-	-
19	Total assets	4,638,534	4,636,566	4,621,406	-	-	155,453	-
Liabilities								
1	Derivative financial instruments	1,968	-	-	-	-	-	-
2	Amounts owed to banks	1,849	1,849	-	-	-	-	1,849
3	Amounts owed to customers	4,134,965	4,134,965	-	-	-	155,020	3,979,945
4	Debt securities in issue	104,314	104,314	-	-	-	-	104,314
5	Current tax	-	-	-	-	-	-	-
6	Lease liabilities	3,728	3,728	-	-	-	-	3,728
7	Other liabilities	18,881	18,881	-	-	-	86	18,795
8	Accruals	17,587	17,587	-	-	-	292	17,295
9	Deferred tax liability	244	244	-	-	-	-	-
10	Total liabilities	4,283,536	4,281,568	-	-	-	155,398	4,126,170
Equity								
1	Share capital	121,411	121,411	-	-	-	-	121,411
2	Share premium	72,228	72,228	-	-	-	-	72,228
3	Revaluation reserve	19,177	19,177	-	-	-	(51)	19,177
4	Retained earnings	141,810	141,810	-	-	-	-	141,810
5	Other reserves	372	372	-	-	-	-	372
6	Total equity	354,998	354,998	-	-	-	(51)	354,998

EU LIA: Explanations of differences between accounting and regulatory exposure amounts

(a)	Differences between columns (a) and (b) in template EU LI1	The main difference between the carrying values as reported in the financial statements and those reported under scope of prudential regulation relate to the disclosure of derivative financial instruments which are reported as such in the financial statements.
(b)	Qualitative information on the main sources of differences between the accounting and regulatory scope of consolidation shown in template EU LI2	The main difference between the exposures under the accounting scope of consolidation and those reported for regulatory purposes relate to items which are deducted from the regulatory own funds (intangible assets).

EU LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	a	b	c	d		e			
				Total	Items subject to:				
					Credit risk framework		Securitisation framework	Counterparty credit risk framework	Market risk framework
	€000	€000	€000	€000	€000	€000			
1	Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)	4,636,566	4,621,406	-	-	155,454			
2	Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1)	(4,281,568)	-	-	-	(155,398)			
3	Total net amount under regulatory scope of consolidation	354,998	4,621,406	-	-	55			
4	Off-balance sheet amounts	1,349,745	1,349,745	-	-				
5	Differences in valuations	-	-	-	-				
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-				
7	Differences due to consideration of provisions	-	-	-	-				
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-	-	-	-				
9	Differences due to credit conversion factors	-	-	-	-				
10	Securitisation with risk transfer	-	-	-	-				
11	Other Differences	-	-	-	-				
12	Exposure amounts considered for regulatory purposes	1,704,742	5,971,151	-	-	55			

The following template provides an overview of the accounting and regulatory consolidation methods for each entity within the Group. The Group's investment in its associates is accounted for using the equity method. Further information on the Group's subsidiaries and associates is included in Notes 23 and 24 to the Financial Statements, respectively.

EU LI3: Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation	Description of the entity
APS Bank plc	Full Consolidation	Full Consolidation	Credit institution
ReAPS Asset Management Limited	Full Consolidation	Neither consolidated nor deducted	UCITS Management Company
APS Diversified Bond Fund	Full consolidation	Neither consolidated nor deducted	UCITS Collective Investment Scheme
IVALIFE Limited	Equity method of accounting	Neither consolidated nor deducted	Insurance
APS Income Fund	Equity method of accounting	Neither consolidated nor deducted	UCITS Collective Investment Scheme
APS Ethical Cautious Fund	Equity method of accounting	Neither consolidated nor deducted	UCITS Collective Investment Scheme
APS Ethical Adventurous Fund	Equity method of accounting	Neither consolidated nor deducted	UCITS Collective Investment Scheme
APS Ethical Balanced Fund	Equity method of accounting	Neither consolidated nor deducted	UCITS Collective Investment Scheme

6. 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.

6.1. 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 worth €65,800,000, hence strengthening further its capital position. In 2025 the Bank successfully completed a Rights Issue, raising €45,800,000 of new CET 1 capital. Further information on the share capital composition is provided in Note 46 to the 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 €55,000,000 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 (table CCA) is provided in Note 46.5 appended to the 2025 Financial Statements which are available on the Bank's website.

6.2. 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 Standardised Measurement Approach (SMA) is used 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, adjusted, where applicable, by an Internal Loss Multiplier that reflects the Bank's historical loss experience.

The template 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 methods outlined above.

EU OV1: Overview of total risk exposure amounts⁴

	RWA		Minimum Capital requirements	
	Dec-25 €000	Sep-25 €000	Dec-25 €000	
1	Credit risk (excluding counterparty credit risk)	1,719,487	1,781,329	137,559
2	Of which: standardised approach	1,719,487	1,781,329	137,559
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	-	-	-
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
9	Of which other CCR	-	-	-
10	Credit valuation adjustments risk - CVA risk	-	-	-
EU 10A	Of which the standardised approach (SA)	-	-	-
EU 10B	Of which the basic approach (F-BA and R-BA)	-	-	-
EU 10C	Of which the simplified approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in the non-trading book (after the cap)	-	-	-
13	Of which SEC-IRBA approach	-	-	-
14	Of which SEC-ERBA (including IAA)	-	-	-
15	Of which SEC-SA approach	-	-	-
EU 15a	Of which 1250% / deduction	-	-	-
16	Position, foreign exchange and commodities risks (Market risk)	85	74	7
17	Of which the Alternative standardised approach (A-SA)	-	-	-
EU1 7a	Of which the Simplified standardised approach (S-SA)	85	74	7
18	Of which Alternative Internal Model Approach (A-IMA)	-	-	-
EU1 8a	Large exposures	-	-	-
19	Reclassifications between the trading and non-trading books	-	-	-
20	Operational risk	134,100	125,447	10,728
EU2 0a	Exposures to crypto-assets	-	-	-
21	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
22	Output floor applied (%)	-	-	-
23	Floor adjustment (before application of transitional cap)	-	-	-
24	Floor adjustment (after application of transitional cap)	-	-	-
25	Total	1,853,672	1,906,850	148,294

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)⁵. In line with the Capital Requirement Directive (CRD V), 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.

⁴ The Bank has no exposures to derivatives and securitisation.

⁵ Further information on the capital requirements is included in Section 4.1, Template EU KM1

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 Central Bank will extend the (sSyRB) to all exposures secured by immovable property in Malta with effect as from June 2026. 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 templates ‘EU CC1’ and ‘EU CCyB1’ below.

As at 31 December 2025, the Bank’s Tier 1 and Total Capital Ratios stood at 17.63% and 23.21%, respectively, thereby above the respective applicable regulatory minima. During Q4 2025, both the Tier 1 and Total Capital ratios increased by 293 bps and 304 bps, respectively. This increase was primarily driven by the increase in CET 1 Capital, following the successful completion of the Rights Issue mentioned above.

Table ‘EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments’ is disclosed as part of Note 46.5 (Capital Management) to the Financial Statements published on the Bank’s website.

EU CC1: Composition of regulatory own funds

		a	b
		Amounts	Dec-25 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		€000	
1	Capital instruments and the related share premium accounts	193,639	
2	Retained earnings	119,530	
3	Accumulated other comprehensive income (and other reserves)	23,439	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	6,584	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	336,237	
7	Additional value adjustments (negative amount)	(336)	
8	Intangible assets (net of related tax liability) (negative amount)	(14,189)	
27a	Other regulatory adjustment – prudent valuation adjustment	(1,776)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(16,302)	
29	Common Equity Tier 1 (CET1) capital	326,890	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	326,890	
46	Capital instruments and the related share premium accounts	103,374	
51	Tier 2 (T2) capital before regulatory adjustments	103,374	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	103,374	
59	Total capital (TC = T1 + T2)	430,265	
60	Total risk exposure amount	1,853,672	
61	Common Equity Tier 1 capital	17.63%	
62	Tier 1 capital	17.63%	
63	Total capital	23.21%	
64	Institution CET1 overall capital requirements	10.19%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.09%	

67	of which: systemic risk buffer requirement	0.90%
EU-67a	of which: Other Systemically Important Institution (O-SII) buffer requirement	0.44%
EU-67b	Of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.77%
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9.27%

Note 46.5 appended to the Financial Statements includes a reconciliation of regulatory own funds to the statement of financial position within the audited financial statements (EU LI1).

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

Breakdown by country:	a	b	c		d	e	f	g			h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market risk		Securitisati on Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights	Countercycli cal buffer rate			
	Exposure value under the standardise d approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposur es for internal models			Relevan t credit risk exposur es - Credit risk	Relevan t credit exposur es – Market risk	Relevant credit exposures – Securitisati on positions in the non-trading book	Total						
€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	%	%		
Austria	12,857	-	-	-	-	12,857	1,029	-	-	1,029	12,857	0.27%	0.00%			
Switzerland	7,592	-	-	-	-	7,592	607	-	-	607	7,592	0.16%	0.00%			
Spain	10,233	-	-	-	-	10,233	819	-	-	819	10,233	0.22%	0.50%			
Czech Republic	166	-	-	-	-	166	13	-	-	13	166	0.00%	1.25%			
Finland	28,162	-	-	-	-	28,162	2,253	-	-	2,253	28,162	0.59%	0.00%			
Italy	22,274	-	-	-	-	22,274	1,782	-	-	1,782	22,274	0.47%	0.00%			
Hungary	1,541	-	-	-	-	1,541	123	-	-	123	1,541	0.03%	1.00%			
Luxembourg	17,644	-	-	-	-	17,644	1,412	-	-	1,412	17,644	0.37%	0.50%			
Macedonia	263	-	-	-	-	263	21	-	-	21	263	0.01%	0.00%			
Poland	110	-	-	-	-	110	9	-	-	9	110	0.00%	1.00%			
Portugal	223	-	-	-	-	223	18	-	-	18	223	0.00%	0.00%			
Norway	73	-	-	-	-	73	6	-	-	6	73	0.00%	2.50%			
Romania	321	-	-	-	-	321	26	-	-	26	321	0.01%	1.00%			
Slovakia	15,396	-	-	-	-	15,396	1,232	-	-	1,232	15,396	0.32%	1.50%			
United Kingdom	52,173	-	-	-	-	52,173	4,174	-	-	4,174	52,173	1.10%	1.00%			
France	107,077	-	-	-	-	107,077	8,566	-	-	8,566	107,077	2.25%	1.00%			
Germany	60,915	-	-	-	-	60,915	4,873	-	-	4,873	60,915	1.28%	0.75%			
Ireland	6,427	-	-	-	-	6,427	514	-	-	514	6,427	0.14%	1.50%			
Netherlands	24,701	-	-	-	-	24,701	1,976	-	-	1,976	24,701	0.52%	2.00%			
Australia	1,539	-	-	-	-	1,539	123	-	-	123	1,539	0.03%	0.00%			
Sweden	161	-	-	-	-	161	13	-	-	13	161	0.00%	2.00%			
Slovenia	20,325	-	-	-	-	20,325	1,626	-	-	1,626	20,325	0.43%	1.00%			
Belgium	26,661	-	-	-	-	26,661	2,133	-	-	2,133	26,661	0.56%	1.00%			
Latvia	7,036	-	-	-	-	7,036	562	-	-	562	7,036	0.15%	1.00%			
Other	4,331,190	-	-	-	-	4,331,190	346,495	-	-	346,495	4,331,190					
Total	4,755,060	-	-	-	-	4,755,060	380,405	-	-	380,405	4,755,060					

EU CCyB2: Amount of institution-specific countercyclical capital buffer

	a
	Dec-25
	€000
1 Total Risk Exposure Amount	1,853,672
2 Institution Specific Countercyclical Buffer Rate	0.09%
3 Institution Specific Countercyclical Buffer Requirement (€000)	1,606

6.3. Internal Capital Adequacy Assessment Process

EU OVC: ICAAP

<p>(a)</p>	<p>Approach to assessing the adequacy of the internal capital</p>	<p>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 Assets-Liabilities Committee.</p> <p>The Bank performs an Internal Capital Adequacy Assessment Process (ICAAP) in compliance with the Pillar 2 requirements of Banking Rule BR/12/2022 – The Supervisory Review Process of Credit Institutions Authorised Under the Banking Act 1994 and the CRR. This key decision-making tool is of utmost importance for keeping the Board of Directors informed about the Bank's ongoing risk assessment, the mitigation measures adopted and their impact on the capital requirements.</p> <p>The Bank's ICAAP is based on the principle of proportionality set out in the above-mentioned Banking Rule and adopts a combination of quantitative capital and adequate systems and controls in fulfilment of these requirements. The production of the ICAAP is led by the ERM Unit, taking into consideration the Bank's Risk Appetite and underlying risk profile, business model, as well as the external environment.</p> <p>In this exercise, the Bank's capital requirements are set at a starting point of zero. A structured and comprehensive assessment and quantification of all the material risks are performed. This involves an analysis to determine whether the minimum regulatory requirements for Pillar 1 risks are sufficient to cover the Bank's credit, operational and market risk. In addition, the ICAAP includes an assessment of other risks not covered by Pillar 1 risks and which are referred to as Pillar 2 risks. This includes capital for concentration risk. Since the minimum regulatory requirement for credit risk was calibrated for internationally diversified banks and the Bank's operations are concentrated locally, additional capital is allocated to account for individual, geography and sectoral concentration. This capital allocation is based on the results of an index-based model. The Bank also assesses and measures other risks to determine its capital requirements, including interest rate risk in the banking book, IT and cyber risk, ESG risk, reputation risk and other key risks.</p> <p>The Bank's stress testing framework forms an integral part of the ICAAP. A number of severe but plausible scenarios are developed which test the resilience of the Bank's business model and risk profile. The latest ICAAP, which concluded that the Bank is adequately capitalised, was reviewed in detail by the Bank's Internal Audit Department and by the Risk Committee, and subsequently presented to the Board of Directors for approval. Following Board approval, the ICAAP Report was submitted to the MFSA.</p>
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6.4. Leverage Ratio

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

The below tables provide an overview of the main change in the leverage ratio (LRA), reconciliation of accounting assets and leverage ratio exposures (LR1), the components which make up the Bank's Leverage ratio (LR2) and a list of on-balance sheet exposures which form part of the computation of the ratio (LR3).

EU LRA: Disclosure of LR qualitative information

(a)	Description of the processes used to manage the risk of excessive leverage	<p>The Bank manages the risk of excessive leverage through strong board oversight, a clearly defined risk appetite and robust capital planning processes. The Board approves the Bank'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 Leverage Ratio is reported to the Board of Directors as part of the Risk Appetite Dashboard and an assessment of the ratio is carried out as part of the risk report presented to the Risk Committee, Executive Committee and Assets-Liabilities Committee.</p> <p>The Board of Directors, supported by the Risk Committee, sets limits on acceptable leverage and capital risk, while the Internal Capital Adequacy Assessment Process (ICAAP) assesses capital needs. In addition, the bank complies with EU Capital Requirements Regulation (CRR) leverage and capital ratios, and regularly monitors and reports leverage indicators to senior management and the Board to ensure exposures remain within approved limits.</p>
(b)	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	<p>During 2025, the Bank's Leverage Ratio remained well above the regulatory minimum requirement of 3% and within the risk appetite set by the Board. As at 31 December 2025 the Bank's leverage ratio stood at 6.87%. This represents an increase of 36 basis points, when compared to 6.51% as at 31 December 2024. The main contributor to this increase in the ratio is the increase in Tier 1 Capital and the leverage ratio exposure measure which is attributed to the growth in the Bank's balance sheet.</p>

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

		a
		Dec-25
		Applicable amount €000
1	Total assets as per published financial statements	4,638,534
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	2,121
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	-
9	Adjustment for securities financing transactions (SFTs)	-

10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	132,685
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(18,280)
13	Total exposure measure	4,755,060

EU LR2: LRCom - Leverage ratio common disclosure

		a	b
		Dec-25	Jun-25
		CRR leverage ratio exposures	
		€000	€000
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,636,564	4,312,434
6	Asset amounts deducted in determining Tier 1 capital	(14,189)	(12,687)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	4,622,375	4,299,747
19	Off-balance sheet exposures at gross notional amount	1,349,745	1,287,295
20	Adjustments for conversion to credit equivalent amounts	(1,217,060)	(1,158,851)
22	Total off-balance sheet exposures	132,685	128,444
23	Tier 1 capital	326,890	282,229
24	Total Exposures	4,755,060	4,428,192
25	Leverage Ratio	6.87%	6.37%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.87%	3.00%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	6.87%	
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,755,060	4,428,192
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,755,060	4,428,192
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.87%	6.37%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.87%	6.37%

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

		a
		Dec-25
		CRR leverage ratio exposures
		€000
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	4,636,564
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	4,636,564
EU-4	Covered bonds	1,183
EU-5	Exposures treated as sovereigns	430,200
EU-6	Exposures to regional governments, MDBs, international organisations and PSE NOT treated as sovereigns	38,698
EU-7	Institutions	122,266
EU-8	Secured by mortgages of immovable properties	3,105,215
EU-9	Retail exposures	63,558
EU-10	Corporate exposures	203,738
EU-11	Exposures in default	30,178
EU-12	Other exposures	641,529

7. Credit Risk

The following sections provide a brief outline of the main elements of the Bank's credit risk management framework.

