# Pillar 3 Disclosures

30 June 2026

APS bank

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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.

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 Implementing Technical Standards (ITS). The Policy outlines the roles and responsibilities, the basis of preparation of the report and the verification and approval process.

This report is not subject to external audit, however, it has undergone comprehensive internal review as outlined in the Bank's Pillar 3 Disclosures Policy. This report has been reviewed by the Chief Risk Officer and approved by the Audit Committee and Board of Directors (hereafter referred to as 'the Board'). A reference has been added in cases where additional information addressing Pillar 3 requirements is included in the 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 view of the Group's risk profile and capital position.

# 2. 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. |
| **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. |
| **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. |
| **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. |
| **Operational Risk** | The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. |
| **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. |
| **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. |
| **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. |
| **Reputation Risk** | The risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debtholders, 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. |

## 3.1 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 any 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**

| | | Jun-26 | Mar-26 | Dec-25 | Sep-25 | Jun-25 |
|---|---|---|---|---|---|---|
| | **Available own funds (€000)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 333,680 | 317,844 | 326,890 | 280,377 | 282,229 |
| 2 | Tier 1 capital | 333,680 | 317,844 | 326,890 | 280,377 | 282,229 |
| 3 | Total capital | 431,621 | 418,517 | 430,265 | 384,665 | 386,490 |
| | **Risk-weighted exposure amounts** | | | | | |
| 4 | Total risk exposure amount | 2,005,645 | 1,921,119 | 1,854,315 | 1,906,850 | 1,878,198 |
| 4a | Total risk exposure pre-floor | 2,005,645 | 1,921,119 | 1,854,315 | 1,906,850 | 1,878,198 |
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 16.64% | 16.54% | 17.63% | 14.70% | 15.03% |
| 5b | Common Equity Tier 1 ratio considering unfloored TREA (%) | - | - | - | - | - |
| 6 | Tier 1 ratio (%) | 16.64% | 16.54% | 17.63% | 14.70% | 15.03% |
| 6b | Tier 1 ratio considering unfloored TREA (%) | - | - | - | - | - |
| 7 | Total capital ratio (%) | 21.52% | 21.79% | 23.20% | 20.17% | 20.58% |
| 7b | Total capital ratio considering unfloored TREA (%) | - | - | - | - | - |
| | **Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)** | | | | | |
| EU 7d | Additional own funds requirements to address risks other than the risk of excessive leverage (%) | 2.50% | 2.50% | 3.15% | 3.15% | 3.15% |
| EU 7e | of which: to be made up of CET1 capital (percentage points) | 1.41% | 1.41% | 1.77% | 1.77% | 1.77% |
| EU 7f | of which: to be made up of Tier 1 capital (percentage points) | 1.88% | 1.88% | 2.36% | 2.36% | 2.36% |
| EU 7g | Total SREP own funds requirements (%) | 10.50% | 10.50% | 11.15% | 11.15% | 11.15% |
| | **Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)** | | | | | |
| 8 | Capital conservation buffer (%) | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | - | - | - | - | - |
| 9 | Institution specific countercyclical capital buffer (%) | 0.10% | 0.10% | 0.09% | 0.08% | 0.09% |
| EU 9a | Systemic risk buffer (%) | 1.01% | 0.89% | 0.90% | 0.57% | 0.56% |
| 10 | Global Systemically Important Institution buffer (%) | - | - | - | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| EU 10a | Other Systemically Important Institution buffer (%) | 0.50% | 0.50% | 0.44% | 0.44% | 0.44% |
| 11 | Combined buffer requirement (%) | 4.11% | 3.99% | 3.92% | 3.59% | 3.59% |
| EU 11a | Overall capital requirements (%) | 14.61% | 14.49% | 14.74% | 14.74% | 14.74% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 8.76% | 8.67% | 6.75% | 6.56% | 6.66% |
| | **Leverage ratio** | | | | | |
| 13 | Total exposure measure | 4,910,215 | 4,830,300 | 4,755,060 | 4,489,809 | 4,428,192 |
| 14 | Leverage ratio (%) | 6.80% | 6.58% | 6.87% | 6.24% | 6.37% |
| | **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) | 720,616 | 732,064 | 750,502 | 608,132 | 658,553 |
| EU 16a | Cash outflows - Total weighted value | 550,089 | 560,064 | 533,520 | 501,637 | 466,099 |
| EU 16b | Cash inflows - Total weighted value | 64,932 | 103,676 | 112,231 | 152,415 | 113,286 |
| 16 | Total net cash outflows (adjusted value) | 485,157 | 456,388 | 421,288 | 349,222 | 352,813 |
| 17 | Liquidity coverage ratio (%) | 148.53% | 160.40% | 178.14% | 174.14% | 186.66% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 4,073,613 | 4,019,400 | 3,951,340 | 3,717,445 | 3,702,399 |
| 19 | Total required stable funding | 2,971,031 | 2,848,692 | 2,788,424 | 2,684,279 | 2,630,985 |
| 20 | NSFR ratio (%) | 137.11% | 141.10% | 141.71% | 138.49% | 140.72% |

### 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<br>€000 |
| Own funds and eligible liabilities, ratios and components | | |
| 1 | Own funds and eligible liabilities | 600,665 |
| EU-1a | Of which own funds and subordinated liabilities | 438,004 |
| 2 | Total risk exposure amount of the resolution group (TREA) | 2,005,645 |
| 3 | Own funds and eligible liabilities as a percentage of the TREA | 29.95% |
| EU-3a | Of which own funds and subordinated liabilities | 21.84% |
| 4 | Total exposure measure (TEM) of the resolution group | 4,910,215 |
| 5 | Own funds and eligible liabilities as percentage of the TEM | 12.23% |
| EU-5a | Of which own funds or subordinated liabilities | 8.92% |
| 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 | 24.46% |
| 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 | - |

# 4. 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.

## 4.1. 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.

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.

## 4.2. 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 amounts[1]

| | | RWA | | Minimum Capital requirements |
|---|---|---|---|---|
| | | Jun-26 €000 | Dec-25 €000 | Jun-26 €000 |
| 1 | **Credit risk (excluding counterparty credit risk)** | 1,871,453 | 1,781,329 | 149,716 |
| 2 | Of which: standardised approach | 1,871,453 | 1,781,329 | 149,716 |
| 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) | 92 | 85 | 7 |
| 17 | Of which the Alternative standardised approach (A-SA) | - | - | - |
| EU17a | Of which the Simplified standardised approach (S-SA) | 92 | 85 | 7 |
| 18 | Of which Alternative Internal Model Approach (A-IMA) | - | - | - |
| EU18a | Large exposures | - | - | - |
| 19 | Reclassifications between the trading and non-trading books | - | - | - |
| 20 | **Operational risk** | 134,100 | 134,100 | 10,728 |
| EU20a | 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** | **2,005,645** | **1,853,672** | **160,451** |

The Bank is required to meet a total SREP capital requirement (TSCR) of 10.50%, consisting of 8.0% minimum Pillar 1 requirement and a 2.50% Pillar 2 requirement (P2R)[2]. In line with the Capital Requirement Directive (CRD VI), banks may partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example Additional Tier 1 or Tier 2 instruments, to meet the P2R.

[1]The Bank's exposure to derivative financial instruments is very small and limited only to risk management purposes

[2] Further information on the capital requirements is included in Section 3.1, 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 extended 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 30 June 2026, the Bank's Tier 1 and Total Capital Ratios stood at 16.64% and 21.52% (Mar-26: 16.55% and 21.79%), respectively, thereby above the respective applicable regulatory minima. During Q2 2026, the Tier 1 ratios increased by 9 bps while the Total Capital ratio decreased by 27 bps, respectively when compared to Q1'2026. The increase in own funds (+€13.1m) was outweighed by the increase in risk-weighted assets (€84.9M), with the latter mainly attributed to an increase in loans secured by mortgages on immovable property.

## EU CC1: Composition of regulatory own funds

| | | a |
|---|---|---|
| | | **Jun-26 Amounts** |
| | | **€000** |
| 1 | Capital instruments and the related share premium accounts | 195,670 |
| 2 | Retained earnings | 126,114 |
| 3 | Accumulated other comprehensive income (and other reserves) | 18,275 |
| EU-5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 11,061 |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **351,120** |
| 7 | Additional value adjustments (negative amount) | (375) |
| 8 | Intangible assets (net of related tax liability) (negative amount) | (14,866) |
| 27a | Other regulatory adjustment – prudent valuation adjustment | (2,198) |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **(17,440)** |
| **29** | **Common Equity Tier 1 (CET1) capital** | **333,680** |
| **43** | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | **-** |
| **44** | **Additional Tier 1 (AT1) capital** | **-** |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **333,680** |
| 46 | Capital instruments and the related share premium accounts | 97,941 |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **97,941** |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | **-** |
| **58** | **Tier 2 (T2) capital** | **97,941** |
| **59** | **Total capital (TC = T1 + T2)** | **431,621** |
| **60** | **Total risk exposure amount** | **2,005,645** |
| 61 | Common Equity Tier 1 capital | 16.64% |
| 62 | Tier 1 capital | 16.64% |
| 63 | Total capital | 21.52% |
| 64 | Institution CET1 overall capital requirements | 10.02% |
| 65 | of which: capital conservation buffer requirement | 2.50% |
| 66 | of which: countercyclical capital buffer requirement | 0.10% |
| 67 | of which: systemic risk buffer requirement | 1.01% |
| EU-67a | of which: Other Systemically Important Institution (O-SII) buffer requirement | 0.50% |
| EU-67b | Of which: additional own funds requirements to address the risks other than the risk of excessive leverage | 1.41% |

| | | |
|---|---|---|
| **68** | **Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements** | **8.76%** |

## EU CC2: Composition of regulatory own funds

| | | Balance sheet as in published financial statements | Under regulatory scope of consolidation |
|---|---|---|---|
| | | €000 | €000 |
| ***Assets*** | | | |
| 1 | Intangible Assets | 22,501 | (14,866) |
| 2 | Prudent Valuation adjustment | - | (375) |
| 3 | NPE insufficient coverage | - | (2,198) |
| | **Total Assets** | **22,501** | **(17,440)** |
| Liabilities | | | |
| 1 | Debt securities in issue | 104,365 | 97,941 |
| | **Total Liabilities** | **104,365** | **97,941** |
| Shareholders' Equity | | | |
| 1 | Share Capital | 122,408 | 122,408 |
| 2 | Share Premium | 73,262 | 73,262 |
| 3 | Revaluation Reserve (and other reserves) | 18,276 | 18,276 |
| 5 | Retained Earnings | 150,359 | 137,175 |
| | **Total Shareholders' Equity** | **364,304** | **351,120** |

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

| | a | b | c | d | e | f | g | h | i | j | k | l | m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General credit exposures | | Relevant credit exposures – Market risk | | | | Own fund requirements | | | | | | |
| Breakdown by country: | Exposure value under the standardised approach | Exposure value under the IRB approach | Sum of long and short positions of trading book exposure for SA | Value of trading book exposure for internal models | Securitisation Exposure value for non-trading book | Total exposure value | Relevant credit risk exposure – Credit risk | Relevant credit exposure – Market risk | Relevant credit exposures – Securitisation positions in the non-trading book | Total | Risk-weighted exposure amounts | Own fund requirements weights | Countercyclical buffer rate |
| | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | % | % |
| Bulgaria | 5,035 | - | - | - | - | 5,035 | 403 | - | - | 403 | 5,035 | 0.10 | 2.00 |
| Switzerland | 333 | - | - | - | - | 333 | 27 | - | - | 27 | 333 | 0.01 | 0.00 |
| Spain | 21,468 | - | - | - | - | 21,468 | 1,717 | - | - | 1,717 | 21,468 | 0.44 | 0.50 |
| Czech Republic | 165 | - | - | - | - | 165 | 13 | - | - | 13 | 165 | 0.00 | 1.25 |
| Hungary | 1,528 | - | - | - | - | 1,528 | 122 | - | - | 122 | 1,528 | 0.03 | 1.00 |
| Luxembourg | 41,725 | - | - | - | - | 41,725 | 3,338 | - | - | 3,338 | 41,725 | 0.85 | 0.50 |
| Macedonia | 257 | - | - | - | - | 257 | 21 | - | - | 21 | 257 | 0.01 | 0.00 |
| Portugal | 21,037 | - | - | - | - | 21,037 | 1,683 | - | - | 1,683 | 21,037 | 0.43 | 0.75 |
| Norway | 145 | - | - | - | - | 145 | 12 | - | - | 12 | 145 | 0.00 | 2.50 |
| Romania | 4,670 | - | - | - | - | 4,670 | 374 | - | - | 374 | 4,670 | 0.10 | 1.00 |
| Slovakia | 11,369 | - | - | - | - | 11,369 | 910 | - | - | 910 | 11,369 | 0.23 | 1.50 |
| United Kingdom | 51,783 | - | - | - | - | 51,783 | 4,143 | - | - | 4,143 | 51,783 | 1.05 | 1.00 |
| France | 89,967 | - | - | - | - | 89,967 | 7,197 | - | - | 7,197 | 89,967 | 1.83 | 1.00 |
| Germany | 56,072 | - | - | - | - | 56,072 | 4,486 | - | - | 4,486 | 56,072 | 1.14 | 0.75 |
| Ireland | 5,152 | - | - | - | - | 5,152 | 412 | - | - | 412 | 5,152 | 0.10 | 1.50 |
| Netherlands | 36,881 | - | - | - | - | 36,881 | 2,951 | - | - | 2,951 | 36,881 | 0.75 | 2.00 |
| Australia | 1,599 | - | - | - | - | 1,599 | 128 | - | - | 128 | 1,599 | 0.03 | 0.00 |
| Lithuania | 10,003 | - | - | - | - | 10,003 | 800 | - | - | 800 | 10,003 | 0.20 | 1.00 |
| Sweden | 159 | - | - | - | - | 159 | 13 | - | - | 13 | 159 | 0.00 | 2.00 |
| Slovenia | 20,404 | - | - | - | - | 20,404 | 1,632 | - | - | 1,632 | 20,404 | 0.42 | 1.00 |
| Belgium | 35,616 | - | - | - | - | 35,616 | 2,849 | - | - | 2,849 | 35,616 | 0.73 | 1.00 |
| Latvia | 16,942 | - | - | - | - | 16,942 | 0 | - | - | 0 | 0 | 0.35 | 1.00 |
| Greece | 2,049 | - | - | - | - | 2,049 | 164 | - | - | 164 | 2,049 | 0.04 | 0.25 |
| Other | 4,475,856 | - | - | - | - | 4,475,856 | 358,068 | - | - | 358,068 | 4,475,856 | | |
| **Total** | **4,910,215** | **-** | **-** | **-** | **-** | **4,910,215** | **392,817** | **-** | **-** | **392,817** | **4,910,215** | | |

### EU CcyB2: Amount of institution-specific countercyclical capital buffer

| | | a |
|---|---|---|
| | | **Jun-26**<br>**€000** |
| 1 | Total Risk Exposure Amount | 2,005,645 |
| 2 | Institution Specific Countercyclical Buffer Rate | 0.10% |
| 3 | Institution Specific Countercyclical Buffer Requirement (€000) | 2,005 |

## 5. 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 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 Bank's leverage ratio is regularly reported to and monitored by the Executive Management, Risk Committee and Board. As at 30 June 2026 the Bank's leverage ratio stood at 6.80% (Dec-25: 6.87%). During the second quarter of 2026, the Bank's leverage ratio remained well above the regulatory minimum requirement of 3% and within the risk appetite set by the Board.