EU CRA: General qualitative information about credit risk

(a)	In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile.	Credit Risk is the possibility that a borrower or counterparty fails to meet the respective obligations in accordance with, or performing according to, agreed terms. Alternatively, losses may result from reduction in asset value arising from actual or perceived deterioration in credit quality. The Bank's exposure to credit risk is diversified by maximum single exposure, by sector, by geography, by tenor and by product, through its engagement in Retail Lending, Commercial Lending, Trade Finance and selected participations in Syndicated Lending. In view of the nature of its business, the Bank's financial assets are inherently and predominantly subject to credit risk. Thus, Management has put in place internal control systems to evaluate, approve and monitor credit risks relating to both the investments and the lending portfolios. The Bank has a detailed Credit Risk Policy in support of the Bank's Credit Risk Appetite, which lays down the principles for the management of credit risk within each business area mentioned above. The Bank adopts a conservative approach to credit risk taking into consideration potential vulnerabilities that may trigger pressures on asset quality.
(b)	When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits.	
(c)	When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function.	Refer to Section 3 – Risk Governance – template EU OVA.
(d)	When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions.	Refer to Section 3 – Risk Governance – template EU OVA.

7.1. Credit Approval

The Bank has a process in place for the approval of new credit facilities, as well as the amendment, renewal and review of existing credit facilities. The Bank's credit approval process establishes delegated authority and corresponding accountability for decisions taken. It designates different levels of authority to approve credits or changes in credit terms as approved by the Risk Committee and the Board of Directors.

Credit applications above a certain threshold are reviewed by the Board Credit Committee (BCC) and Management Credit Committee (MCC), within the parameters set by the Board of Directors. Further information on the role of these Committees and the Members who sit on these Committees is provided in the 'Corporate Governance Report' included in the Group's 2025 Annual Report.

Proposals for credit facilities are issued by business units (the first line) and escalated to higher levels for approval, depending on various lending criteria and types of limits. Credit facilities above a certain threshold, or which do not fall under the Bank's lending policies, are proposed to the CRM Unit for evaluation and recommended to the MCC, BCC and Board depending on the exposure involved or the relative terms and conditions. Credit facilities cannot be presented for approval without a recommendation from the CRM Unit.

Syndicated loan proposals are evaluated by the Syndications and Trade Finance Unit, reviewed by the Head of Asset Liability Management (ALM) and recommended by the CRM Unit. These are then approved by the respective delegated Management authority or MCC/BCC.

The Assets-Liabilities Committee is responsible for the asset liability management strategy and optimisation of capital allocation in terms of ALM strategy and regulatory requirements. New investment products are proposed by the Investment Management Department to the Assets-Liabilities Committee, who is responsible for pricing decisions on all of the Bank's products, and are approved by the Executive Committee. Counterparty exposures and credit limits with correspondent banks are recommended by the Bank's ALM function to the Assets-Liabilities Committee for approval.

The Group has in place a Related Party Transactions Approval Framework, which sets out the safeguards that are to be applied to transactions and arrangements between the Group and a Related Party, which transactions must be entered into at arm's length and on a normal, commercial basis.

Approval by the Audit Committee is specifically required if the transaction/s which the Group intends to make with a Related Party fall/s within the scope of the requirements of Capital Market Rules dealing with Related Party Transactions. Otherwise, such transactions are to be brought to the attention of the Audit Committee solely for notification and monitoring process. As part of its duties, the Audit Committee ensures that transactions with related parties are adequately assessed, reviewed and reported to ensure approval at arm's length. Further disclosure on Related Party Transactions is included in Note 46 appended to the 2025 Financial Statements which are available on the Bank's website.

7.2. Credit Analysis

The Bank has detailed credit granting processes and criteria to evaluate the credit risk inherent in a borrowing application. Current lending procedures in place comply with current banking regulations identifying situations where, in considering an advance, it is appropriate to classify a group of borrowers as connected counterparties and are thus treated as being a single exposure in line with CRR. The Bank takes into consideration the total credit facilities at the disposal of connected customers before considering extending further facilities to one of the members forming part of a group of connected customers.

Monitoring and control processes are considered to be of critical importance during the life cycle of a credit facility and contribute towards the maintenance of a sound lending portfolio. To ascertain the current financial conditions of the borrower or counterparty, as well as to keep track of decisions made and the history of the credit, the Bank maintains electronic credit profiles and physical dossiers with all the relevant information and documentation supporting credit decisions made. The Bank applies an automated proprietary credit rating system to differentiate the degree of credit risk inherent in advances extended to its customers. Internal ratings are used to grade loans and advances with a view to assess the repayment ability of the borrower and to assist in the monitoring and control of credit risk. The credit rating process also provides a basis for the recognition of any under-performing or non-performing credit facilities and for the assessment of expected credit losses in line with IFRS9 regulations. Further information on the credit risk grading system applied by the Bank is provided in Note 46.2.1.1 ('Credit Risk Grading') to the Financial Statements

In line with IFRS 9, the Bank calculates the Expected Credit Loss (ECL) in respect of financial instruments, which is based on the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of each exposure. The Risk Committee is responsible to certify to the Bank's Board that the provisioning methodology recommended by Management is adequate and in line with the regulatory requirements and the related financial reporting standards. IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition:

- Stage 1: performing exposures which are not credit impaired;
- Stage 2: underperforming exposures where a significant increase in credit risk has occurred since initial recognition; and
- Stage 3: non-performing exposures which are credit impaired.

In accordance with Article 111 of the CRR, for on-balance sheet exposures the net exposure is the accounting value remaining after deducting the expected credit losses (also referred to as 'specific credit risk adjustments' in line with the respective EBA Guidelines). Further information on the calculation of expected credit losses is provided above. The exposure value of off-balance sheet items is the value remaining after applying the respective percentage listed in Article 111 of the CRR to the nominal value. The net exposure value is applied when calculating risk weighted assets.

Further information on the calculation of the ECL is provided in Note 46.2.2 ('Expected Credit Loss Measurement') to the Financial Statements, available on the Bank's website.

7.3. Credit and Concentration Risk Limits

The Risk Department monitors the Bank's exposure to credit risk to ensure that this remains within its risk appetite. The Bank has in place credit risk metrics, and associated risk appetite limits, which are reported to Executive Management, the Assets-Liabilities Committee, Risk Committee and the Board. These include, inter alia, the Value-at-Risk of the Bank's Investments, Credit Growth, Expected Credit Loss, Non-performing Exposures and credit risk weighted assets.

The Bank is exposed to concentration risk within its loans and investments portfolios (as well as within its deposits portfolios). Concentration risk arises when the Bank has significant exposures to a single counterparty, groups of connected counterparties, and counterparties in the same geographic region or from the same sector of activity. Further information on the Bank's exposure to concentration risk is included in Note 46 to the Financial Statements available on the Bank's website.

To manage its exposure to concentration risk across its portfolios, the Bank adopts an exposure limits system by individual and connected exposures, sector and geography. The Risk Committee and the Board are regularly informed about the exposure of the Bank against such limits.

In terms of the CRR, an exposure to a customer or group of connected customers is considered to be a large exposure where its value, before the deduction of eligible credit risk mitigation, is equal to or exceeds 10% of the Bank's Tier 1 Capital. Large exposures are reported both internally and to the Authority and are monitored continuously to ensure that these do not exceed the regulatory threshold of 25% of the Bank's Tier 1 Capital.

The Bank also monitors the individual/connected counterparties, sectoral concentration and country concentration within both its advances and investments portfolios and translates this into an economic capital figure for the purposes of capital allocation (Pillar 2) as part of its ICAAP, using the Herfindahl-Hirschman Index (HHI).

7.4. Quantitative Disclosures on Credit Risk Exposures

The disclosures in this section are in line with Commission Implementing Regulation (EU) 2024/3172 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 with regard to public disclosures

The following template 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, template 'EU CR1-A' classifies the exposures (net values) by residual maturity.

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

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
	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	
005	Cash balances at central banks and other demand deposits	436,512	436,512	-	-	-	-	(25)	(25)	-	-	-	-	-	-	
010	Loans and advances	3,527,859	3,472,009	55,850	49,226	-	-	(2,595)	(1,446)	(1,150)	(17,878)	-	(17,878)	-	3,000,110	25,339
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
030	General governments	11,059	11,059	-	-	-	-	(18)	(18)	-	-	-	-	986	-	
040	Credit institutions	42,216	42,210	6	-	-	-	(142)	(141)	(1)	-	-	-	-	-	
050	Other financial corporations	126,427	122,075	4,352	-	-	-	(56)	(56)	-	-	-	-	97,173	-	
060	Non-financial corporations	853,694	817,970	35,724	36,632	-	-	(1,626)	(689)	(937)	(13,060)	-	(13,060)	680,178	17,673	
070	Of which SMEs	731,480	710,527	20,953	25,240	-	-	(414)	(277)	(136)	(7,046)	-	(7,046)	655,985	17,673	
080	Households	2,494,463	2,478,695	15,768	12,594	-	-	(754)	(542)	(212)	(4,818)	-	(4,818)	2,221,773	7,666	
090	Debt securities	465,634	465,550	84	-	-	-	(146)	(116)	(30)	-	-	-	-	-	

100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	421,144	421,144	-	-	-	-	(98)	(98)	-	-	-	-	-	-
120	Credit institutions	21,050	21,050	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	23,440	23,356	84	-	-	-	(48)	(18)	(30)	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1,349,237	1,345,437	3,800	508	-	508	-	-	-	-	-	-	13,619	25
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	5,057	5,057	-	-	-	-	-	-	-	-	-	-	52	-
180	Credit institutions	212	87	125	-	-	-	-	-	-	-	-	-	4	-
190	Other financial corporations	80,660	80,656	4	-	-	-	-	-	-	-	-	-	246	-
200	Non-financial corporations	463,472	461,255	2,217	12	-	12	-	-	-	-	-	-	7,940	5
210	Households	799,836	798,382	1,454	496	-	496	-	-	-	-	-	-	5,377	20
220	Total	5,779,242	5,719,508	59,734	49,734	-	508	(2,766)	(1,586)	(1,180)	(17,878)	-	(17,878)	3,013,729	25,364

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
		€000	€000	€000	€000	€000	€000
1	Loans and advances	142,810	137,370	215,953	3,061,127	-	3,557,260
2	Debt securities	12,117	34,327	193,744	221,517	-	461,705
3	Total	154,927	171,697	409,697	3,282,644	-	4,018,964

7.5. Credit Quality

EU CRB: Additional disclosure related to the credit quality of assets

(a)	<p>The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR.</p>	<p>As explained in Section 7.2, the Bank's internal credit rating system provides a basis for the recognition of any under-performing or non-performing credit facilities and for the assessment of expected credit losses in line with IFRS9 regulations.</p> <p>A 'non-performing exposure' is an exposure that is:</p> <ol style="list-style-type: none"> considered unlikely to be repaid in full without realisation of collateral, which leads to an impaired exposure under IFRS; or is past due by more than 90 days by a material amount.
(b)	<p>The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.</p>	<p>Under IFRS 9, the Group considers a financial asset to be in default when:</p> <ul style="list-style-type: none"> the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); with respect to loans and advances to customers, the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered past due once the customer has either exceeded a sanctioned limit or has been advised of a limit that is smaller than the current balance outstanding; or with regards to investments' portfolio and syndicated loans' portfolio, a payment by the counterparty or issuer is more than 30 days past due. <p>In assessing whether a borrower is in default, the Group considers indicators that are:</p> <ul style="list-style-type: none"> qualitative: e.g. breaches of covenant; quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and based on data developed internally and obtained from external sources. <p>A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.</p> <p>Further information is included in Note 46.2 appended to the 2025 Financial Statements.</p>
(c)	<p>Description of methods used for determining general and specific credit risk adjustments.</p>	<p>The credit analysis process is explained in Section 7.2 of this Report.</p>
(d)	<p>The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forbore exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.</p>	<p>Restructuring of loans and advances may take place when a borrowing customer that is not experiencing or is about to face financial difficulties or financial distress, requires re-financing of part or the entire relative credit facilities. When a borrowing customer is unable to adhere to the original terms and conditions governing the relative credit facilities, due to financial or other individual difficulties and/or circumstances beyond the borrower's control, the Bank may consider rescheduling lending arrangements (referred to as well as forbearance).</p>

The following template shows the changes in the Bank's stock of defaulted loans during the twelve months ending 31 December 2025. None of the Bank's holdings of debt securities defaulted during this period.

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

		a
		Gross carrying amount
		€000
010	Initial stock of non-performing loans and advances	48,879
020	Inflows to non-performing portfolios	7,450
030	Outflows from non-performing portfolios of which:	(7,103)
040	<i>Outflows due to write-offs</i>	(237)
050	<i>Outflows due to other situations</i>	(6,866)
060	Final stock of non-performing loans and advances	49,226

The Bank renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance') to maximise collection opportunities and minimise the risk of default. The template below shows the gross carrying amount of forbore 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 2021/451).

EU CQ1: Credit quality of forbore exposures

	a	b	c	d	e	f	g	h
	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 forbore exposures	
	Performing forbore	Non-performing forbore		Of which impaired	On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Of which defaulted						
005 Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010 Loans and advances	3,202	13,344	-	13,344	(8)	(4,523)	20,309	8,748
020 <i>Central banks</i>	-	-	-	-	-	-	-	-
030 <i>General governments</i>	-	-	-	-	-	-	-	-
040 <i>Credit institutions</i>	-	-	-	-	-	-	-	-
050 <i>Other financial corporations</i>	-	-	-	-	-	-	-	-
060 <i>Non-financial corporations</i>	2,119	11,975	-	11,975	(1)	(3,344)	18,949	8,563
070 <i>Households</i>	1,083	1,369	-	1,369	(7)	(1,179)	1,360	185
080 Debt Securities	-	-	-	-	-	-	-	-
090 Loan commitments given	222	-	-	-	-	-	-	-
100 Total	3,424	13,344	-	13,344	(8)	(4,523)	20,309	8,748

The template below shows the credit quality of performing and non-performing exposures by past due days (as per Commission Implementing Regulation (EU) No 2021/451).

EU CQ3: Credit quality of performing and non-performing exposures by past due days⁶

	a	b	c	d	e	f	g	h	i	j	k	l
	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
005	Cash balances at central banks and other demand deposits	436,512	436,512	-	-	-	-	-	-	-	-	-
010	Loans and advances	3,527,859	3,472,009	55,850	49,226	22,161	582	903	1,525	6,608	1,874	15,573
020	Central banks	-	-	-	-	-	-	-	-	-	-	-
030	General governments	11,058	11,058	-	-	-	-	-	-	-	-	-
040	Credit institutions	42,216	42,210	6	-	-	-	-	-	-	-	-
050	Other financial corporations	126,427	122,075	4,352	-	-	-	-	-	-	-	-
060	Non-financial corporations	853,694	817,970	35,724	36,632	17,308	-	359	1,282	5,548	1,440	10,695
070	Of which SMEs	731,480	710,527	20,953	25,240	7,165	-	359	33	5,548	1,441	10,694
080	Households	2,494,464	2,478,696	15,768	12,594	4,853	582	544	243	1,060	434	4,878
090	Debt securities	465,634	465,550	84	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-
110	General governments	421,144	421,144	-	-	-	-	-	-	-	-	-
120	Credit institutions	21,050	21,050	-	-	-	-	-	-	-	-	-
130	Other financial corporations	23,440	23,356	84	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1,349,237			508							503
160	Central banks	-			-							-

⁶ Further information on the definition of default and credit impaired exposures is included in Note 46.2.2.2 to the Financial Statements.

170	General governments	5,057			-								
180	Credit institutions	212			-								
190	Other financial corporations	80,660			-								
200	Non-financial corporations	463,472			12								7
210	Households	799,836			496								496
220	Total	5,779,242	4,374,071	55,934	49,734	22,161	582	903	1,525	6,608	1,874	15,573	503

The template below shows the geographical distribution of the Bank's non-performing exposures. Exposures to countries other than Malta are considered to be material where these are equal to, or higher than, 10% of the Bank's total exposures (both domestic and non-domestic). Exposures to countries other than Malta, represent 10.7% of the Bank's total exposures, with the top three exposures being France, Germany and United Kingdom.

EU CQ4: Quality of non-performing exposures by geography

	a	b			c	d	e	f	g				
		Gross carrying/nominal amount								Of which: subject to impairment	Accumulated impairment	Provisions on off-balance- sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing	Of which defaulted									
€000	€000	€000	€000	€000	€000	€000	€000	€000					
010	On-balance-sheet exposures	4,042,719	49,226	-	4,042,719	(20,619)	-	-					
020	Malta	3,457,817	37,829	-	3,457,817	(13,100)	-	-					
070	Other countries	584,902	11,397	-	584,902	(7,519)	-	-					
080	Off-balance-sheet exposures	1,349,745	508	503	-	-	-	-					
090	Malta	1,346,657	506	501	-	-	-	-					
140	Other countries	3,088	2	2	-	-	-	-					
150	Total	5,392,464	49,734	503	4,042,719	(20,619)	-	-					

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

		a	b	d	e	f
		Gross carrying amount			Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing	Of which loans and advances subject to impairment		
€000	€000	€000	€000	€000	€000	
010	Agriculture, forestry and fishing	31,004	-	-	(18)	-
020	Mining and quarrying	2,502	-	-	(6)	-
030	Manufacturing	71,520	-	-	(803)	-
040	Electricity, gas, steam and air conditioning supply	13,121	-	-	(5)	-
050	Water supply	1,971	-	-	-	-
060	Construction	97,643	-	-	(3,229)	-
070	Wholesale and retail trade	75,756	-	-	(378)	-
080	Transport and storage	29,167	-	-	(13)	-
090	Accommodation and food service activities	141,808	-	-	(3)	-
100	Information and communication	48,145	-	-	(125)	-
110	Financial and insurance activities	5,000	-	-	-	-
120	Real estate activities	262,416	-	-	(8,673)	-
130	Professional, scientific and technical activities	64,371	-	-	(248)	-
140	Administrative and support service activities	22,739	-	-	(49)	-
150	Public administration and defense, compulsory social security	-	-	-	-	-
160	Education	6	-	-	-	-
170	Human health services and social work activities	19,661	-	-	(387)	-
180	Arts, entertainment and recreation	1,648	-	-	(4)	-
190	Other services	1,848	-	-	(745)	-
200	Total	890,326	-	-	(14,686)	-

The template below shows the collateral obtained by taking possession and execution processes. It is the Bank'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 Bank does not occupy repossessed properties for business use. No new properties have been repossessed during the financial year ending 31 December 2025.