The below tables provide the 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 LR1: LRSum - Summary reconciliation of accounting assets and leverage ratio exposures**

| | | a |
|---|---|---|
| | | **Jun-26** |
| | | **Applicable amount €000** |
| 1 | Total assets as per published financial statements | 4,789,258 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation | - |
| 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) | 135,823 |
| 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 | (14,866) |
| **13** | **Total exposure measure** | **4,910,215** |

### EU LR2: LRCom - Leverage ratio common disclosure

| | | a | b |
|---|---|---|---|
| | | Jun-26 | Dec-25 |
| | | CRR leverage ratio exposures | |
| | | €000 | €000 |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 4,789,258 | 4,636,564 |
| 6 | Asset amounts deducted in determining Tier 1 capital | (14,866) | (14,189) |
| **7** | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | **4,774,391** | **4,622,375** |
| 19 | Off-balance sheet exposures at gross notional amount | 1,504,372 | 1,349,745 |
| 20 | Adjustments for conversion to credit equivalent amounts | (1,368,549) | (1,217,060) |
| **22** | **Total off-balance sheet exposures** | **135,823** | **132,685** |
| 23 | Tier 1 capital | 333,680 | 326,890 |
| **24** | **Total Exposures** | **4,910,215** | **4,755,060** |
| 25 | Leverage Ratio | 6.80% | 6.87% |
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 6.80% | 6.87% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 6.80% | 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) | 4,910,215 | 4,755,060 |
| 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) | 4,910,215 | 4,755,060 |
| 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) | 6.80% | 6.87% |
| 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) | **6.80%** | **6.87%** |

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

| | | a |
|---|---|---|
| | | Jun-26 |
| | | CRR leverage ratio exposures |
| | | €000 |
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives and SFTs), of which:** | **4,789,258** |
| EU-2 | Trading book exposures | - |
| **EU-3** | **Banking book exposures, of which:** | **4,789,258** |
| EU-4 | Covered bonds | 1,184 |
| EU-5 | Exposures treated as sovereigns | 489,138 |
| EU-6 | Exposures to regional governments, MDBs, international organisations and PSE NOT treated as sovereigns | 40,989 |
| EU-7 | Institutions | 85,878 |
| EU-8 | Secured by mortgages of immovable properties | 3,356,802 |
| EU-9 | Retail exposures | 67,044 |
| EU-10 | Corporate exposures | 193,241 |
| EU-11 | Exposures in default | 33,721 |
| EU-12 | Other exposures | 521,261 |

# 6. Credit Risk

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 its Credit Risk Appetite, which lays down the principles for the management of credit risk within each business area mentioned above.

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

# 6.1. Credit Quality

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 | 272,578 | 272,578 | - | - | - | - | (22) | (22) | - | - | - | - | - | - | - |
| 010 | Loans and advances | **3,785,164** | **3,748,511** | **36,653** | **55,625** | **-** | **55,625** | **(2,669)** | **(1,926)** | **(743)** | **(19,724)** | **-** | **(19,724)** | **-** | **3,217,725** | **27,353** |
| *020* | *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *030* | *General governments* | 10,871 | 10,871 | - | - | - | - | (50) | (50) | - | - | - | - | - | 729 | - |
| *040* | *Credit institutions* | 50,671 | 50,671 | - | - | - | - | (153) | (153) | - | - | - | - | - | - | - |
| *050* | *Other financial corporations* | 155,101 | 154,251 | 850 | - | - | - | (77) | (77) | - | - | - | - | - | 124,769 | - |
| *060* | *Non-financial corporations* | 923,799 | 896,692 | 27,107 | 40,820 | - | 40,820 | (1,543) | (1,012) | (531) | (14,783) | - | (14,783) | - | 729,102 | 17,595 |
| *070* | *Of which SMEs* | 817,150 | 795,143 | 22,007 | 25,036 | - | 25,036 | (566) | (550) | (16) | (7,227) | - | (7,227) | - | 710,529 | 17,595 |
| *080* | *Households* | 2,644,722 | 2,636,026 | 8,696 | 14,805 | - | 14,805 | (846) | (634) | (212) | (4,941) | - | (4,941) | - | 2,363,125 | 9,758 |
| 090 | Debt securities | **524,266** | **524,182** | **84** | **-** | **-** | **-** | **(162)** | **(132)** | **(30)** | **-** | **-** | **-** | **-** | **-** | **-** |
| *100* | *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *110* | *General governments* | 464,144 | 464,144 | - | - | - | - | (132) | (132) | - | - | - | - | - | - | - |
| *120* | *Credit institutions* | 13,524 | 13,524 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *130* | *Other financial corporations* | 46,598 | 46,514 | 84 | - | - | - | (30) | - | (30) | - | - | - | - | - | - |
| *140* | *Non-financial corporations* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 150 | Off-balance-sheet exposures | **1,504,037** | **1,497,395** | **6,642** | **335** | **-** | **335** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **12,744** | **19** |
| *160* | *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *170* | *General governments* | 5,052 | 5,052 | - | - | - | - | - | - | - | - | - | - | - | 60 | - |
| *180* | *Credit institutions* | 3,307 | 3,307 | - | - | - | - | - | - | - | - | - | - | - | 4 | - |
| *190* | *Other financial corporations* | 74,202 | 74,198 | 4 | - | - | - | - | - | - | - | - | - | - | 260 | - |
| *200* | *Non-financial corporations* | 488,696 | 482,514 | 6,182 | 7 | - | 7 | - | - | - | - | - | - | - | 6,732 | 5 |
| *210* | *Households* | 932,780 | 932,324 | 456 | 328 | - | 328 | - | - | - | - | - | - | - | 5,688 | 14 |
| **220** | **Total** | **6,086,045** | **6,042,666** | **43,379** | **55,960** | **-** | **55,960** | **(2,853)** | **(2,080)** | **(773)** | **(19,724)** | **-** | **(19,724)** | **-** | **3,230,469** | **27,372** |

## 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 | 140,470 | 132,143 | 251,501 | 3,295,354 | - | 3,819,468 |
| 2 | Debt securities | 12,097 | 17,994 | 187,319 | 302,982 | - | 520,392 |
| **3** | **Total** | **152,567** | **150,137** | **438,820** | **3,598,336** | **-** | **4,339,860** |

### 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** | **49,226** |
| 020 | Inflows to non-performing portfolios | 10,760 |
| 030 | Outflows from non-performing portfolios of which: | (4,362) |
| *040* | *Outflows due to write-offs* | (633) |
| *050* | *Outflows due to other situations* | (3,729) |
| **060** | **Final stock of non-performing loans and advances** | **55,625** |

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 forborne exposures and the related accumulated impairment, provisions, accumulated change in fair value due to credit risk, and collateral and financial guarantees received (as per Commission Implementing Regulation (EU) No 2021/451).

**EU CQ1: Credit quality of forborne 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 forborne exposures** | |
| | | **Performing forborne** | **Non-performing forborne** | | | **On performing forborne exposures** | **On non-performing forborne exposures** | | **Of which collateral and financial guarantees received on non-performing exposures with forbearance measures** |
| | | | | **Of which defaulted** | **Of which impaired** | | | | |
| 005 | Cash balances at central banks and other demand deposits | - | - | - | - | - | - | - | - |
| 010 | Loans and advances | 4,810 | 13,757 | - | 13,757 | (1) | (4,886) | 12,866 | 8,714 |
| *020* | *Central banks* | - | - | - | - | - | - | - | - |
| *030* | *General governments* | - | - | - | - | - | - | - | - |
| *040* | *Credit institutions* | - | - | - | - | - | - | - | - |
| *050* | *Other financial corporations* | - | - | - | - | - | - | - | - |
| *060* | *Non-financial corporations* | 4,259 | 12,375 | - | 12,375 | (1) | (3,655) | 12,206 | 8,564 |
| *070* | *Households* | 551 | 1,382 | - | 1,382 | - | (1,231) | 660 | 150 |
| 080 | Debt Securities | - | - | - | - | - | 0 | 0 | - |
| 090 | Loan commitments given | 613 | - | - | - | - | 0 | 0 | - |
| ***100*** | ***Total*** | **5,423** | **13,757** | **-** | **13,757** | **(1)** | **(4,886)** | **12,866** | **8,714** |

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 days

| | | 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 | 272,578 | 272,578 | - | - | - | - | - | - | - | - | - | - |
| **010** | **Loans and advances** | **3,785,163** | **3,748,510** | **36,653** | **55,625** | **28,454** | **793** | **1,283** | **327** | **7,917** | **1,689** | **15,162** | **-** |
| *020* | *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - |
| *030* | *General governments* | 10,871 | 10,871 | - | - | - | - | - | - | - | - | - | - |
| *040* | *Credit institutions* | 50,671 | 50,671 | - | - | - | - | - | - | - | - | - | - |
| *050* | *Other financial corporations* | 155,100 | 154,250 | 850 | - | - | - | - | - | - | - | - | - |
| *060* | *Non-financial corporations* | 923,799 | 896,692 | 27,107 | 40,820 | 21,644 | 445 | 356 | 2 | 7,056 | 1,130 | 10,187 | - |
| *070* | *Of which SMEs* | 817,150 | 795,143 | 22,007 | 25,036 | 7,417 | 445 | 356 | 2 | 5,499 | 1,130 | 10,187 | - |
| *080* | *Households* | 2,644,722 | 2,636,026 | 8,696 | 14,805 | 6,810 | 348 | 927 | 325 | 861 | 559 | 4,975 | - |
| **090** | **Debt securities** | **524,266** | **524,182** | **84** | - | - | - | - | - | - | - | - | - |
| *100* | *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - |
| *110* | *General governments* | 464,144 | 464,144 | - | - | - | - | - | - | - | - | - | - |
| *120* | *Credit institutions* | 13,524 | 13,524 | - | - | - | - | - | - | - | - | - | - |
| *130* | *Other financial corporations* | 46,598 | 46,514 | 84 | - | - | - | - | - | - | - | - | - |
| *140* | *Non-financial corporations* | - | - | - | - | - | - | - | - | - | - | - | - |
| **150** | **Off-balance-sheet exposures** | **1,504,037** | | | **335** | | | | | | | | **330** |
| *160* | *Central banks* | - | | | - | | | | | | | | - |
| *170* | *General governments* | 5,052 | | | - | | | | | | | | - |
| *180* | *Credit institutions* | 3,307 | | | - | | | | | | | | - |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *190* | *Other financial corporations* | 74,203 | | | - | | | | | | | | - |
| *200* | *Non-financial corporations* | 488,697 | | | 7 | | | | | | | | 2 |
| *210* | *Households* | 932,778 | | | 328 | | | | | | | | 328 |
| **220** | **Total** | **6,086,044** | **4,545,270** | **36,737** | **55,960** | **28,454** | **793** | **1,283** | **327** | **7,917** | **1,689** | **15,162** | **330** |