EU CQ7: Collateral obtained by taking possession and execution processes

		a	b
		Value at initial recognition €000	Accumulated negative changes €000
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E	1,331	-
030	Residential immovable property	331	-
040	Commercial immovable property	1,000	-
050	Movable property	-	-
060	Equity and debt instruments	-	-
070	Other	-	-
080	Total	1,331	-

7.6. Credit Risk Mitigation

EU CRC: Qualitative disclosure requirements related to Credit Risk Management techniques

(b)	The core features of policies and processes for eligible collateral evaluation and management;	<p>The Bank generally takes collateral against its loans and advances portfolio, most of which consists of tangible assets. These are taken by the Bank 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 Bank 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.</p> <p>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. Further information on the collateral taken by the Bank and other credit enhancements is provided in Note 46.2.3 to the 2025 Financial Statements available on the Bank's website.</p>
(c)	A description of the main types of collateral taken by the institution to mitigate credit risk;	The collateral comes in various forms such as cash, securities, guarantees and real estate. Debt securities are generally unsecured, with the exception of covered bonds which are typically secured by residential mortgages. The Bank does not accept credit derivatives as credit protection.
(d)	For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures;	<p>Financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.</p> <p>In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.</p>
(e)	Information about market or credit risk concentrations within the credit mitigation taken;	<p>The most common form of collateral held by the Bank is immovable property. The Credit Risk Policy sets out the process in respect of the selection of the Bank's appraisers to perform valuation of immovable properties and establishes an internal quality assurance process to monitor and review the performance of the selected appraisers. The Bank reviews the valuations received from the valuer, in particular focusing on aspects such as whether the approaches and assumptions are appropriate, clear and transparent, the prudence of such assumptions and the clear and reasonable identification of comparable properties used as a benchmark.</p> <p>The collateral and recovery costs of any collateral integral to a financial asset is taken into consideration when determining the loss given</p>

		default for the purposes of measuring the expected credit loss (ECL). The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Further information is included in Notes 46.2.2.3 and 46.2.3.3 to the Financial Statements, published on the Bank's website.
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The template below shows the amount of the Bank's on-balance sheet exposure value (Net) as at 31 December 2025 that is fully unsecured and the amount that is covered, either partly or in full, by eligible collateral, including all types of collateral and financial guarantees:

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

	a	b	c	d	e	
	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	967,649	3,025,450	3,012,414	13,036	-
2	Debt securities	465,488	-	-	-	-
3	Total	1,433,137	3,025,450	3,012,414	13,036	-
4	Of which non-performing	6,009	25,339	25,339	-	-
EU-5	Of which defaulted	6,009	25,339	-	-	-

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 Bank 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 CRD: Qualitative disclosure requirements related to standardised approach

(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period;	To calculate the risk weighted exposure under the Standardised Approach, the Bank refers to credit assessments issued by External Credit Assessment Institutions (ECAIs) – Moody's, S&P and Fitch, in line with the CRR.
(b)	The exposure classes for which each ECAI or ECA is used;	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. Moreover, the Bank primarily uses ECAIs for exposure classes where external ratings are relevant and available, specifically in relation to its debt securities portfolio and syndicated loans portfolio. In these portfolios, ECAIs are used to determine risk weights, support credit risk assessment, and ensure alignment with applicable prudential regulations. In terms of the CRR, ECAIs are used in the following exposure classes: <ul style="list-style-type: none"> - Central governments - Multilateral development banks

		<ul style="list-style-type: none"> - Institutions - Corporates - Covered bonds - Units or shares in collective investment undertakings
(c)	A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book;	The ratings are mapped in line with the approach outlined in the CRR and using the standardised methodology adopted by the EBA.

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

Exposure classes		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	794,771	5,057	430,200	57	3,024	1%
2	Non-central government public sector entities	-	-	-	-	-	0%
2a	Regional government or local authorities	-	-	-	-	-	0%
2b	Public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	38,698	-	38,698	-	185	0%
3a	International organisations	-	-	-	-	-	0%
4	Institutions	-	-	-	-	-	0%
5	Covered bonds	1,183	-	1,183	-	118	10%
6	Corporates	203,637	542,433	203,737	24,684	183,662	80%
6.1	Of which: Specialised Lending	-	-	-	-	-	0%
7	Subordinated debt exposures and equity	11,468	-	318	-	318	100%
EU 7a	Subordinated debt exposures	-	-	-	-	-	0%
EU 7b	Equity	11,468	-	318	-	318	100%
8	Retail	63,558	46,253	63,558	7,273	51,184	72%
9	Secured by mortgages on immovable property and ADC exposures	3,105,215	755,790	3,105,215	100,665	1,213,411	38%
9.1	Secured by mortgages on residential immovable property - non IPRE	2,336,622	719,930	2,336,622	98,954	722,315	30%
9.2	Secured by mortgages on residential immovable property - IPRE	50,188	19,242	50,188	-	13,996	28%
9.3	Secured by mortgages on commercial immovable property - non IPRE	549,777	9,189	549,777	1,711	287,322	52%
9.4	Secured by mortgages on commercial immovable property - IPRE	36,432	100	36,432	-	20,836	57%
9.5	Acquisition, Development and Construction (ADC)	132,196	7,328	132,196	-	168,942	128%
10	Exposures in default	30,178	-	30,178	-	30,416	101%
10a	Claims on institutions and corporates with short-term credit assessment	111,216	212	122,267	6	52,289	43%
10b	Collective investment undertakings	49,424	-	49,424	-	30,208	61%
10c	Other items	213,027	-	577,597	-	154,672	27%
11	Not applicable	-	-	-	-	-	0%
12	TOTAL	4,622,375	1,349,745	4,622,375	132,685	1,719,487	36%

The template 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.

The Standardised Approach is based on the assumption that the Bank's portfolio is sufficiently granular, as this methodology has been calibrated for internationally active banks. For this reason, the Bank also allocates additional capital to cover concentration risk under Pillar 2 (Section 6.3). Further information on the Bank's risk-weighted exposure to credit risk is provided in Section 6.2 (template OV1).

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

		a	d	e	f	g	i	j	k	m	o	p	t	y	z
		Risk weight												Total	
		0%	10%	20%	30%	35%	45%	50%	60%	75%	90%	100%	150%	Others	
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
1	Central governments or central banks	424,733	-	-	-	-	-	5,001	-	-	-	523	-	-	430,257
2	Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EU 2a		-	-	-	-	-	-	-	-	-	-	-	-	-	-
EU 2b	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	37,771	-	927	-	-	-	-	-	-	-	-	-	-	38,698
EU 3a	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Covered bonds	-	1,183	-	-	-	-	-	-	-	-	-	-	-	1,183
6	Corporates	-	-	5,568	-	-	-	13,530	-	38,655	-	170,668	-	-	228,421
6.1	Of which: Specialised Lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Subordinated debt exposures and equity	-	-	-	-	-	-	-	-	-	-	318	-	-	318
EU 7a	Subordinated debt exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EU 7b	Equity	-	-	-	-	-	-	-	-	-	-	318	-	-	318
8	Retail exposures	-	-	-	-	-	5,234	-	-	65,497	-	100	-	-	70,831
	Secured by mortgages on immovable property and ADC exposures	-	-	2,005,257	25,552	7,699	15,878	-	536,875	431,274	1,947	14,884	132,196	34,318	3,205,880
	<i>Secured by mortgages on residential immovable property - non IPRE</i>	-	-	2,005,257	-	-	-	-	-	430,319	-	-	-	-	2,435,576
9.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.1.1	<i>No loan splitting applied</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<i>loan splitting applied</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.1.2	<i>(secured)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<i>loan splitting applied</i>	-	-	-	-	-	-	-	-	430,319	-	-	-	-	430,319
9.1.3	<i>(unsecured)</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<i>Secured by mortgages on residential immovable property - IPRE</i>	-	-	-	25,552	7,699	15,878	-	104	955	-	-	-	-	50,188
9.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-

9.3	Secured by mortgages on commercial immovable property - non IPRE	-	-	-	-	-	-	-	536,771	-	-	14,717	-	-	551,488
9.3.1	No loan splitting applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.3.2	loan splitting applied (secured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.3.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-	-	14,717	-	-	14,717
9.4	Secured by mortgages on commercial immovable property - IPRE	-	-	-	-	-	-	-	-	-	1,947	167	-	34,318	36,432
EU 9.4a	Secured by mortgages on immovable property - Other- non IPRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EU 9.4b	Secured by mortgages on immovable property - Other- IPRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.5	Acquisition, Development and Construction (ADC)	-	-	-	-	-	-	-	-	-	-	-	132,196	-	132,196
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	29,703	475	-	30,178
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	65,486	5,670	-	-	27,251	-	-	-	23,866	-	-	122,273
EU 10b	Collective investment undertakings (CIU)	11,891	-	2,614	841	-	-	9,213	-	6,293	-	15,503	3,069	-	49,424
EU 10c	Other items	407,176	-	3,746	13,781	-	-	330	-	132	-	148,943	-	3,489	577,597
11	not applicable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EU 11c	TOTAL	881,571	1,183	2,083,598	45,844	7,699	21,112	55,325	536,875	541,851	1,947	404,508	135,740	37,807	4,755,060

8. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and prices of equities, bonds and commodities.

The Bank's exposure to market risk is limited since its trading portfolio is minimal⁷. This is consistent with the Bank's Risk Appetite. In accordance with Article 94 of the CRR, the Group is exempted from the trading book capital requirements.

The Bank's exposure to market risk is mainly related to:

- i. Interest rate risk – the risk that the Group's financial position and cash flow is exposed to unfavourable movements in interest rates;
- ii. Foreign exchange risk – the risk that the Group's financial position and cash flow are exposed to unfavourable movements in foreign exchange rates.

The Bank had an investment of €6.3 million in equities at the end of 2025. The risk associated with this exposure is therefore not considered to be material.

The ALCO is primarily responsible for balance sheet management and pricing policies. Towards this, it reviews financial information and assesses the impact of various types of risks—related to changes in interest rates, exchange rates and the market—on the Bank's profitability and financial position.

EU MR1: Market risk under the standardised approach

		a
		RWEAs
		€000
Outright products		
1	Interest rate risk (general and specific)	
2	Equity risk (general and specific)	
3	Foreign exchange risk	85
4	Commodity risk	
Options		
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	Securitisation (specific risk)	
9	Total	85

⁷ As at 31 December 2025, the Bank held no exposures within its trading portfolio.

8.1. Interest Rate Risk in the Banking Book

EU IRRBBA: Qualitative information on interest rate risks of non-trading book activities

(a)	A description of how the institution defines IRRBB for purposes of risk control and measurement.	<p>The Bank defines IRRBB as the current or prospective risk to capital and earnings arising from adverse movements in interest rates that affect the value and timing of future cash flows in its banking book positions, including assets, liabilities and off-balance-sheet items.</p> <p>The Bank is mainly exposed to IRRBB, which arises from the Bank's non-trading activities. The Bank has an Interest Rate Risk Policy approved by the Board, which sets out a comprehensive risk management process that identifies, measures, monitors and controls interest rate risk exposures, whilst also ensuring appropriate oversight by Senior Management, Board-appointed committees and ultimately the Board, to confirm that this risk is consistent with the Bank's risk appetite.</p>
(b)	A description of the institution's overall IRRBB management and mitigation strategies.	The Bank manages IRRBB through a comprehensive framework that identifies, measures, monitors and mitigates interest rate risk using EBA-aligned methodologies, including repricing gap analysis, NII sensitivity under two supervisory shock scenarios and EVE sensitivity under six supervisory shock scenarios. Mitigation is carried out through balance sheet optimisation supported by regular monitoring and escalation procedures.
(c)	The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB.	<p>Bank's exposure to interest rate risk is monitored on a monthly basis by the ERM Unit and verified by the Asset Liability Management Department, and is reported to Executive Committee, Assets-Liabilities Committee and Risk Committee on a quarterly basis. Further information on the role of each of these Committees in the management of interest rate risk is provided in the 'Corporate Governance Statement' within the Annual Report.</p> <p>The Bank allocates internal capital, under Pillar 2, commensurate with its exposure to IRRBB, taking into account the impact of potential changes in its economic value and future earnings resulting from changes in interest rates.</p>
(d)	A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable).	<p>Interest rate risk is measured from two perspectives – the economic value of equity (EVE) and the earnings-based approach. Both of these perspectives are complementary in understanding and assessing IRRBB. Earnings measures capture the short-term effect of interest rate changes on the Bank's earnings. On the other hand, economic value measures capture the long-term effect of interest rate changes, which is a key aspect in defining a business strategy and keeping an adequate level of capitalisation in the long term.</p> <p>The management of Interest Rate Risk through the Earnings Perspective</p> <p>The Assets-Liabilities Committee is responsible to ensure that there exists an appropriate margin between interest receivable and interest</p>

(g)	A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable).	<p>payable. Consequently, the Committee must ensure that the pricing of assets and liabilities supports an adequate Net Interest Margin. In pricing commercial facilities Management is guided by the Bank's Credit Pricing Model, which takes into consideration loan characteristics, such as, the loan term, amount, capital requirement and collateral.</p> <p>The ERM Unit monitors on a monthly basis the sensitivity of financial assets and liabilities to parallel shifts in the yield curve of 200 basis points over a time horizon of one year. As at December 2025, sensitivity of the net interest income to parallel shifts in the yield curve, as reported in Template 'EU IRRBB1', was within the Bank's Risk Appetite.</p> <p>The management of Interest Rate Risk through the Economic Value Perspective</p>
(h)	Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures	<p>Modelling of non-maturity deposits (NMDs) forms an integral part of the management of IRRBB. A NMD is, as the name suggests, a deposit that does not have a predetermined maturity, i.e. the deposit can be withdrawn at any time. However, even though NMDs can be withdrawn at any time, the volumes of NMDs have historically been relatively stable. Through a historical analysis of customer deposits, the Bank identifies the proportion of core deposits, these being NMDs which are unlikely to reprice even under significant changes in interest rates. Non-core deposits are considered as overnight deposits and placed into the overnight time bucket. Core deposits are slotted into the appropriate time bucket, up to a maximum average maturity of five years.</p> <p>Other products with behavioural optionality include fixed rate loans subject to pre-payment risk. Where the total of both fixed-rate loans and fixed-rate assets is less than 5% of the non-trading book positions that are accounted for, the Bank is required to carry out a historical analysis to determine the incidence of prepayments of fixed rate loans during the fixed rate period (i.e. the conditional prepayment rate).</p>
(i)	Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)	<p>On a monthly basis, the ERM Unit monitors the impact of six-pre-defined shock scenarios, where the maximum change in EVE is expressed as a percentage of Tier 1 Capital. In line with the EBA Guidelines, the Bank's economic value must not decline by more than 15% of Tier 1 Capital. In the event that the decline in economic value exceeds the applicable threshold, the Bank is required to inform the Regulator. The potential change in the EVE under each of the six scenarios is included in Template 'EU IRRBB1'. The potential impact on the Group's economic value is based on the most unfavourable scenario which, as at 31 December 2025, was brought through the 'parallel up' scenario. The scenarios are reviewed periodically by Management to ensure that these capture all plausible scenarios. During 2025, the resulting impact on the Bank's economic value was at all times well within the established regulatory requirement and within the Bank's risk appetite.</p>
(1)(2)	Disclosure of the average and longest repricing maturity assigned to non-maturity deposits	

EU IRRBB1: Interest rate risks of non-trading book activities

Supervisory shock scenarios	a		b		c		d	
	Changes of the economic value of equity				Changes of the net interest income			
	Current period		Last period		Current period		Last period	
	€000		€000		€000		€000	
1 Parallel up	(27,511)	4,060	(3,709)	7,805				
2 Parallel down	18,663	(10,016)	3,701	(7,805)				
3 Steepener	15,269	12,825						
4 Flattener	(2,961)	6,545						
5 Short rates up	(12,103)	4,435						
6 Short rates down	14,597	1,925						

8.2. Foreign Exchange Risk

The Bank's financial assets and liabilities are predominantly denominated in Euro. The Foreign Exchange Risk Policy articulates a framework for identifying, measuring, managing and reporting on the Bank's exposure to this risk. The Policy clearly outlines the structure, responsibilities and controls for the management of foreign exchange risk and sets limits, on the level of exposure by currency and in total, which are monitored regularly. The ERM Unit is responsible for carrying out sensitivity analyses showing the impact on the Bank's financial position as a result of an adverse/favourable movement in all currencies against the Euro. Further information on the Group's aggregate amount of assets and liabilities denominated in foreign currencies is included in Note 46.4.2 appended to the Financial Statements.

Capital is allocated for the Bank's exposure to foreign exchange risk in line with the Basic Method stipulated by the CRR. Further information on the Bank's risk-weighted exposure to foreign exchange risk is provided in Section 6.2.

9. 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.