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 11.1% of the Bank's total exposures, with the top three exposures being France, Luxembourg & Germany.

### EU CQ4: Quality of non-performing exposures by geography

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | **Gross carrying/nominal amount** | | | | **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: subject to impairment** | | | |
| | | | | *Of which defaulted* | | | | |
| | | **€000** | **€000** | **€000** | **€000** | **€000** | **€000** | **€000** |
| **010** | ***On-balance-sheet exposures*** | **4,637,633** | **55,625** | **-** | **4,616,159** | **(22,577)** | **-** | **-** |
| *020* | *Malta* | 3,959,193 | 39,830 | - | 3,959,193 | (13,662) | - | - |
| *070* | *Other countries* | 678,440 | 15,795 | - | 656,966 | (8,915) | - | - |
| *080* | ***Off-balance-sheet exposures*** | **1,504,372** | **335** | **330** | **-** | **-** | **-** | **-** |
| 090 | *Malta* | 1,498,551 | 328 | 323 | - | - | - | - |
| *140* | *Other countries* | 5,821 | 7 | 7 | - | - | - | - |
| **150** | ***Total*** | **6,142,005** | **55,960** | **330** | **4,616,159** | **(22,577)** | **-** | **-** |

### 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 |
| 010 | Agriculture, forestry and fishing | 38,612 | - | - | (29) | - |
| 020 | Mining and quarrying | 2,502 | - | - | (5) | - |
| 030 | Manufacturing | 79,362 | - | - | (935) | - |
| 040 | Electricity, gas, steam and air conditioning supply | 8,447 | - | - | (6) | - |
| 050 | Water supply | 3,413 | - | - | - | - |
| 060 | Construction | 43,013 | - | - | (230) | - |
| 070 | Wholesale and retail trade | 63,405 | - | - | (312) | - |
| 080 | Transport and storage | 27,474 | - | - | (17) | - |
| 090 | Accommodation and food service activities | 174,087 | - | - | (24) | - |
| 100 | Information and communication | 45,383 | - | - | (189) | - |
| 110 | Financial and insurance activities | - | - | - | (0) | - |
| 120 | Real estate activities | 303,571 | - | - | (12,854) | - |
| 130 | Professional, scientific and technical activities | 126,924 | - | - | (242) | - |
| 140 | Administrative and support service activities | 25,860 | - | - | (85) | - |
| 150 | Public administration and defense, compulsory social security | - | - | - | - | - |
| 160 | Education | 33 | - | - | (0) | - |
| 170 | Human health services and social work activities | 19,351 | - | - | (625) | - |
| 180 | Arts, entertainment and recreation | 1,292 | - | - | (2) | - |
| 190 | Other services | 1,889 | - | - | (771) | - |
| **200** | **Total** | 964,618 | - | - | (16,326) | - |

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 first half of this year.

### EU CQ7: Collateral obtained by taking possession and execution processes

| | | a | b |
|---|---|---|---|
| | | Collateral obtained by taking possession | |
| | | 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 | - |

## 6.2. Credit Risk Mitigation

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.

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

The template below shows the amount of the Bank's on-balance sheet exposure value (Net) as at 30 June 2026 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 | 845,874 | 3,245,078 | 3,231,228 | 13,850 | - |
| 2 | Debt securities | 524,103 | - | - | - | |
| **3** | **Total** | **1,369,977** | **3,245,078** | **3,231,228** | **13,850** | **-** |
| 4 | *Of which non-performing* | 8,548 | 27,353 | 27,343 | - | |
| EU-5 | *Of which defaulted* | 8,548 | 27,353 | | | |

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 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 | 715,702 | 5,052 | 489,138 | 65 | 2,145 | - |
| 2 | Non-central government public sector entities | - | - | - | - | - | - |
| 2a | Regional government or local authorities | - | - | - | - | - | - |
| 2b | Public sector entities | - | - | - | - | - | - |
| 3 | Multilateral development banks | 40,989 | - | 40,989 | - | 187 | - |
| 3a | International organisations | - | - | - | - | - | - |
| 4 | Institutions | 85,877 | 3,307 | 85,877 | 6 | 44,790 | 52 |
| 5 | Covered bonds | 1,184 | - | 1,184 | - | 118 | 10 |
| 6 | Corporates | 193,241 | 539,509 | 193,241 | 25,708 | 183,830 | 84 |
| 6.1 | Of which: Specialised Lending | - | - | - | - | - | - |
| 7 | Subordinated debt exposures and equity | 11,785 | - | 11,785 | - | 15,321 | 130 |
| EU 7a | Subordinated debt exposures | - | - | - | - | - | - |
| EU 7b | Equity | 11,785 | - | 11,785 | - | 15,321 | 130 |
| 8 | Retail | 67,044 | 52,486 | 67,044 | 7,810 | 54,143 | 72 |
| 9 | Secured by mortgages on immovable property and ADC exposures | 3,356,804 | 904,018 | 3,356,804 | 102,234 | 1,330,610 | 38 |
| 9.1 | Secured by mortgages on residential immovable property - non IPRE | 2,478,111 | 848,397 | 2,478,111 | 101,798 | 760,198 | 29 |
| 9.2 | Secured by mortgages on residential immovable property - IPRE | 59,081 | 23,626 | 59,081 | - | 17,023 | 29 |
| 9.3 | Secured by mortgages on commercial immovable property - non IPRE | 616,888 | 30,667 | 616,888 | 436 | 334,305 | 54 |
| 9.4 | Secured by mortgages on commercial immovable property - IPRE | 58,371 | - | 58,371 | - | 34,070 | 58 |
| 9.5 | Acquisition, Development and Construction (ADC) | 144,353 | 1,328 | 144,353 | - | 185,014 | 128 |
| 10 | Exposures in default | 33,721 | - | 33,721 | - | 38,520 | 114 |
| 10a | Claims on institutions and corporates with short-term credit assessment | - | - | - | - | - | - |
| 10b | Collective investment undertakings | 49,424 | - | 49,424 | - | 29,471 | 60 |
| 10c | Other items | 218,621 | - | 445,185 | - | 172,318 | 39 |
| 11 | Not applicable | - | - | - | - | - | - |
| **12** | **TOTAL** | 4,774,392 | 1,504,372 | 4,774,392 | 135,823 | 1,871,453 | 38 |

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. Further information on the Bank's risk-weighted exposure to credit risk is provided in Section 4.2 (template OV1).