EU LIQA: Liquidity risk management

(a)	Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding,	<p>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.</p> <p>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.</p>
(b)	Structure and organisation of the liquidity risk management function (authority, statute, other arrangements).	The liquidity risk management function is structured with clear roles, responsibilities and authorities, as defined in the Bank's internal governance framework. Overall responsibility for liquidity risk management rests with senior management, with day-to-day oversight delegated to the Treasury and Risk Management functions.

(c)	A description of the degree of centralisation of liquidity management and interaction between the group's units	<p>Liquidity management within the Bank is centralised, with overall responsibility resting with the ALM function. The Treasury Unit monitors and manages the liquidity position in line with internal policies, risk appetite and regulatory requirements.</p> <p>The Bank's units operate within a defined liquidity framework and communicate their funding needs to Treasury through regular reporting processes. This enables coordinated liquidity planning and effective management of liquidity risk on a Group-wide basis.</p>
(d)	Scope and nature of liquidity risk reporting and measurement systems.	<p>Liquidity risk is measured and monitored through a range of quantitative metrics, including liquidity ratios, cash flow projections and stress testing outcomes. Reporting is performed on a regular basis and provides timely information on the Bank's liquidity position, funding profile and compliance with internal limits and regulatory requirements.</p> <p>Liquidity risk reports are submitted to senior management and relevant committees to support effective oversight and decision-making.</p>
(e)	Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.	<p>The Bank maintains policies for the mitigation of liquidity risk. Liquidity buffers are calibrated to withstand stressed scenarios and are aligned with the Bank's risk appetite.</p> <p>The effectiveness of liquidity risk mitigants is monitored on an ongoing basis through regular reporting, limit monitoring and stress testing, with any emerging weaknesses escalated to senior management and relevant committees.</p>
(f)	An outline of the bank's contingency funding plans.	<p>The Bank's Liquidity Contingency Plan provides a framework for a timely reaction by the Bank to protect depositors, creditors, shareholders and the Bank itself in the event of a crisis. Accordingly, the Plan provides a framework for managing unexpected liquidity situations and thus complements the Bank's BCP as it stipulates additional actions that should be taken in the event that a critical situation unfolds.</p> <p>In order to achieve its purpose, the Plan ensures that proper conditions are in place to enable the Bank to raise adequate capital and liquidity at the least cost possible. Thus, it sets guidelines and directions for identifying serious liquidity problems and managing the resolution thereof.</p>
(g)	An explanation of how stress testing is used.	<p>The results of stress tests are incorporated within the internal capital and liquidity adequacy assessment processes and are presented to both the Risk Committee and Board of Directors. The results are also communicated to Executive Management such that the outputs of these exercises are incorporated within the decision-making processes. The Bank's stress testing framework also serves as an input to the</p>

		<p>annual update of the Risk Appetite Statement and Recovery Plan.</p> <p>The resulting impact of each scenario on the Bank's liquidity and funding is analysed and covers a period of three years, reflecting the same forward-looking period adopted for the ICAAP, ILAAP and business planning process.</p>
(h)	<p>A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.</p>	<p>The management body of the Bank reviews and approves the liquidity risk management framework and is satisfied that the arrangements in place are adequate and effective, having regard to the Bank's business model, risk profile and strategy.</p> <p>The management body provides assurance that the liquidity risk management systems and controls are appropriate to ensure the prudent management of liquidity risk and ongoing compliance with regulatory requirements.</p>
(i)	<p>A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body.</p> <p>These ratios may include:</p> <ul style="list-style-type: none"> · Concentration limits on collateral pools and sources of funding (both products and counterparties) · Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank · Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity 	<p>The Bank funds loans primarily by sourcing retail deposits. As at 31 December 2025, the Bank's Loan-to-Deposit ratio, computed in line with the methodology adopted by the EBA, was equal to 95.08%, 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. Further information on the Bank's encumbered and unencumbered assets is included in Section 9.3 of this Report and Note 46.5 to the Financial Statements.</p>

	· Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps	
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9.1. 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. The Bank's LCR fluctuated consistently above the applicable minimum requirement of 100% and in line with its risk appetite. As at 31 December 2025, the LCR stood at 178.14% (31 December 2024: 197.38%).

The below template discloses quantitative information on the Bank's LCR for each of the four calendar quarters, starting March 2025 and ending December 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'⁸, other than the Euro, the Bank reports the LCR in the reporting currency (Euro).

⁸ 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		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		Dec-25 €000	Sep-25 €000	Jun-25 €000	Mar-25 €000	Dec-25 €000	Sep-25 €000	Jun-25 €000	Mar-25 €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					659,735	625,023	572,080	534,286
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	2,039,182	1,900,954	1,766,836	1,661,316	176,004	164,583	151,487	139,774
3	Stable deposits	1,444,491	1,356,549	1,272,318	1,203,382	101,927	95,507	88,700	81,568
4	Less Stable deposits	594,691	544,405	494,518	457,934	74,077	69,076	62,787	58,206
5	Unsecured wholesale funding, of which:	627,922	585,318	536,698	497,793	278,887	269,935	250,968	237,165
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,996	2,641	2,710	2,614	827	660	677	654
7	Non-operational deposits (all counterparties)	623,926	582,677	533,988	495,179	278,060	269,275	250,291	236,512
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements, of which:	579,019	567,663	553,234	532,504	43,953	42,478	42,642	41,934
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	579,019	567,663	553,234	532,504	43,953	42,478	42,642	41,934
14	Other contractual funding obligations	4,196	4,487	4,647	4,634	4,241	4,487	4,646	4,634
15	Other contingent funding obligations	23,931	22,511	20,696	19,092	-	-	-	-
16	Total Cash Outflows					503,085	481,484	449,743	423,507
Cash Inflows									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	257,370	244,772	209,921	172,480	115,391	109,859	93,772	79,605
19	Other cash inflows	3,446	3,561	3,709	2,360	3,467	3,561	3,709	2,360
20	Total Cash Inflows	260,816	248,333	213,630	174,840	118,858	113,420	97,481	81,965
Total Adjusted Value									
EU-21	Liquidity Buffer					750,502	608,132	658,553	628,187
22	Total net cash outflows					421,288	349,222	352,813	330,884
23	Liquidity Coverage Ratio (%)					178.14%	174.14%	186.66%	189.85%

EU LIQB: Qualitative information on LCR

(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time.	<p>The Bank's Liquidity Coverage Ratio (LCR) is primarily driven by the level of high-quality liquid assets (HQLA) held and the net cash outflows projected over a 30-day stress horizon. The main contributors to HQLA include cash balances with the central bank and high-quality marketable securities. Net cash outflows are influenced by the Bank's deposit structure, maturing liabilities, and contingent liquidity needs.</p> <p>Over time, the composition of the LCR has evolved due to changes in the balance sheet, including variations in deposit balances, loan growth, and the mix of HQLA held. The Bank actively manages the contribution of these inputs through funding diversification, prudent liquidity buffers, and ongoing monitoring of cash flow projections to ensure the LCR remains consistently above regulatory requirements.</p>
(b)	Explanations on the changes in the LCR over time	The net liquidity outflow outweighed the increase in the Bank's 'liquidity buffer', leading to a decline in the LCR by 19.24%, when compared to 31 December 2024. In addition, the increase in 'net liquidity outflow' reflects the increase in the Bank's operational and non-operational deposits.
(c)	Explanations on the actual concentration of funding sources	<p>The Bank maintains a diversified funding base to mitigate liquidity risk arising from over-reliance on any single source. Funding sources primarily include retail and corporate deposits, supplemented by wholesale funding where appropriate. The Bank monitors the concentration of funding by counterparty, instrument type, and tenor to ensure that no single source or group of related counterparties represents a material proportion of total funding.</p> <p>Ongoing monitoring and internal limits are applied to identify potential concentrations, and management actions are taken where needed to maintain a balanced and stable funding profile, consistent with the Bank's risk appetite and liquidity strategy.</p>
(d)	High-level description of the composition of the institution's liquidity buffer.	<p>The Bank's liquidity buffer is classified into:</p> <ul style="list-style-type: none"> -Level 1 assets (98%), which include withdrawable central bank reserves and central government assets; and -Level 2 assets (2%), which include regional government or public sector entity assets and corporate debt securities with a credit rating of BBB- or higher.

(f)	Currency mismatch in the LCR	<p>The Bank monitors the currency composition of its liquidity buffer and net cash outflows to manage potential mismatches under the Liquidity Coverage Ratio (LCR) framework. While the majority of assets and liabilities are denominated in the domestic currency, minor exposures in foreign currencies are managed through matching assets and liabilities or access to contingent foreign funding lines.</p> <p>Moreover, 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.</p>
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9.2. Net Stable Funding Ratio

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%. At 141.71%, the NSFR was above the 100% regulatory minimum and in line with the Bank's risk appetite as at 31 December 2025 (31 December 2024: 140.42%). The Bank's NSFR increased during 2025 from a higher increase in 'Available stable funding' (mainly through an increase in capital items and instruments) than the increase in 'Required stable funding' items (mainly central bank assets and loans), hence leading to an increase of 129bps in the NSFR. Given that the Bank does not have another 'material currency'⁹, other than the Euro, the Bank reports the NSFR in the reporting currency (Euro).

EU LIQ2: Net Stable Funding Ratio

		Unweighted value by residual maturity				Weighted value
		No Maturity	<6 months	6 months to < 1 yr	≥1yr	
		€000	€000	€000	€000	€000
Available stable funding (ASF) Items						
1	Capital items and instruments	-	-	-	458,370	458,370
2	Own funds	-	-	-	458,370	458,370
3	Other capital instruments	-	-	-	-	-
4	Retail deposits	-	2,667,401	176,248	264,568	2,918,578
5	Stable deposits	-	1,781,827	112,682	221,287	2,021,072
6	Less stable deposits	-	885,574	63,566	43,281	897,506
7	Wholesale funding	-	823,651	45,438	161,527	559,567
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	823,651	45,438	161,527	559,567
10	Interdependent liabilities	-	-	-	-	-
11	Other liabilities	-	22,958	1,279	14,187	14,826
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and capital instruments not included in the above categories	-	22,958	1,279	14,187	14,826
14	Total Available stable funding (ASF)					3,951,340
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					10,314
EU 15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		115,700	193,314	3,263,709	2,474,591
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		77,054	55,352	87,321	122,702
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		37,565	126,654	999,547	926,688

⁹ Banks are required to assess the NSFR 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.

21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		1,422	13,358	25,182	23,758
22	<i>Performing residential mortgages, of which:</i>		558	11,308	2,176,841	1,424,939
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		537	8,812	2,156,544	1,406,428
24	<i>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</i>		523	-	-	262
25	Interdependent assets		-	-	-	-
26	Other assets	-	71,756	15,648	200,876	237,262
27	<i>Physical traded commodities</i>				-	-
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	<i>All other assets not included in the above categories</i>		71,756	15,648	200,876	237,262
32	Off-balance sheet items		4,209	150,507	1,161,297	66,257
33	Total Required stable funding (RSF)					2,788,424
34	Net Stable Funding Ratio (%)					141.71%

9.3. Asset Encumbrance

Encumbered assets are assets that the Bank is restricted or prevented from liquidating, selling, transferring, or assigning due to regulatory, contractual, or other limitations. BR 07/2024 on the “*Publication of Annual Report and Audited Financial Statements of Credit Institutions*” and Commission Implementing Regulation (EU) 2024/3172 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 with regard to public disclosures require institutions to disclose information on the level of encumbrance of all on-balance sheet assets and all off-balance sheet items.

The below table provides further qualitative information on asset encumbrance, while templates AE1 and AE2 provide quantitative information on the encumbered and unencumbered assets and sources of encumbrance.

EU AE4: Accompanying narrative information

(a)	General narrative information on asset encumbrance	An asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.
(b)	Narrative information on the impact of the business model on assets encumbrance and the importance of encumbrance to the institution's business model, which provides users with the context of the disclosures required in Template EU AE1 and EU AE2.	<p>Template AE1 discloses the Bank's encumbered assets and unencumbered assets classified by asset type, while the figures represent the median values of the figures reported to the MFSA in the preceding four quarters¹⁰. The Bank is not disclosing Template AE2 since it does not encumber any of the collateral received or any of its debt securities issued.</p> <p>As at end December 2025, the Bank's encumbered assets related exclusively to debt securities which are pledged with the ECB for the purpose of existing and potential long-term re-financing operations and cash in favour of the Depositor Compensation Scheme.</p> <p>The Treasury Unit seeks to obtain funding from the ECB through the relevant monetary policy tools. This facility is dependent on pledging high-quality collateral in the form of bonds to the ECB. For this purpose, the Treasury Unit maintains a stock of eligible collateral that can be used to obtain secured funding. These investments are of sufficient quality to be acceptable as collateral by major institutions.</p>

EU AE1: Encumbered and unencumbered assets

	010	040	060	090
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	€000	€000	€000	€000
010 Assets of the disclosing institution	185,608		4,148,811	
030 Equity instruments	-	-	60,702	60,702
040 Debt securities	181,541	179,448	222,886	222,973
050 of which: covered bonds	-	-	1,224	1,224
070 of which: issued by general governments	-	-	-	-
080 of which: issued by financial corporations	181,541	177,463	184,520	184,661
090 of which: issued by non-financial corporations	-	-	40,206	40,151
120 Other assets	-	-	3,433	3,431

¹⁰ The figures will not match the figures reported in Note 46.3 appended to the Financial Statements

Template AE3 discloses the carrying amount of financial liabilities associated with the encumbered assets.

EU AE3: Sources of encumbrance

		010	030
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received, and own debt securities issued other than covered bonds and securitisations encumbered
		€000	€000
010	Carrying amount of selected financial liabilities	185,608	185,608

10. Operational Risk and Resilience

The Group defines Operational risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.” This definition includes legal risk but excludes strategic and reputational risk. Operational risk is inherent in the Bank’s products, services and activities.

When internal controls fail, operational risk can adversely affect the Group’s reputation, have legal or regulatory implications, and/or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through its control framework and by monitoring and responding to potential risks in a timely manner, it is able to manage operational risks effectively. Controls include appropriate segregation of duties, four-eye principle, ensuring that Staff Members have appropriate expertise and training, regular verification and reconciliation of transactions and accounts and process automation or re-engineering. Furthermore, various follow-ups are carried out on a regular basis on the risks identified in Operational Risk Assessments carried out by ORD to ensure that these risks are mitigated and controlled effectively.

EU ORA: Qualitative information on operational risk

(a)	Disclosure of the risk management objectives and policies	<p>The Group’s operational risk management and resilience framework, including its governance arrangements are fully integrated into the Group’s Operational Resilience Framework which was initially presented to and approved by the Management Body in 2024 and subsequently reviewed and approved in Q4 2025 as part of the Digital Operational Resilience Act (DORA) programme update.</p> <p>The purpose of the Operational Resilience Framework is two-fold. Firstly, to outline a structure for ensuring operational resilience by comprehensively identifying, managing, monitoring, mitigating, and reporting on the Bank’s exposure to operational risk particularly through Operational Risk Management, Insurance Arrangements and Reputational Risk Management. Secondly, to address digital operational resilience (as defined under the DORA) through Business Continuity Management, ICT and Cyber Risk Management, ICT Incident Response Management and Third-Party Provider Risk Management.</p> <p>The Operational Resilience Framework clearly outlines the various roles and responsibilities which aim to ensure sound operational risk governance practices. The Framework is updated and reviewed as necessary to reflect any changes.</p>
(b)	Disclosure of the structure and organisation of the operational risk management function	<p>As highlighted in Section 3, the Group has a dedicated function – the Operational Resilience Department (ORD) - which forms part of the Risk Department with a direct reporting line to the Chief Risk Officer. ORD is the owner of the Operational Resilience Framework and is responsible for the overall monitoring, measuring, and reporting on the Bank’s exposure to all risks identified within it.</p> <p>The ORD aims to promote a culture of cooperation, communication and continuous improvement where lessons are learnt from operational loss and near miss incidents. The Department is responsible for the framework of real-time reporting of operational loss events and providing immediate response as required, as well as maintaining a database of operational losses and compiling and presenting a monthly ‘Operational Risk Dashboard’ to the Executive Committee and the Risk Committee.</p>
(c)	Description of the scope and nature of the measurement system	<p>A robust operational risk assessment enables the Bank to better understand its operational risk profile and therefore allocate key risk management resources and strategies efficiently. ORD uses a number of tools to identify,</p>

		<p>assess and measure Operational Risk as outlined in the Operational Risk Management Policy.</p> <p>The aim of the Operational Losses and Near Misses Database is to build a historical profile of the Bank's Operational Losses, identify the areas subject to Operational Risk, identify weaknesses in controls that can result in Operational Losses and assist management to define any corrective action to be taken to mitigate these risks.</p> <p>All the Bank's Departments and Units are expected to report any potential exposure to operational risk, operational losses incurred, near miss events or potential losses on a real-time basis</p>
(d)	<p>Description of the scope and nature of the operational risk reporting framework</p>	<p>Operational risk assessments are carried out to facilitate the identification and evaluation of operational risk and to assess control deficiencies and risks in the Bank's units' processes and procedures. The objective is to assess inherent operational risks and reduce residual operational risks after the implementation of the suggested mitigating actions and controls. This will in turn decrease the severity and likelihood of operational risks and consequently financial losses which makes the Group more resilient. These assessments act as an independent means of capturing operational risks not originally identified by the first line. The ORD then requests the respective units to log these operational risks in the Bank's risk register for the required follow-up and mitigation by the owners of such risk register.</p> <p>The ORD is responsible for developing, implementing and managing the Bank's Business Continuity Framework as a holistic management process. The Business Continuity Plan (BCP) documents of the Group outline a standard procedure that must be followed in the eventuality that a disruption affects operations, such that resumption of services is carried out in an efficient and prioritised manner.</p> <p>Low likelihood but high impact events and risks may be mitigated through the Group's comprehensive insurance coverage. The ORD is tasked with the management of the Group's insurance programme covering its insurable risks whilst acting as the point of reference for insurance related matters. Apart from providing a mechanism for effective risk transfer, the purchase of insurance for operational risks acts as an external check (carried out by the broker and insurers) on the quality of operational risk management of the Group and is a demonstration that the Group has an effective risk management framework and risk transfer strategy. The ORD assesses the</p>

		<p>adequacy of the Bank’s insurance cover, facilitates claims handling and policy renewals whilst ensuring cover optimisation.</p> <p>ORD also carried out Third-Party Provider risk management, where it oversees risks emanating from arrangements with third parties and maintains ongoing communication with the Business Process Owners, who in turn are responsible for the identification and management of each specific risk within third party arrangements. The Bank has a comprehensive TPP Policy and Procedure, setting up internal governance and risk management controls regarding contractual arrangements entered between the Bank and Third-Party Providers. The enhancement of the TPP Policy and Procedure is ongoing and will continue ensuring that the Bank remains fully compliant with the current and upcoming legal and regulatory requirements for Digital Operational Resilience, Outsourcing and TPP risk management.</p> <p>Through a framework developed by ORD, second line monitoring of Reputational Risk is being carried out on a quarterly basis. The framework sets out a risk dashboard, which presents metrics that capture the eight reputational risk dimensions defined by the Reputational Risk Policy. Each risk metric and each risk dimension are analysed against thresholds and then individually weighted depending on their relevance from a reputational risk perspective (taking into account both internal and/or external factors). This quantitative measurement feeds into the allocation of capital for reputational risk management and is aimed at providing insight, promoting effective comparisons and identifying potential issues or gaps that can lead to reputational damage and that require management action.</p>
(e)	Description of the policies and strategies of the risk mitigation and risk hedge	<p>IT and Cyber risk management are a core component of the Bank’s Operational Resilience Framework. The Bank maintains a zero-tolerance stance towards events that could compromise the confidentiality, integrity, or availability of its information systems, and continues to enhance its IT and cyber security framework in response to the evolving threat landscape and emerging regulatory requirements, including DORA.</p> <p>IT and Cyber risks are defined as risks to the confidentiality, integrity, and availability of information systems and data arising from unauthorised or malicious actions. While the first line manages these risks operationally, ORD provides independent second-line oversight, monitoring, measurement, and reporting. Control activities include regular vulnerability assessments, patch management oversight, and enhanced penetration testing, including Digital Operational Resilience Testing aligned with DORA and the TIBER-EU framework.</p> <p>Furthermore, ORD has established an ICT Incident Management Policy, supported by operational procedures and an automated workflow, to ensure the effective identification, escalation, and regulatory reporting of ICT incidents in compliance with DORA requirements.</p> <p>The Bank allocates Pillar 1 capital for Operational Risk in line with the Standardised Measurement Approach, which determines capital requirements primarily based on the Bank’s Business Indicator (derived from financial statement data), adjusted, where applicable, by an Internal Loss Multiplier that reflects the Bank’s historical loss experience (Section 6.2). In addition to this, the Bank also sets aside capital for IT/Cyber risks as part of its Pillar 2 capital allocation (Section 6.3).</p>

The below templates disclose quantitative information on the calculation of Pillar 1 capital requirements for operational risk in line with the CRR, as explained above.

EU OR2: Business Indicator, components and subcomponents

BI and its subcomponents		a	b	c	d
		T	T-1	T-2	Average value ¹¹
		€000	€000	€000	€000
1	Interest, lease and dividend component (ILDC)				72,450
EU 1	ILDC related to the individual institution/consolidated Group (excluding entities considered by Article 314(3))				-
1a	Interest and lease income	-	-	-	-
1b	Interest and lease expense	-	-	-	-
1c	Total assets/Asset component	-	-	-	-
1d	Dividend income/ dividend component	-	-	-	-
2	Services component (SC)				11,093
2a	Fee and commission income	-	-	-	-
2b	Fee and commission expense	-	-	-	-
2c	Other operating income	-	-	-	-
2d	Other operating expense	-	-	-	-
3	Financial component (FC)				5,857
3a	Net profit or loss applicable to trading book (TB)	-	-	-	-
3b	Net profit or loss applicable to banking book (BB)	-	-	-	-
EU 3c	Approach followed to determine the TB/BB boundary (PBA or accounting approach)				Accounting approach
4	Business Indicator (BI)				89,400
5	Business indicator component (BIC)				10,728

EU OR3: Operational risk own funds requirements and risk exposure amounts

		a
		€000
1	Business Indicator Component (BIC)	10,728
EU 1	Alternative Standardised Approach (ASA) Own Funds Requirements (OROF) under Article 314(4)	-
2	<i>Not applicable</i>	
3	Minimum Required Operational Risk Own Funds Requirements (OROF)	10,728
4	Operational Risk Exposure Amounts (REA)	134,100

¹¹ Template EU OR2 is based on COREP template C_16.02, which will be introduced under taxonomy package 4.2 in 2026. As at 31 December 2025, the Bank was required to report average values only.

11. Environmental, Social and Governance Risk

The Group recognises that it has a responsibility towards the environment and society beyond legal and regulatory requirements. It is committed to improving performance in these areas as an integral part of its business strategy, with regular review points. The Group is aware of its exposure to the Environmental, Social and Governance risks and is following closely regulatory guidelines, developments and supervisory expectations. As such, measures to mitigate its exposure to these risks form an integral part of the Group's risk management framework. The Group's internal governance arrangements ensure the involvement of the Board and senior management in establishing a risk culture, setting the risk appetite and managing ESG risks, whilst having a clear allocation of responsibilities and reporting lines to ensure the incorporation of ESG risks into the business strategy, business processes and risk management.

This section of the Report outlines the business strategy, governance and risk management around ESG factors and includes information on climate-material sectors which show how climate risk drivers may impact the balance sheet and how these risks are being mitigated. Transitioning to a low-carbon and circular economy entails both risks and opportunities for the economy at large and for financial institutions operating in it, while physical damage caused by climate change and environmental degradation can also have a significant impact on the real economy and the financial system. Throughout the years, the focus on sustainability has been growing, resulting in the need for businesses to act and be part of the solution to pressing environmental and social issues.

The Group recognises the pace of such trends and the need for a Sustainable and Responsible banking strategy in line with its Vision and Mission, which is that of being the community bank in Malta. This brings with it a responsibility towards the environment and society beyond legal and regulatory requirements. The Group is committed to continue to support business and economic growth, but mindful of the fact that existential issues such as climate change need to be prioritised if we are to make meaningful inroads into the sustainability of the environment we live in, for our lives and that of our descendants. The Group is aware of its exposure to Environmental, Social and Governance risks and is following closely regulatory guidelines, developments, and supervisory expectations. As such, measures to mitigate its exposure to these risks form an integral part of the Group's risk management framework. The Group's internal governance arrangements ensure the involvement of the Board and senior management in establishing a risk culture, setting the risk appetite and managing ESG risks, whilst having clear allocation of responsibilities and reporting lines to ensure the incorporation of ESG risks into the business strategy, business processes and risk management. The Board is aware that risks stemming from environmental and social factors evolve over time given changes in technology, policy framework, business environment, stakeholder preferences and changes in the physical environment itself.

11.1. Environmental Risk

11.1.1 Business strategy and processes

(a)	<p>Institution's business strategy to integrate environmental factors and risks, taking into account the impact of environmental factors and risks on institution's business environment, business model, strategy and financial planning</p>	<p>The Group's objective is to become Malta's most recognised and trusted partner for its customers and community on ESG matters and the provision of sustainable finance. It plans to achieve this through a series of commitments, actions as well as the setting of medium- to long-term objectives. The adoption of a multi-pronged and embedded strategy to ESG ensures that all business lines contribute to the overall long-term strategy.</p>
(b)	<p>Objectives, targets and limits to assess and address environmental risk in short-, medium-, and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes</p>	<p>The Group has defined a set of forward-looking environmental risk-related objectives and targets that support the assessment, management and monitoring of environmental risks, including climate-related transition and physical risks, across short-, medium- and long-term horizons. These objectives are aligned with the material environmental risk drivers identified in the Bank's Double Materiality Assessment—namely E1 (climate change), E3 (water and marine resources), E4 (biodiversity and ecosystems) and E5 (circular-economy and waste). These objectives are also aligned with recognized international frameworks such as TCFD and GRI Standards. In line with Article 4(1)(52e–52g) CRR III, environmental factors, such as climate-policy constraints, extreme-weather events, energy-system vulnerabilities, resource efficiency and pollution impacts, can translate into traditional financial risk categories including credit, operational, market and reputational risk. The Bank's publicly communicated Sustainability & ESG commitments form part of its environmental-risk management objectives and contribute to the mitigation of transition, physical, operational and reputational risk drivers:</p> <p>Facilitating €250 million in sustainable finance by 2030: The Bank aim to support portfolio steering toward activities with lower transition-risk and environmental-impact profiles, reducing the Bank's exposure to sectors vulnerable to carbon-pricing developments, regulatory tightening, resource-efficiency requirements or environmentally harmful practices with this target. The Bank also aim to enhance opportunities for our clients to invest in climate-resilient assets, mitigating long-term credit-risk deterioration linked to environmental factors.</p>
(c)	<p>Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities</p>	<p>Reducing operational GHG emissions by 30% by 2030: The Bank aim to strengthen the Bank's resilience to environmental risk drivers in line with the CRR III definition of ESG risks, whereby environmental factors can translate into operational, cost-related or reputational financial impacts with this target. Given Malta's high dependence on imported energy and grid-capacity constraints, reducing operational emissions lowers sensitivity to energy-price volatility, supports business continuity during heat-stress events, mitigates exposure to potential carbon-cost pass-throughs, and enhances the Bank's operational-risk profile under traditional financial-risk categories.</p> <p>Establishing a financed-emissions baseline and completing a feasibility study toward alignment with carbon neutrality by 2050: The Bank aim to establish a financed-emissions baseline that enables the identification of portfolios and sectors most sensitive to long-term transition risks—such as the tightening of EU environmental legislation,</p>

		<p>technological obsolescence, and shifts in market or consumer preferences. We also aim to support the assessment of physical-risk exposure by mapping our client sectors vulnerable to climate-related hazards (heat, water stress, extreme weather). The long-term feasibility assessment allows for strategic alignment with environmental objectives, scenario analysis and sector-by-sector credit-risk monitoring.</p> <p>The Group seeks to proactively engage with its customer base on their sustainability objectives and offering sustainable finance solutions when appropriate. It will achieve this through growing its existing product suite across its environmental and social propositions. The Group recently reviewed its investment propositions and its alignment with up-to-date market ESG parameters and now offer a suite of SFDR Article 8 Aligned funds covering Cautious, Balanced and Adventurous investment strategies.</p> <p>In relation to transparency and disclosures, the Group is establishing a baseline in its impact emanating from Scope 1-3 emissions. This exercise follows the Partnership for Carbon Accounting Financials (PCAF) Framework, ensuring a rigorous and internationally recognised approach to carbon accounting. The results of this analysis are expected in the first quarter of 2026. Actions Taken in Scope 3 Category 15 Reporting (PCAF-Aligned)</p> <ul style="list-style-type: none"> • Scoping and Classification: Defined investment book established classification criteria for in-scope asset. • Data Validation: Conducted accuracy and completeness checks on investment listings. • Data Requirements Assessment: Identified necessary data points for emissions calculations and evaluated the need for proxies where data gaps exist. • Model Deployment: Implemented a model to compute Scope 3 financed greenhouse gas (GHG) emissions. • Once the emissions have been determined, the Bank can then proceed to undertake a feasibility study on achieving carbon neutrality by 2050.
(d)	<p>Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks</p>	<p>The Responsible Lending Policy sets out, in a clear and transparent manner, the assessment criteria to be used when evaluating lending proposals from an ESG perspective. In line with the mentioned Policy, the evaluation of proposals using ESG assessment criteria has the ultimate objective of grading a borrower and its financing proposal against pre-determined environmental, social and governance sustainability criteria and metrics. Each of these criteria is assessed during the loan proposal stage, before a report of this grading is passed on to the Credit Risk Management function, for an independent review in line with the Bank's policies, risk appetite, and other credit-related procedures. Environment criteria include climate change considerations, such as pollution and impact on biodiversity. For social sustainability, factors such as health and safety and diversity policies are considered, whereas governance criteria consider board and management composition and governance policies.</p>

11.1.2. Governance

(e)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the context of environmental risk management covering relevant transmission channels	<p>The Board plays a salient role in setting the strategy of the Bank by providing leadership, integrity and judgement, upholding the highest standards of corporate governance. The Board ensures effective execution of its functions through clear articulation of the Bank's purpose and strategy, exercising stewardship and oversight of the Bank. In doing so, the Board works closely with the senior management team, led by the Chief Executive Officer, and together establish a balance between oversight and strategy execution.</p> <p>The Board of Directors have primary responsibility for risk oversight within the Bank. The Board sets the tone at the top in terms of the desirable level of ESG risk by setting the Bank's Risk Appetite. The Board ensures that there is appropriate monitoring of such risks and developments.</p>
(f)	Management body's integration of short-, medium- and long-term effects of environmental factors and risks, organisational structure both within business lines and internal control functions	<p>The Board plays a salient role in setting the strategy of the Bank by providing leadership, integrity and judgement, upholding the highest standards of corporate governance. The Board ensures effective execution of its functions through clear articulation of the Bank's purpose and strategy, exercising stewardship and oversight of the Bank. In doing so, the Board works closely with the senior management team, led by the Chief Executive Officer, and together establish a balance between oversight and strategy execution.</p> <p>The Board delegates specific responsibilities to Board-appointed Committees. In order to discharge its duties, the latter may delegate certain of their authorities to Management Committees, as empowered by the Board.</p>
(g)	Integration of measures to manage environmental factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body covering relevant transmission channels	<p>ESG COMMITTEE</p> <p>The Environmental, Social and Governance ("ESG") Board committee brings together Non-Executive Directors and members from the Bank's Senior Management to map the sustainable component for the Group's initiatives in the ESG space. The purpose of the Committee is to oversee the Environmental, Social and Governance policies, activities and practices of the Bank and its subsidiaries, providing both advice and guidance to the Board of Directors.</p> <p>The ESG Committee considers the material environmental, social and governance issues and policies relevant to the Group's business activities and promotes initiatives to raise ESG performance. It ensures that the Group is keeping the UN Sustainable Development goals as an overarching guide, monitors their applicability and considers emerging ESG issues.</p> <p>AUDIT COMMITTEE</p> <p>The Audit Committee collaborates and exchanges information with other Committees, including the Risk Committee and the ESG Committee, to ensure compliance with reporting obligations under Part Eight of the CRR (Pillar 3) and the Corporate Sustainability Reporting Directive (CSRD).</p> <p>REMUNERATIONS, NOMINATIONS AND GOVERNANCE COMMITTEE</p> <p>The Remunerations, Nominations and Governance (RNG) Committee keeps the Board composition under review and carries out the process for Board appointments and assists the Board on senior management appointments and succession planning. The Committee recommends the</p>

	<p>compensation framework of Board and senior executives and ensure that the Bank is in line with corporate governance practices.</p> <p>RISK COMMITTEE</p> <p>The Risk Committee is responsible for establishing and ensuring implementation of the Group's risk management and compliance strategy, policies, and systems. The Committee ensures that the Group's exposure to ESG Risk is within the Risk Appetite set by the Board. This requires the Risk Committee to collaborate and exchange information with the ESG Committee.</p> <p>BOARD CREDIT COMMITTEE</p> <p>The Board Credit Committee reviews credit applications and approves credit limits for customers and transactions, within the parameters set by the Board in terms of the credit policy and procedures, which take into consideration ESG-related factors.</p> <p>MANAGEMENT CREDIT COMMITTEE</p> <p>The Management Credit Committee receives and reviews credit applications and approves credit limits for customers and transactions, within the parameters set by the Board in terms of the credit-related policies and procedures, including the Responsible Lending Policy which covers key ESG risks.</p> <p>INTERNAL AUDIT DEPARTMENT</p> <p>The Internal Audit Department reviews the internal governance arrangements, policies, processes and mechanisms around ESG risks ascertaining that they are sound and effective, in line with regulatory requirements, are implemented and are being consistently applied throughout the Bank.</p> <p>RISK DEPARTMENT</p> <p>The Risk Department is responsible for co-ordinating the overall management and monitoring of ESG Risks, ensuring that such risks are adequately managed within the Bank's risk appetite. The Enterprise Risk Management Unit (ERMU), within this Department, is responsible for ensuring that ESG Risks are adequately assessed as part of the Bank's strategy setting and business planning processes and internal capital and liquidity adequacy assessment processes. ERMU, under the direction of the CRO, maintain oversight of emerging risks which might impact the execution of the Bank's strategy and business plan. The ERMU monitors environmental risk metrics as part of the Risk Appetite Dashboard periodically and this is shared with the Board, Risk Committee and Executive Committee.</p> <p>The Credit Risk Management function, within the Risk Department, is responsible for assessing the ESG-related factors in line with the Bank's policies, including, but not limited to, the Responsible Lending Policy and ensuring compliance with the Bank's Risk Appetite Statement. Specifically, credit request assessments that exceed a certain monetary threshold, or incremental credit requests to a Group of connected accounts whereby the overall credit connection will exceed the threshold, are assessed through a Responsible Lending Policy Matrix that establishes a</p>
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number of structured and pre-defined criteria that seeks to assess a number of corporate and project attributes in relation to environment, social and governance aspects. ESG metrics also form part of the reputational risk dashboard which is monitored by the Operational Resilience function.