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

| | | a | d | e | f | g | i | j | k | m | o | p | s | t | U | y | z |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Risk weight | | | | | | | | | | | | | | | Total |
| | | 0% | 10% | 20% | 30% | 35% | 45% | 50% | 60% | 75% | 90% | 100% | 130% | 150% | 250% | Others | |
| | | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | €000 | **€000** | €000 | €000 | €000 | €000 |
| 1 | Central governments or central banks | 488,032 | - | - | - | - | - | -1 | - | - | - | 523 | - | - | 649 | - | 489,203 |
| 2 | Non-central government public sector entities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EU 2a | Regional governments or local authorities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EU 2b | Public sector entities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Multilateral development banks | 40,054 | - | 935 | - | - | - | - | - | - | - | - | - | - | - | - | 40,989 |
| EU 3a | International organisations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Institutions | - | - | 27,728 | 8,951 | - | - | 25,290 | - | - | - | 23,915 | - | - | - | - | 85,884 |
| 5 | Covered bonds | - | 1,184 | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,184 |
| 6 | Corporates | - | | 7,363 | - | - | - | 14,016 | - | 51,384 | - | 141,703 | - | 4,484 | - | - | 218,950 |
| 6.1 | Of which: Specialised Lending | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 | Subordinated debt exposures and equity | - | - | - | - | - | - | - | - | - | - | - | 11,785 | - | - | - | 11,785 |
| EU 7a | Subordinated debt exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EU 7b | Equity | - | - | - | - | - | - | - | - | - | - | - | 11,785 | - | - | - | 11,785 |
| 8 | Retail exposures | - | - | - | - | - | 5,676 | - | - | 69,178 | - | - | - | - | - | - | 74,854 |
| **9** | **Secured by mortgages on immovable property and ADC exposures** | - | - | 2,133,289 | 30,220 | 8,729 | 19,137 | - | 517,288 | 446,720 | 1,505 | 46,138 | - | 145,670 | - | 56,340 | 3,459,036 |
| *9.1* | *Secured by mortgages on residential immovable property - non IPRE* | - | - | 2,133,289 | - | - | - | - | - | 446,618 | - | - | - | - | - | - | 2,579,907 |
| *9.1.1* | *No loan splitting applied* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *9.1.2* | *loan splitting applied (secured)* | - | - | 2,133,289 | - | - | - | - | - | - | - | - | - | - | - | - | 2,133,289 |
| *9.1.3* | *loan splitting applied (unsecured)* | - | - | - | - | - | - | - | - | 466,618 | - | - | - | - | - | - | 466,618 |
| *9.2* | *Secured by mortgages on residential immovable property - IPRE* | - | - | - | 30,220 | 8,729 | 19,137 | - | 102 | 102 | - | - | - | 791 | - | - | 59,081 |
| *9.3* | *Secured by mortgages on commercial immovable property - non IPRE* | - | - | - | - | - | - | - | 571,186 | - | - | 46,138 | - | - | - | - | 617,324 |
| *9.3.1* | *No loan splitting applied* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *-9.3.-2* | *loan splitting applied (secured)* | - | - | - | - | - | - | - | 571,186 | - | - | - | - | - | - | - | 571,186 |
| *9-.3.3* | *loan splitting applied (unsecured)* | - | - | - | - | - | - | - | - | - | - | 46,138 | - | - | - | - | 46,138 |
| *-9.4* | *Secured by mortgages on commercial immovable property - IPRE* | - | - | - | - | - | - | - | - | - | 1,505 | - | - | 526 | - | 56,340 | 58,371 |
| -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)* | - | - | - | - | - | - | - | - | - | - | - | - | 144,353 | - | - | 144,353 |
| 10 | Exposures in default | - | - | - | - | - | - | - | - | - | - | 24,124 | - | 9,597 | - | - | 33,721 |
| EU 10a | Claims on institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| EU 10b | Collective investment undertakings (CIU) | 14,336 | - | 3,995 | 209 | - | - | 8,249 | - | 4,590 | - | 10,330 | 4,294 | 3,421 | - | - | 49,424 |
| EU 10c | Other items | 258,279 | - | 3,300 | 13,850 | - | - | 324 | - | 69 | - | 164,436 | 1,793 | - | - | 3,134 | 445,185 |
| 11 | not applicable | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **EU 11c** | **TOTAL** | **800,701** | **1,184** | **2,176,610** | **53,230** | **8,729** | **24,813** | **47,878** | **571,288** | **571,941** | **1,505** | **411,169** | **17,872** | **163,172** | **649** | **59,474** | **4,910,215** |

# 7. 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 minimal. 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 €5.7 million in equities at the end of first half of 2026. The risk associated with this exposure is 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 |
|---|---|---|
| | | RWAs |
| | | €000 |
| | **Outright products** | |
| 1 | Interest rate risk (general and specific) | |
| 2 | Equity risk (general and specific) | |
| 3 | Foreign exchange risk | 92 |
| 4 | Commodity risk | |
| | **Options** | |
| 5 | Simplified approach | |
| 6 | Delta-plus approach | |
| 7 | Scenario approach | |
| 8 | Securitisation (specific risk) | |
| **9** | **Total** | **92** |

## 7.1. Interest Rate Risk in the Banking Book

The Bank is mainly exposed to interest rate risk in the banking book (IRRBB), which arises from the Bank's non-trading activities. The Bank has an Interest Rate and Credit Spread 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.

On a monthly basis, the ERM Unit monitors the impact of six pre-defined shock scenarios, where the maximum change in Economic Value of Equity (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 Table 'EU IRRBB1'. The most unfavourable scenario, as of 30 June 2026, resulted through the 'parallel up' scenario. During the 12 months under review, the change in EVE was impacted by changes in the interest rate environment and an increase in the Bank's debt securities portfolio. The Bank's economic was at all times well within the established regulatory requirement and within the Bank's risk appetite.

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

| | | a | b | c | d |
|---|---|---|---|---|---|
| | **Supervisory shock scenarios** | **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 | (31,518) | (27,511) | (5,190) | (3,709) |
| 2 | Parallel down | 21,936 | 18,663 | 5,190 | 3,701 |
| 3 | Steepener | 17,492 | 15,269 | | |
| 4 | Flattener | (5,244) | (2,961) | | |
| 5 | Short rates up | (15,014) | (12,103) | | |
| 6 | Short rates down | 17,389 | 14,597 | | |

## 7.2. 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.

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 4.2.

# 8. Liquidity and Funding Risk

Liquidity risk is the risk that the Bank 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 Bank 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 Bank's assets are not stably funded in the medium and long term.

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

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

## 8.1. 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 30 June 2026, the LCR stood at 148.53% (Mar-26: 160.40%). Further information on the LCR is provided in templates EU LIQ1 and EU LIQB below.

The below template discloses quantitative information on the Bank's LCR for each of the four calendar quarters, starting September 2025 and ending June 2026. The figures are calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter. Given that the Bank does not have another 'material currency'[3], other than the Euro, the Bank reports the LCR in the reporting currency (Euro).

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

## EU LIQ1: Quantitative information of Liquidity Coverage Ratio (LCR)

| | | Total unweighted value (average) | | | | Total weighted value (average) | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Quarter ending on** | | **Jun-26 €000** | **Mar-26 €000** | **Dec-25 €000** | **Sep-25 €000** | **Jun-26 €000** | **Mar-26 €000** | **Dec-25 €000** | **Sep-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 | | | | | **705,381** | **697,820** | **658,415** | **631,214** |
| **Cash outflows** | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 2,291,337 | 2,185,374 | 2,981,997 | 2,919,219 | 165,719 | 157,251 | 145,676 | 136,904 |
| 3 | *Stable deposits* | *1,597,304* | *1,533,171* | *1,444,491* | *1,356,549* | *79,865* | *76,659* | *72,225* | *67,827* |
| 4 | *Less Stable deposits* | *694,032* | *652,204* | *594,691* | *544,405* | *86,479* | *81,219* | *74,077* | *69,076* |
| 5 | Unsecured wholesale funding, of which: | 680,163 | 662,153 | 627,922 | 585,318 | 302,699 | 293,063 | 278,887 | 269,935 |
| 6 | *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | *4,065* | *4,296* | *3,996* | *2,641* | *844* | *902* | *827* | *660* |
| 7 | *Non-operational deposits (all counterparties)* | *676,098* | *657,856* | *623,927* | *582,677* | *301,854* | *292,161* | *278,060* | *269,275* |
| 8 | *Unsecured debt* | - | - | - | - | - | - | - | - |
| 9 | Secured wholesale funding | | | | | - | - | - | - |
| 10 | Additional requirements, of which: | **611,645** | **597,150** | **579,019** | **567,663** | **45,726** | **45,047** | **43,953** | **42,478** |
| 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* | *611,645* | *597,150* | *579,019* | *567,663* | *45,726* | *45,047* | *43,953* | *42,478* |
| 14 | Other contractual funding obligations | 4,651 | 4,954 | 5,286 | 5,413 | 3,643 | 3,937 | 4,241 | 4,487 |
| 15 | Other contingent funding obligations | 27,041 | 25,467 | 23,931 | 22,511 | - | - | - | - |
| **16** | **Total Cash Outflows** | | | | | **524,900** | **506,411** | **479,870** | **453,804** |
| **Cash Inflows** | | | | | | | | | |
| 17 | Secured lending (eg reverse repos) | - | - | - | - | - | - | - | - |
| 18 | Inflows from fully performing exposures | 113,963 | 126,904 | 132,670 | 126,409 | 101,248 | 114,282 | 120,385 | 114,343 |
| 19 | Other cash inflows | 821 | 2,336 | 3,446 | 3,561 | 821 | 2,336 | 3,446 | 3,561 |
| **20** | **Total Cash Inflows** | **114,784** | **129,240** | **136,116** | **129,970** | **102,069** | **116,618** | **123,832** | **117,905** |
| **20a** | *Fully exempt inflows* | - | - | - | - | - | - | - | - |
| **20b** | *Inflows subject to 90% cap* | - | - | - | - | - | - | - | - |
| **20c** | *Inflows subject to 75% cap* | 114,784 | 129,240 | 136,116 | 129,970 | 102,069 | 116,618 | 123,832 | 117,905 |
| **Total Adjusted Value** | | | | | | | | | |
| **EU-21** | **Liquidity Buffer** | | | | | **720,616** | **697,820** | **658,415** | **631,214** |
| **22** | **Total net cash outflows** | | | | | **485,157** | **456,388** | **421,288** | **349,222** |
| **23** | **Liquidity Coverage Ratio (%)** | | | | | **148.53%** | **160.40%** | **178.14%** | **174.14%** |