COMPLIANCE DEPARTMENT

The Group monitors regulatory developments in the area of Sustainable Finance and undertakes the necessary actions to implement the new requirements. The Group implemented the requirements of the Regulation (EU) 2019/2088 sustainability-related disclosures in the financial services sector (SFDR) by amending the website, prospectuses, and periodical reporting. The Group published a Sustainability Risk Policy for investment activities, which requires the inclusion of sustainability risk in the overall risk management framework.

Disclosures are included in the Annual Report as per Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (NFRD) where information is published on environmental matters, social matters, respect for human rights, anti-corruption and bribery, and diversity on company boards.

The Group continuously seeks to enhance the integration of ESG consideration into its risk management framework in line with the latest Banking Package which imposes additional requirements in this regard, apart from existing supervisory work on the area as outlined in the ECB Guideline on climate-related and environmental risks. The Group is aware of the Final report on Guidelines on the management of ESG risks published by the EBA which come into effect in January 2026.

The Group implemented, through its investment arm, amendments made to Delegated Acts of Directive 2014/65/EU on markets in financial instruments (MiFID II) to include ESG considerations in product governance and suitability assessments.

In implementing these regulatory measures, the Regulatory Compliance Unit holds discussions with the relevant stakeholders, including the Sustainability Department and Risk Department, to determine the relevant actions that need to be taken to implement regulatory initiatives and monitors the implementation progress. The required actions are presented to the Board, ESG Committee and Risk Committee for consideration, comments, and approval as necessary.

The Risk and Compliance Departments are headed by the Chief Risk Officer who reports directly to the Risk Committee and is a non-voting Member on the Risk Committee.

EXECUTIVE MANAGEMENT

Executive Management is responsible for identifying, managing, and monitoring areas within their respective business area that may be susceptible to ESG risks. ESG risks, including emerging risks, are taken into consideration by Executive Management when developing the Bank's strategy and business plan. ESG risks are assessed as part of the day-to-day business operations and any emerging or material ESG-related risks are escalated to the Chief Risk Officer.

		<p>The ESG strategy is owned by the Chief Strategy Officer and implemented by a dedicated Sustainability Department. Oversight of the strategy is provided to both the ESG Committee and the Executive Committee. The Chief Strategy Officer heads the Sustainability Department, Strategy and Propositions Department and Culture Department. The Sustainability Department is responsible to formulate and execute the Bank's ESG strategy across all of its functions and integrate ESG-related factors, where required, within the Bank's suite of products and services. The role encompasses formulating an ESG and sustainability-led growth business strategy, mapping the delivery of regulatory ESG reporting as well as leading on ESG engagements with both internal and external stakeholders of the Bank. The Sustainability function owns the management of the ESG action tracker. The ESG Tracker monitors the various ESG strategic initiatives implemented across the bank.</p> <p>The Strategy and Propositions Department is responsible for the integration of ESG, and sustainability related factors where required within the Bank's suite of products and services, and in also enhancing the Bank's green and social product offerings. The Bank's Culture Department manages various Corporate Social Responsibility (CSR) programmes that seek to enhance awareness of Environmental, Social and Governance (ESG) factors among its employees and as part of its business decisions. These programmes are run through the Culture Unit, with dedicated CSR resources acting as central programme coordinators.</p>
(h)	<p>Lines of reporting and frequency of reporting relating to environmental risk</p>	<p>Responsibility for risk management lies at all levels within the Group through the adoption of the three lines model. Business units, as the first line, are responsible for identifying, assessing and managing the ESG risks to which the Group is exposed in the respective operating units. The management of ESG risk is then overseen and monitored by the second line, namely the Risk and Compliance Departments. The Internal Audit Department, as the third line, provides independent and objective assurance on the adequacy and effectiveness of ESG governance and risk management to the Board. Further information on the reporting lines and frequency is included in Section 3 (Risk Governance), table 'EU OVA'.</p>
(i)	<p>Alignment of the remuneration policy with institution's environmental risk-related objectives</p>	<p>The Remuneration Policy of the Group includes all categories of staff including the management body, in its supervisory and management functions, senior management, risk takers and staff engaged in control functions. The Policy is in line with the Group's business strategy and risk tolerance, objectives, values and long-term interests of its stakeholders, including shareholders. It is also in line with other values such as compliance, culture, ethics, conduct towards customers, sustainability, measures to mitigate conflicts of interest, as well as consistent with environmental, social and governance risk-related objectives.</p> <p>The approval of the Remuneration Policy is the responsibility of the Board of Directors following the recommendation on changes and updates by the RNG Committee. The Remuneration Policy is reviewed annually, and subject to a review by the Internal Audit Department. The Policy is aligned with environmental, social and governance risk-related objectives, following the updated EBA Guidelines on sound remuneration policies and practices and Banking Rule BR/21 on Remuneration Policies and Practices.</p> <p>Staff members may have a variable component to their remuneration in addition to their fixed remuneration. The variable portion is clearly connected to the work and performance of the staff member, the</p>

		<p>performance of their business unit and the overall performance of the Bank and its subsidiaries. The goals are based on factors that support the Group's long-term strategy and business objectives. Staff in Control Functions are adequately compensated in accordance with their own objectives and not directly tied to the results of any business unit. They are judged on their success in developing appropriate policies, developing effective risk management controls and procedures, monitoring risk and building control systems.</p> <p>Further information on the Group's Remuneration Policy is included in the Remuneration Report within the Annual Report published on its website.</p>
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11.1.3. Risk Management

(j)	<p>Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework</p>	<p>The Risk Appetite Statement of the Bank captures and describes the most significant risks to which it is exposed and sets guidance on the types and maximum amount of risk that the Board considers acceptable. It forms an integral part of the Bank's overall Risk Management Framework and contributes to aligning strategy and business objectives with the mission, vision and core values of the Bank. The Bank articulates its risk appetite for ESG risks within its Risk Appetite Statement and this is supported by a Risk Appetite Dashboard which includes ESG-related metrics. The Risk Appetite Statement and Dashboard are supported by an internal escalation and decision-making procedure.</p> <p>INTEGRATION OF ESG INTO THE BANK'S RISK FRAMEWORK</p> <p>Climate and environmental risk drivers can result – in terms of monetary and other impacts - into traditional financial risk categories, rather than representing a new type of risk, thereby climate-related financial risk is integrated into the Bank's risk management framework through the management of the various risk types, including Credit risk, Market risk, Liquidity risk, Operational risk and Reputational risk. Climate risk drivers can affect the Bank's credit risk through its counterparties, its market risk through the value of financial assets, and its liquidity risk through its deposits, funding costs and withdrawal of credit or liquidity lines.</p>
(k)	<p>Definitions, methodologies and international standards on which the environmental risk management framework is based</p>	<p>ESG RISK IDENTIFICATION AND ASSESSMENT</p> <p>A physical event can destroy the physical capital (property, inventory, equipment and infrastructure) of the Bank's counterparties. The destruction of value will diminish the value of the assets of the counterparty and its ability to repay any outstanding amounts to the</p>

(l)	Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels	<p>Bank. The damage to real estate caused by catastrophic or chronic physical events will diminish the Bank's collateral value.</p> <p>The Group is committed to incorporate environmental and social risk considerations into all financing activities. It is also committed to identify its customers, exposures, relationships, business, and other activities that may expose it to such risk. While it establishes environmental and social requirements for customers to comply with national laws, regulations, and best practice standards, it also communicates environmental and social expectations to staff, customers, and other external stakeholders. The Group is dedicated to improving the overall environmental and social performance of its portfolio through enhanced risk management and to continually building the ability of staff to identify environmental and social risks. The Group proactively manages a portfolio of lending which are designated as Social Loans and in 2024 expanded its social product suite with 'Loan Up'.</p>
(m)	Activities, commitments and exposures contributing to mitigate environmental risks	<p>As part of the Bank's journey in mitigating and reducing environmental, social and governance risks, a Responsible Lending Policy was approved in 2022. This is applicable to all requests for new or additional borrowing deriving from corporate customers, or group of connected customers, subject to selected qualitative and quantitative thresholds.</p> <p>The Responsible Lending Policy sets out, in a clear and transparent manner, the assessment criteria to be used when evaluating lending proposals from an ESG perspective. In line with the mentioned Policy, the evaluation of proposals using ESG assessment criteria has the ultimate objective of grading a borrower and its financing proposal against pre-determined environmental, social and governance sustainability criteria and metrics. Each of these criteria is assessed during the loan proposal stage, before a report of this grading is passed on to the Credit Risk Management function, for an independent review in line with the Bank's policies, risk appetite, and other credit-related procedures. Environment criteria include climate change considerations, such as pollution and impact on biodiversity. For social sustainability, factors such as health and safety and diversity policies are considered, whereas governance criteria consider board and management composition and governance policies.</p>
(n)	Implementation of tools for identification, measurement and management of environmental risks	<p>The Syndications and Trade Finance book consists of syndicated loans and risk participation transactions involving acquisitions, project finance, financial institutions, sovereign risks, commodities, shipment financing and other trade finance products. When a potential opportunity is identified, the Syndications and Trade Finance Unit analyses whether the opportunity meets the Bank's risk appetite and, if in the affirmative, the Unit carries out research and analysis on ESG-related aspects by referring to reports published by external credit rating agencies.</p> <p>New information about future economic conditions can alter the current value of real or financial assets resulting in price shocks and market</p>

(o)	Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile	<p>volatility in traded assets. The effectiveness of hedges can be reduced and undermine the Bank's ability to manage its market risk. The potential for unexpected price movements may be reduced where factors related to climate risk are taken into consideration. Markets that price in climate risk may be less sensitive to abrupt climate-related price shifts in the future following severe weather events or a rapid transition to a less carbon-intensive economy, however, this is hampered by the lack of consistent methodologies, standardised metrics and comparable disclosures.</p> <p>Natural disasters hampering the functioning of banking markets could impact the Bank's ability to fund increases in its assets and meet obligations as they come due without incurring unacceptable losses. Furthermore, corporates and households may demand high liquidity after a severe natural disaster, leading to higher outflows of liquidity.</p>
(p)	Data availability, quality and accuracy, and efforts to improve these aspects	<p>The Treasury bond book is mainly composed of high-quality government and supranational bonds and to a lesser extent investment grade corporate bonds. Before bonds are purchased, the Treasury Unit reviews research reports published by external credit rating agencies to get a better understanding not only on the financial aspect of the government or company but also with respect to their ESG criteria. In line with the Bank's risk appetite and Treasury & Market Risk Policy, the Treasury Unit takes a conservative stance with respect to the Treasury bond book, hence market and liquidity risk are mitigated as the exposure to issuers with a low ESG score is heavily curtailed.</p>
(q)	Description of limits to environmental risks (as drivers of prudential risks) that are set, and triggering escalation and exclusion in the case of breaching these limits	<p>The investment guidelines in the Treasury & Market Risk Policy are structured in such a way to permit a more generous investment towards those bonds which have a high credit rating while limiting the investment exposure towards those bonds which have a lower credit rating. The Policy prohibits any investments made below a specified credit rating. Once a bond is shortlisted for purchase by the Treasury Unit, the bond details are presented to the Management Credit Committee for approval.</p> <p>The Group adopted a Sustainability Risk Policy for investment services which builds on the Bank's values and Business Plan and spells out the integration of sustainability risks in investment decision making. The Group integrates sustainability risks in investment decision making by taking stock of ESG factors (e.g. climate change, health protection, sustainability management by the board) and identifies sustainability risks emanating from ESG. Furthermore, the Group has policies in place to screen investments in sectors and industries which are involved in the production of controversial items.</p>
(r)	Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework	<p>The Bank as Advisor of financial products takes into account the information which manufacturers of these products are required to disclose. This includes, how they integrate ESG risks into their investment decision making processes and the likely impacts on the financial products' returns. The Bank's Investment Distribution Unit engages with manufacturers of financial products to comprehend how they undertake the integration of the above. Furthermore, information provided by these manufacturers, as defined - environmental, social and employee matters, respect for human rights, anti-corruption matters, and anti-bribery, are integrated in the financial advice provided.</p>

		<p>In terms of market risk, given that on a portfolio basis, exposure to companies with a low ESG score is minimal, if any at all, the market risk of the Treasury portfolio, include ESG considerations, is deemed minimal. In terms of liquidity risk, this is assessed as the possibility of incurring material withdrawals of Bank deposits due to the reputational damage sustained in view of a material exposure to bonds that are negatively impacted by events linked to ESG criteria. In view of the conservativeness of the portfolio this risk is considered minimal. The Treasury & Market Risk Policy was last approved in 1H 2024 and includes a dedicated section on ESG.</p> <p>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group's operations could be impacted by a natural disaster. Thus, the Group, may be exposed to legal and regulatory compliance risk as well as litigation and liability costs associated with climate-sensitive investments and businesses. The Group could be affected from indirect reputational risks when providing financing to businesses or activities that are held responsible for negative climate impacts (e.g. high pollution).</p> <p>The Bank has in place an Environmental & Social Management Systems (ESMS) Policy. The ESMS Policy aims to ensure compliance with relevant regulatory requirements, including best practice Exclusion Lists and Standards to actualise environmental and social directives, laws and regulations. The Policy aims to continually improve and monitor environmental performance and reduce environmental impacts. While it incorporates environmental factors into business decisions, it also increases employee awareness and training.</p> <p>The Group has developed an environmental and social risk categorization system which assigns a risk rating for customers who apply for its services. This rating is applied as part of the application process and is reviewed from time to time consistent with the Group's Policy.</p> <p>The Sustainability Risk Policy of the Group outlines its approach to sustainability within its risk management framework. It applies as standard to all investments and advice in financial products provided by the Group. This ensures that the sustainability risk profile of the Group is fully aligned with its risk appetite, whilst providing a clear rationale for investment decisions taken.</p> <p>The Group's operational risk management framework and governance are fully integrated into the Group's Operational Resilience Framework. The Policy sets forth a framework for the identification, management, monitoring and reporting on the Group's exposure to this risk. This Policy was reviewed in 2023, with ESG-related matters being one of the eight reputational risk dimensions applied to quantify reputation risk under the Operational Resilience Framework.</p> <p>As highlighted above, ESG is one of the reputational dimensions considered in the Reputational Risk Management Matrix as part of the Reputational Risk Policy. Integrated ESG strategy is an integral part of the Group's annual Business Planning process. The Group defines clear objectives and key actions that will get it to net zero over the long-term while continuously developing further its suite of ESG products</p>
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		<p>and services through appropriate customers and market research, and intelligence on regulatory and governmental framework.</p> <p>As part of its ICAAP, the Bank implemented a materiality assessment to enhance its identification and measurement of climate and other environmental risks. This assessment complements the other identification, measurement and reporting measures (explained in this section) and assesses the potential impact of physical risk on the Bank through its credit risk models, given that credit risk is its largest exposure, and operational risk. Going forward, this assessment will include liquidity risk and market risk. The assessment aims to analyse the potential impact on the Bank over different time horizons, namely the short-, medium- and long-term. The output of this assessment leads to the determination of the adequate capital to cover the nature and level of climate and other environmental risks. A similar assessment will be carried out on transition risk in the future.</p> <p>ESG RISK MONITORING AND REPORTING</p> <p>The Risk Department monitors and reports the Bank's sectorial exposure periodically and benchmarks this to ESG-related ratings issued by external credit rating agencies. Local exposures within the lending portfolio are categorised according to the CO₂ emitted by each sector of economic activity in producing one unit of Gross Value Added (GVA).</p> <p>The Sustainability Department compiles a report on an annual basis which includes several of the Group's ESG metrics, as defined within the Platform framework provided by the Ministry for the Environment, Energy and Enterprise. The Malta ESG Platform helps illustrate the ESG credentials of companies listed on the Malta Stock Exchange, and in turn allows investors to incorporate these credentials into their investment decision-making. This reporting is updated annually and provides a means for the Group to track its progress over time, and to help identify areas for enhanced focus and improvement.</p> <p>The Bank performs an internal adequacy assessment on the Bank's capital and liquidity positions, with the results being reported in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) documents. These processes include an assessment of the Bank's exposure to ESG risk and the management thereof, to ensure that the risk is managed within the Bank's risk appetite and that the Bank's capital adequately covers its exposure to such risk. As part of the ICAAP and ILAAP document, the Bank includes a tailored and in-depth review of the potential vulnerabilities resulting from transition risk through stress testing, as mandated by ECB Guidelines¹². Through this stress scenario the Bank understands and monitors its resilience in the context of stressed macro-economic and financial conditions. The assessment is performed in line with the climate-related adverse scenario published by the Central Bank of Malta¹³. This scenario is tailored to the characteristics of Malta as a small open economy being</p>
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¹²<https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf>

¹³ FSR-2021.pdf (centralbankmalta.org)

		<p>subject to transition risks because of the assumed international efforts to phase-out fossil fuel. It is developed on the basis of both quantitative and qualitative analysis and consideration is also given to the changing external and internal conditions and supervisory expectations. This climate-related adverse scenario is assumed to be triggered by the introduction of a carbon tax by all countries against the use of all non-renewable energy sources. The scenario then assesses the effect of an increase in oil prices on the domestic economy in the medium-term, which in turn result in a slowdown in GDP growth, higher inflation and increased unemployment. This added inflation adversely affects both households' ability to consume and companies' cost of production, leading to a consequent rise in non-performing loans. Transition risk is also assumed to manifest itself through an increase in risk weights for loans to companies operating in sectors associated with high CO₂ emissions. It is further assumed that banks face valuation losses on bonds and equities as a result of carbon intensive activities. The Bank assesses the impact of these climate-related shocks on its capital, liquidity, profitability, asset quality and interest rate risk metrics. The Bank is mainly impacted through its capital and profitability ratios; however, the capital ratios remain above the Total SREP Capital Requirement. Moreover, the results of the Bank compare well with those of other core domestic banks, as per the CBM's own estimates.</p> <p>DATA AVAILABILITY, QUALITY AND ACCURACY, AND EFFORTS TO IMPROVE THESE ASPECTS</p> <p>The Group continuously aims to strengthen its capabilities, refine methodologies, and enhance the integration of climate risk in its lending and investment processes while maintaining transparency in the reporting process. The banking sector is faced with the challenging task to obtain data on multiple ESG-related data points, including data related to Energy Performance Certificates, while considering their accuracy.</p> <p>The Group recognises the importance of making improvements in risk data aggregation capabilities and risk reporting practices. IT systems, data and reporting processes require significant investments of financial and human resources with benefits that may only be realised over the long-term. The Group believes that the long-term benefits of risk data aggregation capabilities and risk reporting practices will outweigh the investment costs which will necessarily be incurred.</p> <p>The Group's main data repositories are the Operational and Historical Data Warehouses. The Data Warehouse gathers various data from independent core systems and consolidates, transforms, and loads it into a central unified data structure. To ensure proper quality of data, the Group has developed an automated quality assurance program, which validates the data that is loaded into the Data Warehouse. This quality assurance program generates reports and email notifications highlighting data anomalies, which are distributed to the Group's end users for corrective action.</p> <p>The Group is continuously upgrading and refining its management information systems, with significant investments budgeted in the 2026-2028 Business Plan for enhanced transparency and disclosures, operational emission reduction pathways which are required to be developed as well as further training across the groups frontlines.</p> <p>ESG PRODUCTS, SERVICES AND INITIATIVES</p>
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		<p>As highlighted above, the Group seeks to continuously develop further its suite of ESG products and services through appropriate customers and market research, and intelligence on regulatory and governmental framework. This section provides an overview of the main ESG products and services offered by the Group, as well as other initiatives taken by the Group to enhance awareness of ESG factors among its employees and the community.</p> <p>GREEN DEPOSIT PRODUCT</p> <p>APS Green Deposits, launched at the start of 2023, allow both retail and commercial customers of the Bank to invest in a sustainable portfolio of green assets through fixed term deposits. The asset portfolio is ringfenced, in such a way that for every euro deposited within the Green Deposit portfolio, an equal amount will be held in an environmental lending portfolio seeking to support the financing of energy efficiency, renewable energy and other low-carbon and environmentally beneficial projects and solutions.</p> <p>APS GREEN HOME LOAN</p> <p>The Bank offers its retail customers discounted interest rates just by opting for a more sustainably designed home. The Bank is rewarding the customers for their commitment to sustainability. With the Green home loan, the client simply needs to invest in a home that is energy efficient, by obtaining a low-scoring EPC rating.</p> <p>APS GREEN FINANCE</p> <p>The APS Green Finance is a lending product that enables its customers, both personal and commercial, to finance their transition towards a more energy efficient and sustainable future. The product was designed under the terms of a wider European Guarantee instrument, in partnership with the European Investment Fund and it leverages EU funding that has been made available to allow Malta-based families and businesses to 'go green'.</p> <p>APS LOAN UP</p> <p>In 2024 APS Bank and The Foundation for Affordable Housing launched LoanUp, an innovative product offering enhanced borrowing rates and favourable terms, marking a significant step towards making homeownership more attainable. Preferential terms are extended to applicants with lower incomes, dependents, and those seeking shorter loan terms.</p> <p>ECO-LOAN</p> <p>The ECO-Loan enables domestic homeowners and businesses to finance their investment in solar water heaters, PV Panels, wind turbines and eco-vehicles. In doing so, it empowers personal and business customers to manage their utility bills in a sustainable manner whilst safeguarding the environment.</p> <p>MALTA SUSTAINABILITY FORUM</p>
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The templates¹⁴ below show the Bank's sectorial exposures analysed from a transition risk and physical risk perspective, respectively.

Template 1 distinguishes between those sectors which are considered to contribute highly to climate change and sectors which are not considered to contribute highly to climate change. Exposures to sectors considered to contribute highly to climate change are further classified into sub-sectors, where applicable, and represent 70.5% (Dec-24: 65.0%) of the Bank's total exposure within its lending and investments portfolios. The largest exposure stems through the 'Real estate activities' sector, followed by the 'Accommodation and food services' sector. These exposures were further assessed to identify those exposures towards companies excluded from the EU Paris-aligned Benchmarks¹⁵ 1.7% (Jun-25: 0.7%) in accordance with the below criteria and based on expert judgement:

- companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and
- companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO₂ e/kWh.

The Bank has not disclosed information related to GHG emissions in Template 1 (columns I, J and K). Further information on Template 1 is included in Section 11.1.1, point (b) above. Moreover, the Bank did not disclose Template 3 on alignment metrics. The Bank is currently working with a third-party consultancy firm and anticipates concluding the Scope 3 Category 15 emissions in 2026. Once the Bank receives the Scope 3 category 15 calculations, the Bank will assess transition pathways, taking into consideration the requirements of Template 3 on

¹⁴ Reference to templates were kept in line with the titles applied by the EBA in the respective Guidelines

¹⁵ In accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

alignment metrics. As at 31 December 2025, the Bank did not hold any exposures to the top 20 carbon-intensive firms as defined by the respective Implementing Technical Standards; hence, Template 4 has not been disclosed.

Template 5 identifies those exposures sensitive to impact from climate change physical events. Exposures were further assessed to identify impact from chronic and acute climate change events. Chronic climate change events include hazards relating to gradual changes in weather and climate and having a possible impact on economic output and productivity, while Acute climate change events includes hazards that may cause sudden damage to properties, disruption of supply chains, depreciation of assets as well as result in operational downtime and lost manufacturing for fixed assets. For the purposes of this analysis reference was made to sources referred in the EBA guidelines to classify each Local Administrative Unit¹⁶ into whether it is subject to chronic climate change events, acute climate change events or both. The Bank's largest exposure is through loans collateralised by residential immovable property, which carry a weighted average maturity of more than 26 years, followed by loans collateralised by commercial immovable property, with a weighted average maturity of 12 years. Hence, the location of the collateral was taken into consideration for the purposes of classifying exposures into chronic and/or acute physical risk. Exposures that do not have any maturity by nature, namely overdrafts, credit cards and equities, are included in the 'Greater than 20 Years' maturity bucket. The Bank intends to enhance the methodology to provide more accurate risk analysis, incorporating also debt securities.

¹⁶ The local administrative units were used instead of the Nomenclature of Territorial Units for Statistics (or NUTS), to better reflect the impact of climate change on the local geographical areas.

Template 1: Climate change transition risk – Quality of exposures by sector

Sector/subsector	a	b	d	e	f	g	h	l	m	n	o	p
	Gross carrying amount (MIn EUR)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (MIn EUR)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted residual maturity (years)
	Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures						
1 Exposures towards sectors that highly contribute to climate change*	617.17	11.51	24.81	33.00	(12.40)	(0.84)	(11.23)	178.41	136.55	215.00	87.21	
2 A - Agriculture, forestry and fishing	30.79	-	0.10	-	(0.02)	(0.01)	-	5.42	-	0.08	25.29	17
3 B - Mining and quarrying	3.30	0.80	-	-	(0.01)	-	-	2.50	-	-	0.80	8
9 C - Manufacturing	60.94	-	5.52	7.35	(1.01)	(0.28)	(0.48)	38.65	17.37	0.12	4.80	5
10 C.10, 11, 12 - Manufacture of food products, Beverages and Tobacco	15.50	-	-	0.00	(0.19)	-	-	4.61	10.14	-	0.75	6
13 C.13, 14, 15 - Manufacture of Textiles, apparel, leather and related products	0.02	-	-	-	(0.00)	-	-	0.00	0.02	-	0.00	7
16 C.16, 17, 18 - Manufacture of Wood, paper products, and printing	0.12	-	-	-	(0.00)	-	-	0.00	0.12	-	0.00	6
19 C.19, 20, 21 - Manufacture of Coke products, refined petroleum products, chemical products, pharmaceuticals, medicinal chemical and botanical products	0.00	-	-	-	-	-	-	-	-	-	0.00	-
22 C.22, 23, 24, 25 - Manufacture of Rubber and plastics products, other non-metallic mineral products, basic metals and fabricated metal products, except machinery and equipment	14.54	-	0.01	6.65	(0.16)	(0.00)	(0.15)	4.63	6.62	0.12	3.16	9

26	C.26, 27 - Manufacture of Computer, electronic, optical and electrical equipment	10.67	-	0.41	-	(0.02)	(0.00)	-	10.10	-	-	0.57	3
28	C.28 - Manufacture of machinery and equipment n.e.c.	11.15	-	-	0.37	(0.03)	(0.00)	-	10.69	0.46	-	0.00	3
29	C.29, 30 - Manufacture of Motor vehicles and transport equipment	3.20	-	-	-	(0.00)	-	-	3.20	-	-	0.00	2
31	C.31 - Manufacture of furniture	0.27	-	0.10	-	(0.00)	(0.00)	-	0.10	-	-	0.17	13
32	C.32 - Other manufacturing	5.33	-	5.00	0.33	(0.60)	(0.27)	(0.33)	5.31	-	-	0.01	2
33	C.33 - Repair and installation of machinery and equipment	0.14	-	-	-	-	-	-	-	-	-	0.14	20
34	D - Electricity, gas, steam and air conditioning supply	19.77	8.13	-	-	(0.02)	-	-	10.16	0.46	1.02	8.13	10
35	D35.1 - Electric power generation, transmission and distribution	13.79	8.13	-	-	(0.01)	-	-	4.18	0.46	1.02	8.13	14
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	5.98	-	-	-	(0.01)	-	-	5.98	-	-	0.00	2
39	E - Water supply; sewerage, waste management and remediation activities	1.50	-	0.12	-	(0.00)	(0.00)	-	0.17	-	-	1.33	18
40	F - Construction	278.79	1.28	6.84	10.72	(2.42)	(0.06)	(2.35)	66.45	72.76	126.72	12.86	10
41	F.41 - Construction of buildings	259.25	1.28	5.76	7.28	(0.09)	(0.00)	(0.09)	63.20	72.44	121.50	2.10	10
42	F.42 - Civil engineering	4.47	-	-	-	(0.00)	-	-	-	-	-	4.47	20
43	F.43 - Specialised construction activities	15.07	-	1.08	3.44	(2.32)	(0.06)	(2.27)	3.25	0.32	5.21	6.28	14
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	55.37	0.32	7.40	0.64	(0.38)	(0.06)	(0.28)	15.59	8.61	3.16	28.02	12
45	H - Transportation and storage	25.97	-	0.05	-	(0.00)	(0.00)	-	11.61	6.92	7.43	0.01	7
47	H.49, 50, 51 - Transport via land, pipelines, water and air	16.03	-	0.05	-	(0.00)	-	-	5.85	3.95	6.24	-	3
49	H.52 - Warehousing and support activities for transportation	9.94	-	-	-	(0.00)	-	-	5.76	2.97	1.19	0.01	6
51	I - Accommodation and food service activities	57.70	-	0.26	-	(0.00)	(0.00)	-	5.05	19.38	32.83	0.44	10
52	L - Real estate activities	140.74	0.98	4.78	14.30	(8.55)	(0.43)	(8.12)	27.86	30.44	76.46	5.98	11

53	Exposures towards sectors other than those that highly contribute to climate change*	348.62	0.02	10.89	1.82	(1.70)	(0.10)	(1.11)	76.80	132.44	104.58	34.80	8
54	K - Financial and insurance activities	53.83	-	1.94	-	(0.19)	-	-	3.68	14.43	35.13	0.59	14
55	Exposures to other sectors (NACE codes J, M - U)	237.09	0.02	8.69	1.82	(1.51)	(0.10)	(1.11)	68.07	98.63	36.62	33.77	8
56	TOTAL	965.79	11.54	35.70	34.82	(14.10)	(0.94)	(12.33)	255.21	268.99	319.58	122.02	

Template 5: Climate change physical events – Exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount (Mln EUR)														
	of which exposures sensitive to impact from climate change physical events														
Variable: Geographical area subject to climate change physical risk - acute and chronic events	Breakdown by maturity bucket						of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted Residual maturity (years)	of which Stage 2 exposures						Of which non-performing exposures	of which Stage 2 exposures	Of which non-performing exposures	
1 A - Agriculture, forestry and fishing	30.79	5.42	0.00	0.08	25.29	17	-	21.50	7.24	0.10	-	(0.02)	(0.01)	-	
2 B - Mining and quarrying	3.30	2.50	0.00	0.00	0.80	8	-	0.80	0.00	-	-	(0.01)	-	-	
3 C - Manufacturing	60.94	38.65	17.37	0.12	4.80	5	-	16.67	0.52	5.52	7.35	(1.01)	(0.28)	(0.48)	
4 D - Electricity, gas, steam and air conditioning supply	19.77	10.16	0.46	1.02	8.13	10	-	0.98	0.12	-	-	(0.02)	-	-	
5 E - Water supply; sewerage, waste management and remediation activities	1.50	0.17	0.00	0.00	1.33	18	-	1.40	0.10	0.12	-	(0.00)	-	-	
6 F - Construction	278.79	66.45	72.76	126.72	12.86	10	-	220.59	51.99	6.84	10.72	(2.42)	(0.06)	(2.35)	
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	55.37	15.59	8.61	3.16	28.02	12	-	33.70	5.49	7.40	0.64	(0.38)	(0.06)	(0.28)	
8 H - Transportation and storage	25.97	11.61	6.92	7.43	0.01	7	-	18.65	1.41	0.05	-	(0.00)	-	-	
9 L - Real estate activities	140.74	27.86	30.44	76.46	5.98	11	-	111.49	11.24	4.78	14.30	(8.55)	(0.43)	(8.12)	
10 Loans collateralised by residential immovable property	42.00	12.77	5.43	9.37	14.43	12	-	36.61	6.94	3.91	5.07	(1.55)	(0.00)	(1.55)	
11 Loans collateralised by commercial immovable property	646.09	114.98	174.76	275.67	80.68	11	-	570.64	75.45	14.46	15.52	(0.96)	(0.04)	(0.87)	
12 Repossessed collateral	3.10	-	-	-	-	-	-	3.10	-	-	-	-	-	-	
13 Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Template 2 below shows the Gross carrying amount of loans collateralised with commercial and residential immovable property and of repossessed real estate collateral grouped by the level of energy efficiency of the collaterals. The energy efficiency is measured in terms of kWh/m² energy consumption and in terms of the label of the Energy Performance Certificate (EPC) of the collateral. The level of energy efficiency by EPC label of collateral is aligned with the Bank's Green home loan.

EPCs are defined as a certificate recognised by a Member State or by a legal person designated by it, which indicates the energy performance of a building or building unit, calculated according to a methodology adopted in accordance with the Energy Performance of Buildings Directive (EPBD). For loans collateralised by residential immovable property customers are required to obtain an EPC. This became mandatory as from 2009. This means that the Bank does not have an EPC for more than half of its residential real estate collateral and the majority of its commercial real estate collateral. The banking sector is faced with the challenging task to obtain data relating to EPCs. The Bank is currently working together with the banking industry to address data gaps in this area.