**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. | The Bank's 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.<br><br>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. |
| (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 11.87%, when compared to 31 March 2026. In addition, the increase in 'net liquidity outflow' reflects the increase in the Bank's non-operational deposits. |
| (c) | Explanations on the actual concentration of funding sources | 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.<br><br>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. |
| (d) | High-level description of the composition of the institution's liquidity buffer. | The Bank's liquidity buffer is classified into:<br><br>-Level 1 assets (98%), which include withdrawable central bank reserves and central government assets; and<br>-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 | 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.<br><br>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. |

## 8.2. 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 137.11%, the NSFR was above the 100% regulatory minimum and in line with the Bank's risk appetite as at 30 June 2026 (Dec-25: 141.71%). The Bank's NSFR decreased during the first half of 2026 from a higher increase in 'Required stable funding' (mainly through performing loans & securities) than the increase in 'Available stable funding' items (mainly retail deposits), hence leading to a decrease of 460bps in the NSFR. Given that the Bank does not have another 'material currency'[4], other than the Euro, the Bank reports the NSFR in the reporting currency (Euro).

**EU LIQ2: Net Stable Funding Ratio**

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | |
| | | No Maturity | <6 months | 6 months to < 1 yr | ≥1yr | Weighted value |
| | | €000 | €000 | €000 | €000 | €000 |
| **Available stable funding (ASF) Items** | | | | | | |
| 1 | Capital items and instruments | 364,304 | - | - | 104,365 | 468,669 |
| 2 | *Own funds* | 364,304 | - | - | *104,365* | *468,669* |
| 3 | *Other capital instruments* | | - | - | - | - |
| 4 | Retail deposits | | 2,746,180 | 274,171 | 241,312 | 3,058,947 |
| 5 | *Stable deposits* | | *1,808,761* | *177,624* | *202,312* | *2,089,378* |
| 6 | *Less stable deposits* | | *937,419* | *96,547* | *38,999* | *969,569* |
| 7 | Wholesale funding | | 749,844 | 87,462 | 163,757 | 523,567 |
| 8 | *Operational deposits* | | - | - | - | - |
| 9 | *Other wholesale funding* | | 749,844 | 87,462 | 163,757 | 523,567 |
| 10 | Interdependent liabilities | | - | - | - | - |
| 11 | Other liabilities | - | 33,174 | 4,518 | 20,170 | 22,429 |
| 12 | *NSFR derivative liabilities* | | | | | |
| 13 | *All other liabilities and capital instruments not included in the above categories* | | 33,174 | 4,518 | 20,170 | 22,429 |
| **14** | **Total Available stable funding (ASF)** | | | | | **4,073,613** |
| **Required stable funding (RSF) Items** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | 8,760 |
| 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: | | **101,810** | **173,663** | **3,528,574** | **2,663,900** |
| 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* | | *65,356* | *41,865* | *123,177* | *150,645* |
| 20 | *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:* | | *34,387* | *123,510* | *1,076,687* | *2,507,156* |

[4] 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 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | *841* | *6,669* | *22,216* | *1,520,688* |
| 22 | *Performing residential mortgages, of which:* | | *1,543* | *8,288* | *2,321,843* | - |
| 23 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | *1,538* | *6,847* | *2,305,078* | - |
| 24 | *Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products* | | *523* | - | *6,868* | *6,099* |
| 25 | Interdependent assets | | - | - | - | - |
| 26 | Other assets | - | **70,968** | **8,534** | **193,063** | **224,523** |
| 27 | *Physical traded commodities* | | | | - | - |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | | | - | - |
| 29 | NSFR derivative assets | | | | - | - |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | | | | - | - |
| 31 | *All other assets not included in the above categories* | | 70,968 | 8,534 | 193,063 | 224,523 |
| 32 | Off-balance sheet items | | **1,022** | **146,133** | **1,323,192** | **73,848** |
| **33** | **Total Required stable funding (RSF)** | | | | | **2,971,031** |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **137.11%** |

# 9. 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.

## 9.1. Environmental Risk

### 9.1.1 Business strategy and processes

<table>
<tr><td>(a)</td><td>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</td><td>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.</td></tr>
<tr><td>(b)</td><td>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</td><td rowspan="2">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:<br><br>Facilitating €250 million in sustainable finance by 2030: The Bank aims 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 aims to enhance opportunities for its clients to invest in climate-resilient assets, mitigating long-term credit-risk deterioration linked to environmental factors.<br><br>Reducing operational GHG emissions by 30% by 2030: The Bank aims 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. Activity data and emission factors for the Bank's Scope 1 and 2 emission sources, namely purchased electricity, mobile combustion (company vehicles), stationary combustion (generators), and fugitive emissions (air-conditioning systems & fire extinguishers), have been identified and used to establish the FY2025 emissions. The findings will support the development of an operational emissions reduction plan.</td></tr>
<tr><td>(c)</td><td>Current investment activities and (future) investment targets towards environmental objectives and EU Taxonomy-aligned activities</td></tr>
</table>

| | | |
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| | | **Establishing a financed-emissions baseline and completing a feasibility study toward alignment with carbon neutrality by 2050:** The Bank aims 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, technological obsolescence, and shifts in market or consumer preferences. The Bank also aims 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.<br><br>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 offers a suite of SFDR Article 8 Aligned funds covering Cautious, Balanced and Adventurous investment strategies.<br><br>In relation to transparency and disclosures, the Group is establishing a baseline in its impact emanating from its lending and investments portftolios. This exercise follows the Partnership for Carbon Accounting Financials (PCAF) Standard, ensuring a rigorous and internationally recognised approach to carbon accounting. The results of the financed emissions calculation, based on FY2024 data, were received in the first half of 2026[5]. The assessment determined financed emissions of approximately 313,124 $tCO_2e$, establishing the Group's first financed emissions baseline and providing a foundation for future portfolio decarbonisation efforts. Actions taken in Scope 3 Category 15 Financed Emissions Reporting (PCAF-Aligned)<br><br>• Scoping and Classification: Defined investment book established classification criteria for in-scope asset.<br>• Data Validation: Conducted accuracy and completeness checks on investment listings.<br>• Data Requirements Assessment: Identified necessary data points for emissions calculations and evaluated the need for proxies where data gaps exist.<br>• Model Deployment: Implemented a model to compute Scope 3 financed greenhouse gas (GHG) emissions.<br>• The emissions have been determined, and the Bank is better positioned to evaluate potential emission reduction pathways for its portfolios. |
| (d) | Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate | The Responsible Lending Policy sets out, in a clear and transparent manner, the assessment criteria to be used when evaluating commercial 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 |

[5] The Bank is now updating its financed emissions for FY 2025 and H1 2026.

| | | |
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| | and reduce environmental risks | 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.<br><br>In H1 2026, the Bank concluded a substantial review of the Responsible Lending Policy, which will come into effect in H2 2026. The review further strengthens the integration of ESG considerations within the Bank's lending activities.<br><br>The revised Policy sets out a more holistic and operational approach by developing sector-specific ESG assessments for sectors considered high-risk to the Bank, moving towards a sector-based methodology for identifying and managing sustainability-related risks. |

### 9.1.2. Governance

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| (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 | 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.<br><br>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. |
| (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 | 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.<br><br>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. |
| (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, | ESG COMMITTEE<br><br>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 |

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| | and the feedback loop from risk management to the management body covering relevant transmission channels | practices of the Bank and its subsidiaries, providing both advice and guidance to the Board of Directors.<br><br>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.<br><br>AUDIT COMMITTEE<br><br>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).<br><br>REMUNERATION, NOMINATIONS AND GOVERNANCE COMMITTEE<br><br>The Remuneration, 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 compensation framework of Board and senior executives and ensure that the Bank is in line with corporate governance practices.<br><br>RISK COMMITTEE<br><br>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.<br><br>BOARD CREDIT COMMITTEE<br><br>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.<br><br>MANAGEMENT CREDIT COMMITTEE<br><br>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.<br><br>INTERNAL AUDIT DEPARTMENT<br><br>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. |

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| | | RISK DEPARTMENT<br><br>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.<br><br>The Credit Risk Management function, within the Risk Department, considers the ESG assessment – undertaken by the Sustainability function - and any implications the latter may have on repayment risk, as part of its credit risk analysis of the lending proposal. ESG metrics also form part of the reputational risk dashboard which is monitored by the Operational Resilience function.<br><br>COMPLIANCE DEPARTMENT<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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 |

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| | | to the Board, ESG Committee and Risk Committee for consideration, comments, and approval as necessary.<br><br>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.<br><br>EXECUTIVE MANAGEMENT<br><br>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.<br><br>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. The Sustainability function 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 number of structured and pre-defined sectorial criteria that seeks to assess a number of corporate and project attributes in relation to environment, social and governance aspects.<br><br>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. |
| (h) | Lines of reporting and frequency of reporting relating to environmental risk | 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 |

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| | | 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 2 (Risk Governance), table ‘EU OVA’. |
| (i) | Alignment of the remuneration policy with institution's environmental risk-related objectives | 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.<br><br>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.<br><br>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 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.<br><br>Further information on the Group’s Remuneration Policy is included in the Remuneration Report within the Annual Report published on its website. |

### 9.1.3. Risk Management

<table>
<tr>
<td>(j)</td>
<td>Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework</td>
<td rowspan="3">
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.
INTEGRATION OF ESG INTO THE BANK’S RISK FRAMEWORK
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.
ESG RISK IDENTIFICATION AND ASSESSMENT
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 Bank. The damage to real estate caused by acute or chronic physical hazards will diminish the Bank’s collateral value.
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
</td>
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<tr>
<td>(k)</td>
<td>Definitions, methodologies and international standards on which the environmental risk management framework is based</td>
</tr>
<tr>
<td>(l)</td>
<td>Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks, covering relevant transmission channels</td>
</tr>
</table>

<table>
<tr><td>(m)</td><td>Activities, commitments and exposures contributing to mitigate environmental risks</td><td rowspan="3">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’.<br><br>As part of the Bank’s journey in mitigating and reducing environmental, social and governance risks, a Responsible Lending Policy is in place. 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.<br><br>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 Sustainability function, for an independent review in line with the Bank’s policies and risk appetite. The Credit Risk Management function considers the Sustainability function’s remarks and recommendations as part of its and credit-related assessments. 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.<br><br>In H1 2026, the Bank concluded a substantial review of the Responsible Lending Policy, which will come into effect in H2 2026. The review further strengthens the integration of ESG considerations within the Bank’s lending activities.<br><br>The revised Policy sets out a more holistic and operational approach by developing sector-specific ESG assessments for sectors considered high risk to the Bank, moving towards a sector-based methodology for identifying and managing sustainability-related risks. Enhanced guidance was also introduced to support Commercial teams in engaging more effectively with customers on sustainability matters. In addition, the governance framework was strengthened through the formal involvement of the Sustainability Unit in the overall credit approval. The Sustainability Unit will now validate ESG assessments and provide expert input on sustainability-related risks.<br><br>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-</td></tr>
<tr><td>(n)</td><td>Implementation of tools for identification, measurement and management of environmental risks</td></tr>
<tr><td>(o)</td><td>Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile</td></tr>
</table>

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<tr><td>(p)</td><td>Data availability, quality and accuracy, and efforts to improve these aspects</td><td rowspan="3">related aspects by referring to reports published by external credit rating agencies.<br><br>New information about future economic conditions can alter the current value of real or financial assets resulting in price shocks and market 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.<br><br>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.<br><br>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.<br><br>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.<br><br>The Group adopted a Sustainability Risk Policy for investment services which builds on the Bak'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.<br><br>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</td></tr>
<tr><td>(q)</td><td>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</td></tr>
<tr><td>(r)</td><td>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</td></tr>
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| | | 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.<br><br>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.<br><br>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).<br><br>The Bank has in place an Environmental & Social Management Systems (ESMS) Policy. The ESMS Policy, which is currently being reviewed, 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.<br><br>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.<br><br>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.<br><br>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 last reviewed in 2025, with ESG-related matters being one of the eight reputational risk dimensions applied to quantity reputation risk under the Operational Resilience Framework. |

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| | | 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 and services through appropriate customers and market research, and intelligence on regulatory and governmental framework.<br><br>The Double Materiality Assessment (DMA) is a key input into the Bank's evolving C&E risk management framework by identifying environmental, social and governance matters. The DMA is performed in line with the requirements established in the European Sustainability Reporting Standards (ESRS). Further information is included beneath this table.<br><br>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.<br><br>ESG RISK MONITORING AND REPORTING<br><br>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 $CO_2$ emitted by each sector of economic activity in producing one unit of Gross Value Added (GVA).<br><br>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.<br><br>During 2025, the Bank commenced preparations for its inaugural sustainability report. The report is being developed in accordance with the Voluntary Sustainability Reporting Standard for SMEs (VSME) and is expected to be published in September 2026. The exercise involved the establishment of sustainability reporting processes, governance arrangements, and data collection mechanisms to support transparent disclosure of the Bank's environmental, social, and governance performance and initiatives. An online market briefing will be organised in September 2026 to launch the Bank's first Sustainability Report. |

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| | | 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 Guidelines[6]. 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 Malta[7]. This scenario is tailored to the characteristics of Malta as a small open economy being 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 $CO_2$ 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.<br><br>DATA AVAILABILITY, QUALITY AND ACCURACY, AND EFFORTS TO IMPROVE THESE ASPECTS<br><br>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. |

[6] https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf

[7] FSR-2021.pdf (centralbankmalta.org)

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| | | 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.<br><br>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.<br><br>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.<br><br>ESG PRODUCTS, SERVICES AND INITIATIVES<br><br>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.<br><br>GREEN DEPOSIT PRODUCT<br><br>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. Since the launch of the Green Term Deposit in February 2023, we have financed more than 1,430 green projects, totalling over €155 million, The Green Term Deposits account for 7% of the eligible green lending portfolio (over €171 million).<br><br>APS GREEN HOME LOAN<br><br>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. |

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| | | APS GREEN FINANCE<br><br>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'.<br><br>APS LOAN UP<br><br>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.<br><br>ECO-LOAN<br><br>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.<br><br>MALTA SUSTAINABILITY FORUM (MSF)<br><br>As sustainability lies at the heart of the Group's values, APS organises the MSF periodically, through a series of seminars and presentations, with the aim to empower citizens to make conscious decisions towards a more sustainable life. The need to understand what is happening to our planet and society has never been so strong. The forum brings the facts, expertise and challenges the status-quo. The first session of 2026, launched on 23 March 2026, focused on "Poverty in Malta: Beyond the numbers." The discussion explored what poverty looks like in Malta today, drawing on recent data to examine its multidimensional nature, from income insecurity and the rise of the working poor to housing affordability, material deprivation, social isolation and mental wellbeing.<br><br>APS TALKS ON SUSTAINABILITY<br><br>The idea of APS Talks is to bring the best experts in the field to share knowledge and builds awareness on various topics to benefit of other communities that go beyond the limited circle of experts. Events are free and contribute to the exchange of ideas on the topic of sustainability. Evidence of stakeholder engagement and sustainability awareness activities can be found through the APS Talks & Business Talks available on the Bank's official YouTube channel.<br><br>APS CLIMATE BRIEFING<br><br>As part of its efforts to strengthen internal awareness and understanding of climate-related and sustainability matters, the Bank launched the APS Climate Briefing in 2026. Distributed monthly through the Bank's internal communication platform, the briefing |

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| | | provides updates on climate developments, sustainable finance trends, and relevant regulatory developments. As of 30 June 2026, five editions have been published.<br><br>OTHER INITIATIVES<br><br>The Bank's Debit and Credit Cards are made form 80% recycled materials. The Bank has invested in PV systems across four of its sites in Marsa, Swatar (Head Office), Blata l-Bajda and Qormi. At the Head Office, in Swatar, six Electric Vehicles charging points were implemented in 2022. Additionally, the Bank plans to have automated external defibrillators in all branches and Head Office, for the safety of the public and its customers and employees. |

**Double Materiality Assessment**

The Double Materiality Assessment (DMA) provides a strong foundation for the identification, assessment, monitoring and management of Climate & Environmental (C&E) risks across the institution. While originally developed to meet sustainability reporting requirements, the DMA has become a key input into the Bank's evolving C&E risk management framework by identifying environmental, social and governance matters.