Template 2: Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

Counterparty sector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Total gross carrying amount amount (in MEUR)															
	Level of energy efficiency (EP score in kWh/m ² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m ² of collateral) estimated	
1 Total EU area	3,155.82	419.88	496.60	81.89	0.00	0.00	0.00	38.03	61.97	209.30	337.97	199.98	105.42	45.71	2,157.45	
2 Of which Loans collateralised by commercial immovable property	735.04	1.70	2.05	0.12	-	-	-	0.07	0.44	0.96	1.59	0.65	0.15		731.17	-
3 Of which Loans collateralised by residential immovable property	2,417.68	418.18	494.54	81.77	-	-	-	37.96	61.53	208.33	336.38	199.32	105.26	45.71	1,423.18	-
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	3.10	-	-	-	-	-	-	-	-	-	-	-	-	-	3.10	-
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Total non-EU area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

11.2. Social Risk

11.2.1 Business Strategy

(a)	Adjustment of the institution's business strategy to integrate social factors and risks taking into account the impact of social risk on the institution's business environment, business model, strategy and financial planning	<p>The Bank can be both impacted by and have an impact on social factors through lending to counterparties and its investments in assets. The economic and financial activities of counterparties or invested assets may be subject to the negative impact of social factors, such as breaches of human rights, demographic change, digitalisation, health or working conditions, which might affect the value and risk profile of such activities and in turn translate into a financial impact on the Bank. Simultaneously, the economic and financial activities of counterparties or invested assets can have a negative impact on environmental and social factors, which could in turn translate into a direct financial impact on the institution or affect it through reputational, litigation or business model risks.</p> <p>The Group is committed to incorporate environmental and social risk considerations into all financing activities. It is also committed to identify its customers, exposures, relationships, business, and other activities that may expose it to such risk. While it establishes environmental and social requirements for customers to comply with national laws, regulations, and best practice standards, it also communicates environmental and social expectations to staff, customers, and other external stakeholders. The Group is dedicated to improving the overall environmental and social performance of its portfolio through enhanced risk management and to continually building the ability of staff to identify environmental and social risks. The Group proactively manages a portfolio of lending which are designated as Social Loans and in 2024 expanded its social product suite with 'Loan Up'.</p>
(b)	Objectives, targets and limits to assess and address social risk in short-term, medium-term and long-term, and performance assessment against these objectives, targets and limits, including forward-looking information in the design of business strategy and processes	Information on the Group's initiatives and policies to manage social risk is included in the 2025 Annual Report available on its website. These include consumer relationships, employee matters, a Diversity, Equity and Inclusion Policy, health and well-being, and Zero-Tolerance Policy.
(c)	Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities	

11.2.2 Governance

(d)	Responsibilities of the management body for setting the risk framework, supervising and managing the implementation of the objectives, strategy and policies in the	The roles and responsibilities of the Board and Senior Management in relation to the management of ESG risks are explained in detail in Section
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	context of social risk management covering counterparties' approaches to:	8.1.2. In addition to environmental considerations, the ESG Committee focuses on the social aspect. The Committee oversees the implementation of social sustainability initiatives and commitments to ensure their effectiveness in delivering social impact. It oversees the reputational impacts of the Group's business strategies and practices, monitors policies and initiatives to ensure appropriate safeguards are in place for dealing fairly and ethically with third party stakeholders.
(i)	Activities towards the community and society	
(ii)	Employee relationships and labour standards	
(iii)	Customer protection and product responsibility	
(iv)	Human rights	
(e)	Integration of measures to manage social factors and risks in internal governance arrangements, including the role of committees, the allocation of tasks and responsibilities, and the feedback loop from risk management to the management body	<p>THE REMUNERATION POLICY</p> <p>The Remuneration Policy of the Group includes all categories of staff including the management body, in its supervisory and management functions, senior management, risk takers and staff engaged in control functions. The Policy is in line with the Group's business strategy and risk tolerance, objectives, values and long-term interests of its stakeholders, including shareholders. It is also in line with other values such as compliance, culture, ethics, conduct towards customers, sustainability, measures to mitigate conflicts of interest, as well as consistent with environmental, social and governance risk-related objectives.</p> <p>The approval of the Remuneration Policy is the responsibility of the Board of Directors following the recommendation on changes and updates by the RNG Committee. The Remuneration Policy is reviewed annually, and subject to a review by the Internal Audit Department. The Policy is aligned with environmental, social and governance risk-related objectives, following the updated EBA Guidelines on sound remuneration policies and practices and Banking Rule BR/21 on Remuneration Policies and Practices.</p> <p>THE RESPONSIBLE LENDING POLICY</p> <p>As mentioned in Section 8.1.4, the Bank has in place a Responsible Lending Policy. The Policy sets out, in a clear and transparent manner, the assessment criteria to be used when evaluating lending proposals from an ESG perspective. In line with the mentioned Policy, the evaluation of proposals using ESG assessment criteria has the ultimate objective of grading a borrower and its financing proposal against pre-determined environmental, social and governance sustainability criteria and metrics. The criteria for social impact assessment include health and safety policies, diversity in management and staffing levels and labour issues. Social factors are taken into consideration when assessing syndicated loans and risk participation transactions.</p>

		Further information on the initiatives and measures undertaken by the Group to manage social risk is included in Section 11.2.1 above.
(f)	Lines of reporting and frequency of reporting relating to social risk	<p>The Bank integrates social-risk considerations into its organisational structure and governance framework in line with Article 449a CRR and Article 435(2)(d). Social-risk information flows through established reporting lines within the Bank's three-lines-of-defence model, ensuring that short-, medium- and long-term social-risk impacts are consistently identified, monitored and escalated. Social-risk drivers include human-rights practices, labour conditions, workforce health and safety, and customer-protection issues that may affect counterparties' financial soundness.</p> <p>Further information is included in point (h) of Section 11.1.2.</p>
(g)	Alignment of the remuneration policy in line with institution's social risk-related objectives	Refer to point (i) of Section 11.1.2.

11.2.3. Risk Management

(h)	Definitions, methodologies and international standards on which the social risk management framework is based	The integration of social risk into the Bank's Risk Management Framework is based on the same approach as that for environmental risk, explained in Section 11.1.3 above.
(i)	Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels	<p>As mentioned in Section 8.1.3, the Bank has in place an Environmental & Social Management Systems (ESMS) Policy. This Policy prohibits business relationships with customers engaged in, inter alia, activities involving harmful or exploitative forms of forced labour/harmful child labour, discriminatory practices, or practices which prevent employees from lawfully exercising their rights of association and collective bargaining; the production or trade in weapons and munitions; and the production or trade in radioactive materials, business or activities related to the nuclear industry or nuclear materials.</p> <p>As highlighted above, ESG is one of the reputational dimensions considered in the Reputational Risk Management Matrix as part of the Reputational Risk Policy. The dashboard includes metrics pertaining to staff turnover, employee engagement and payments received from/remitted to high-risk jurisdictions. Further information on how the Bank integrates both environmental and social factors into its risk management framework is provided in Section 8.1.3. The Bank plans to enhance the integration of social risk into its risk management framework in the future.</p> <p>Further information is included in Section 11.1.3 above.</p>
(j)	Activities, commitments and assets contributing to mitigate social risk	
(k)	Implementation of tools for identification and management of social risk	
(l)	Description of setting limits to social risk and cases to trigger escalation and	The Group sets qualitative and quantitative limits to manage exposures sensitive to social risks, including breaches of labour standards,

	<p>exclusion in the case of breaching these limits</p>	<p>human-rights violations, customer-protection failures or other socially harmful practices. These limits are embedded in credit policies, onboarding standards and ongoing monitoring across the lifecycle of exposures, in line with Article 449a and Article 435(1)(a) CRR.</p> <p>Escalation is triggered when counterparties show elevated social-risk indicators, such as substantiated allegations of labour-law breaches, human-rights concerns, significant social controversies, or regulatory actions. In such cases, business lines aim to escalate to the Risk Department, which performs a focused assessment and reports relevant findings to the respective Committee(s) as part of the internal-reporting requirements under Article 435(2)(e).</p> <p>Corrective or exclusion actions may be applied when limits are breached or when a counterparty fails to remediate identified issues. Measures may include enhanced due diligence, lending restrictions, refusal of onboarding or renewal, or progressive exit from the exposure. Severe or repeated social-risk violations that are financially material, or likely to become material, may lead to full exclusion.</p>
(m)	<p>Description of the link (transmission channels) between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework</p>	<p>Refer to point (r) in Section 11.1.3.</p>

11.3. Governance Risk

Governance		
(a)	Institution's integration in their governance arrangements governance performance of the counterparty, including committees of the highest governance body, committees responsible for decision-making on economic, environmental, and social topics	<p>Governance factors¹⁷ are defined as governance matters that may have a positive or negative impact on the financial position or solvency of an entity, sovereign or individual. In the context of ESG, this refers to factors that can have an impact on, or are impacted by, institutions' counterparties or investment assets, including governance arrangements for the environmental and social factors in counterparty policies and procedures. Examples of governance factors include executive leadership, executive pay, tax avoidance, and corruption and bribery.</p> <p>The Board is committed to the well-being of the Bank by instilling robust corporate governance principles, sound management and general supervision of its affairs. The Board plays a salient role in setting the strategy of the Bank by providing leadership, integrity and judgement, upholding the highest standards of corporate governance. In terms of the Companies Act, Directors are required to promote the success of the Bank for the benefit of all shareholders, taking into account other key stakeholders. So as to progress the strategy and achieve long-term sustainable success, the Board must consider all relevant stakeholders in their decisions and ensure that any decision upholds the Bank's culture of 'collaboration, inclusivity, and purpose-driven strategy. This includes having frameworks in place to oversee and manage the Bank's exposures through its counterparties.</p>
(b)	Institution's accounting of the counterparty's highest governance body's role in non-financial reporting	
(c)	Institution's integration in governance arrangements of the governance performance of their counterparties including:	
(i)	Ethical considerations	
(ii)	Strategy and risk management	
(iii)	Inclusiveness	
(iv)	Transparency	
(v)	Management of conflict of interest	
(vi)	Internal communication on critical concerns	
Risk management		
(d)	Institution's integration in risk management arrangements the governance performance of their counterparties considering:	<p>The Bank is environmentally, socially and ethically responsible. It has a positive influence on the community and supports good causes. Nevertheless, there is the risk that transactions carried out or a business relationship poses an environmental, social or ethical risk, and there is the risk of failure to consider emerging ESG issues. The impact would be the negative image and brand impairment which result in a competitor advantage. This risk is recognised and managed through the Reputational Risk Policy, in conjunction with a number of other policies, including the Anti-Bribery and Anti-Corruption Policy, Anti-Money Laundering and Combatting the Funding of Terrorism Policy, Sanctions Policy, Customer Due Diligence Principles and Third-Party Providers (TPP) Policy and Procedures.</p> <p>Consistent with its risk appetite, the Bank is fully committed to compliance with the salient legislative provisions aimed at the prevention of money laundering and funding of terrorism. In line with the Prevention of Money Laundering and Funding of</p>
(i)	Ethical considerations	
(ii)	Strategy and risk management	
(iii)	Inclusiveness	
(iv)	Transparency	
(v)	Management of conflict of interest	
(vi)	Internal communication on critical concerns	

¹⁷ As defined in the EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms EBA/REP/2021/18

		<p>Terrorism Regulation (“PMLFTR”) and the FIAU Implementing Procedures, the Bank has developed a Customer Acceptance Policy that establishes procedures to manage the money laundering and terrorist financing risks posed by customers, products and services. This Policy outlines measures for the on boarding of new customers as well as ongoing monitoring of existing customers.</p> <p>As mentioned above, under the Responsible Lending Policy proposals are evaluated using ESG assessment criteria with the ultimate objective of grading a borrower and its financing proposal against pre-determined environmental, social and governance sustainability criteria and metrics. The criteria for the governance impact assessment include Board composition and independence, governance policies in place and due diligence processes.</p>
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12. Reputational Risk

Reputation is considered by the Group to be its most valuable intangible asset and is governed by a suitable Reputational Risk Policy, which is approved by the Board. The Bank has zero appetite to maximising profitability to the detriment of its reputation and standing, within the market and the local community.

Moreover, the Group has a number of systems and techniques in place to mitigate reputational risk; including a Board succession policy, a detailed risk management framework, a business continuity plan, the Code of Conduct, established credit granting criteria, sound investment parameters and comprehensive anti-money laundering procedures. Other actions aimed at strengthening further its governance framework include the introduction and updating of various policies. These include, inter alia, the review of the Treasury & Market Risk Policy, Best Execution Policy, Email Usage Policy, Feedback & Complaints Handling Policy and Vulnerable Customers Policy.

The Group has a detailed risk management system, which covers other risks not mentioned above; such as legal, strategic, residual and systemic risks. The Group has established risk management policies governing the management and mitigation of these risks, which policies are approved by the Board of Directors, unless the Board has assigned particular responsibilities to delegated Committees.

13. CRR III References

CRR Article		Title	Reference
Article	435	Risk management objectives and policies	Sections 2, 3 and 4
Article	436	Scope of application	Section 5
Article	437	Own funds	Section 6 and Note 46.5 to the Financial Statements
Article	438	Capital requirements	Section 6 and Note 46.5 to the Financial Statements
Article	439	Exposure to counterparty credit risk	Not applicable
Article	440	Countercyclical capital buffers	Section 6.2
Article	441	Indicators of global systemic importance	Not applicable
Article	442	Credit risk adjustments	Section 7
Article	443	Encumbered and unencumbered assets	Section 9.3
Article	444	Use of the standardised approach	Section 7.6
Article	445	Exposure to market risk	Section 8
Article	445a	Credit valuation adjustment risk	Not Applicable
Article	446	Operational risk management	Section 10
Article	447	Key metrics	Section 4.1
Article	448	Exposure to interest rate risk on positions not included in the trading book	Section 8
Article	449	Exposure to securitisation positions	Not applicable
Article	449a	Environmental, social and governance risks (ESG risks)	Section 11
Article	449b	Shadow banking entities	Not Applicable
Article	450	Remuneration policy	Remuneration Report
Article	451	Leverage ratio	Section 6.4
Article	451a	Liquidity requirements	Section 9.1 and 9.2
Article	452	Use of the IRB approach to credit risk	Not applicable
Article	453	Use of credit risk mitigation techniques	Section 7.6
Article	454	Use of the AMA advanced measurement approaches to operational risk	Not applicable
Article	455	Use of internal market risk models	Not applicable
Article	501d	Transitional provisions on the prudential treatment of crypto-assets	Not applicable

14. Non-Applicable Disclosures

Templates	Reason
EU INS1 - Insurance participations	The Bank does not perform insurance activities
EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio	The Bank does not perform insurance activities
EU PV1 - Prudent valuation adjustments (PVA)	Disclosed in the Notes to the Financial Statements
EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Disclosed in the Notes to the Financial Statements
EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries	The Bank's NPL ratio did not exceed the 5% threshold as at end 2025
EU CQ2: Quality of forbearance	The Bank's NPL ratio did not exceed the 5% threshold as at end 2025
CQ6: Collateral valuation - loans and advances	The Bank's NPL ratio did not exceed the 5% threshold as at end 2025
EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown	The Bank's NPL ratio did not exceed the 5% threshold as at end 2025
EU AE2 - Collateral received and own debt securities issued	The Bank does not encumber any of the collateral received or any of the debt securities issued
EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range	The Bank does not utilise the IRB approach
EU CR6-A – Scope of the use of IRB and SA approaches	The Bank does not utilise the IRB approach
EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	The Bank does not utilise the IRB approach
EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques	The Bank does not utilise the IRB approach
EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach	The Bank does not utilise the IRB approach
EU CR9 –IRB approach – Back-testing of PD per exposure class (fixed PD scale)	The Bank does not utilise the IRB approach
EU CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	The Bank does not utilise the IRB approach
EU CR10 – Specialised lending and equity exposures under the simple risk weighted approach	The Bank does not perform any specialised lending
EU CR10.5 – Equity Exposures	The Bank does not apply the Internal Ratings-Based (IRB) Approach to its equity exposures.
EU-SEC1 - Securitisation exposures in the non-trading book	The Bank does not perform any securitisation
EU-SEC2 - Securitisation exposures in the trading book	The Bank does not perform any securitisation
EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	The Bank does not perform any securitisation
EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	The Bank does not perform any securitisation
EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	The Bank does not perform any securitisation
EU CCR1 – Analysis of CCR exposure by approach	The Bank is not exposed to Counterparty Credit Risk

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights	The Bank is not exposed to Counterparty Credit Risk
EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale	The Bank is not exposed to Counterparty Credit Risk
EU CCR5 – Composition of collateral for CCR exposures	The Bank is not exposed to Counterparty Credit Risk
EU CCR6 – Credit derivatives exposures	The Bank is not exposed to Counterparty Credit Risk
Template EU CCR7 – RWEA flow statements of CCR exposures under the IMM	The Bank is not exposed to Counterparty Credit Risk
EU CCR8 – Exposures to CCPs	The Bank is not exposed to Counterparty Credit Risk
EU MR2-A - Market risk under the internal Model Approach (IMA)	The Bank does not utilise the IMA Approach
EU MR2-B - RWA flow statements of market risk exposures under the IMA	The Bank does not utilise the IMA Approach
EU MR3 - IMA values for trading portfolios	The Bank does not utilise the IMA Approach
EU MR4 - Comparison of VaR estimates with gains/losses	The Bank does not utilise the IMA Approach
EU REM1 - Remuneration awarded for the financial year	Included as part of the Remuneration Report within the Annual Report
EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	No special payments were made to Staff that may impact the institution's risk profile
EU REM3 - Deferred remuneration	Included as part of the Remuneration Report within the Annual Report
EU REM4 - Remuneration of 1 million EUR or more per year	No Remuneration Packages exceed €1 million
EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Included as part of the Remuneration Report within the Annual Report
EU OR1: Operational risk losses	The Bank's annual operational risk loss based on the Business Indicator method does not exceed €750 Million
Template 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms	The Bank does not hold any exposures to the top 20 most carbon-intensive firms
EU CAE1 – Exposures to crypto-assets	The Bank does not hold any crypto-assets
EU CMS1 – Comparison of modelled and standardised risk weighted exposure amounts at risk level	The Bank calculates risk weighted exposure amounts for credit risk using the standardised approach
EU CMS2 – Comparison of modelled and standardised risk weighted exposure amounts for credit risk at asset class level	The Bank calculates risk weighted exposure amounts for credit risk using the standardised approach

Tables		Reason
EU CRC – Qualitative disclosure requirements related to CRM techniques	(a)	The Bank does not make use of Balance Sheet netting.
EU CRD – Qualitative disclosure requirements related to standardised approach	(d)	The Bank complies with the standardised approach as published by the EBA.
EU IRRBBA - Qualitative information on interest rate risks of non-trading book activities	(e)	The Bank complies with the EBA regulatory guidelines and does not apply any additional or alternative assumptions.
	(f)	The Bank currently has no hedging arrangements in place.
EU LIQB – Qualitative information on LCR	(e)	The Bank does not engage in derivatives.

<p>EU LIB – Other Qualitative information on the scope of application</p>	<p>(a-d)</p>	<p>(a) There are no such transfers taking place within the Group (b) The subsidiaries within the Group are not subject to own funds requirements (c) None of the subsidiaries or undertakings the Bank has participation in fall in scope of the prudential consolidation and thus the Bank's prudential perimeter is based on assets and activities relating solely to it (d) The subsidiaries within the Group are not subject to own funds requirements</p>
<p>EU REMA - Remuneration policy</p>	<p>(a-j)</p>	<p>Included as part of the Remuneration Report within the Annual Report</p>