The purpose of a DMA is to identify material impacts, risks and opportunities (IROs) and hence determine the material sustainability-related matters to be reported on one's sustainability statements. The DMA is performed in line with the requirements established in the European Sustainability Reporting Standards (ESRS).

The DMA was conducted through a structured methodology that included research and scoping, identification of IROs, assessment IROs and consolidation of results.

| **Step 1** | **Step 2** | **Step 3** | **Step 4** |
|---|---|---|---|
| **Research and scoping** | **Identification of topics, impacts, risks and opportunities** | **Assessment of impacts, risks and opportunities** | **Consolidation of results** |
| • Obtain a view of the Bank's business model, value chain, applicable sustainability matters (through research analysis).<br>• Gather insights into relevant sustainability matters for the sector. | • Define long list of sustainability topics and IROs applicable to the Bank.<br>• Define stakeholder groups to engage. | • Define and rank impacts based on developed scoring mechanisms.<br>• Define and rank financial risks & opportunities based on developed scoring mechanisms. | • Define thresholds and determine material IROs, sustainability matters and topics. |

A comprehensive review of the Bank's activities was undertaken, covering the lending portfolio, investment portfolio, asset management activities, and wealth management activities.

To support a more granular assessment, these activities were further analysed by value and industry sector. This enabled the DMA to focus on the sectors and activities most relevant to the Bank's business model and potential sustainability impacts, risks, and opportunities.

The DMA also supports the identification of C&E risk transmission channels. For example, the assessment concluded that climate-related physical risks may adversely affect borrowers' operations and collateral values, resulting in increased probabilities of default and loss given default, thereby creating credit risk impacts for the Bank.

The assessment additionally generated detailed qualitative narratives explaining how identified sustainability matters may impact stakeholders, value chains and the Bank itself. These narratives support the qualitative assessment of C&E risks.

**C&E Related Risk Drivers' Universe and Economic Transmission Channel Types in DMA**

| C&E Risk Drivers | Economic Transmission Channel Types |
|---|---|
| **Physical Risk Drivers (ESRS E1)**<br>• Acute: Flood, Landslide<br>• Chronic: Sea Level Rise, Coastal Erosion, Subsidence, Soil Erosion and Degradation, Heat Stress, Rising Marine Water Temperatures, Ocean Acidification<br><br>**Transition Risk Drivers (ESRS E1 & S4)**<br>• Financed Emissions Associated with Lending and Investment Activities (Scope 3 Category 15) (E1)<br>• Operational GHG Emissions from Bank Operations (Scopes 1 and 2) (E1)<br>• Greenwashing (S4)<br><br>**Environmental Risk Drivers (ESRS E2 - E5)**<br>• Air Pollution (E2)<br>• Water Pollution (E2)<br>• Soil Pollution (E2)<br>• Noise and Light Pollution (E2)<br>• Water Withdrawal (E3)<br>• Land Use Change (E4)<br>• Sea Use Change (E4)<br>• Waste (E5) | **Businesses (Borrowers / Issuers)**<br>• Operational Disruption<br>• Compliance & Transition Costs<br>• Permitting & Regulatory Restrictions<br>• Asset & Collateral Impairment<br><br>**APS Operations**<br>• Physical Asset Damage<br>• Operational Cost & Emissions<br>• Reputational & Conduct Risk |

In parallel, the identification of IROs was informed by an assessment of sectors commonly associated with elevated sustainability challenges and transition risks. These included, among others, construction, wholesale and retail trade, accommodation and food service activities, and professional, scientific and technical activities. The assessment was further supplemented by research on the Maltese market to ensure that local economic conditions, sector-specific characteristics, and sustainability priorities were appropriately reflected in the DMA process.

In addition, the DMA established documented materiality thresholds and scoring methodologies for both impact and financial materiality, enabling APS Bank to distinguish between material and non-material sustainability matters using a transparent framework. Sustainability matters were assessed over short-term (within 1 year), medium-term (1–5 years) and long-term (more than 5 years) horizons, reflecting both current and emerging sustainability-related developments. This provides a basis for horizon-based monitoring.

According to Bank's DMA, climate change (E1), consumers and end-users (S4). and business conduct (G1) were determined as material topics.

**Quantitative Disclosures**

The templates[8] 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 41.8% (Dec-25: 47.6%) of the Bank's total exposure within its lending and investments portfolios. The largest exposure

[8] Reference to templates were kept in line with the titles applied by the EBA in the respective Guidelines

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 Benchmarks[9] 1.1% (Dec-25: 1.7%) 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 9.1.1, point (b) above. Moreover, the Bank did not disclose Template 3 on alignment metrics. As at 30th June 2026, 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 Unit[10] 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 10 years, followed by loans collateralised by commercial immovable property, with a weighted average maturity of 11 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.

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

[10] 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 (Mln EUR)** | | | | **Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)** | | | | | | | |
| | | | 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 | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average weighted residual maturity (years) |
| **1** | **Exposures towards sectors that highly contribute to climate change*** | 682.97 | 7.21 | 19.15 | 37.85 | (14.04) | (0.53) | (13.11) | 174.12 | 146.24 | 213.76 | 88.86 | |
| 2 | A - Agriculture, forestry and fishing | 38.47 | - | 0.12 | - | (0.03) | (0.01) | - | 7.78 | - | 0.08 | 30.60 | 16 |
| 3 | B - Mining and quarrying | 3.65 | 1.15 | - | - | (0.01) | - | - | 2.50 | - | - | 1.15 | 9 |
| 9 | C - Manufacturing | 67.43 | - | 5.76 | 7.65 | (1.43) | (0.52) | (0.65) | 45.27 | 17.37 | - | 4.80 | 5 |
| *10* | *C.10, 11, 12 - Manufacture of food products, Bevrages and Tabacco* | 22.39 | - | - | 0.00 | (0.21) | - | - | 11.47 | 10.15 | - | 0.78 | 5 |
| *13* | *C.13, 14, 15 - Manufacture of Textiles, apparel, leather and related products* | 0.02 | - | - | - | (0.00) | - | - | 0.00 | 0.02 | - | 0.00 | 6 |
| *16* | *C.16, 17, 18 - Manufacture of Wood, paper products, and printing* | 0.11 | - | - | - | (0.00) | - | - | 0.00 | 0.11 | - | 0.00 | 6 |
| *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* | *14.61* | *0.05* | *0.23* | *6.93* | *(0.32)* | *(0.00)* | *(0.31)* | 4.76 | 6.51 | - | 3.34 | 8 |
| *26* | *C.26, 27 - Manufacture of Computer, electronic, optical and electrical equipment* | *10.52* | - | *0.43* | - | (0.02) | - | - | 10.09 | - | - | 0.43 | 3 |
| *28* | *C.28 - Manufacture of machinery and equipment n.e.c.* | *10.86* | - | - | *0.38* | *(0.03)* | - | - | 10.28 | 0.58 | - | - | 2 |
| *29* | *C.29, 30 - Manufacture of Motor vehicles and transport equipment* | *3.24* | - | - | - | *(0.00)* | - | - | 3.24 | - | - | - | 2 |
| *31* | *C.31 - Manufacture of furniture* | *0.10* | - | - | - | *(0.00)* | - | - | - | - | - | 0.10 | 20 |
| *32* | *C.32 - Other manufacturing* | *5.58* | - | *5.10* | *0.34* | *(0.85)* | *(0.52)* | *(0.34)* | 5.43 | - | - | 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 | 15.19 | 3.47 | 0.05 | - | (0.02) | - | - | 10.28 | 0.43 | 0.99 | 3.47 | 7 |
| 35 | *D35.1 - Electric power generation, transmission and distribution* | 9.02 | 3.47 | 0.05 | - | (0.01) | - | - | 4.11 | 0.43 | 0.99 | 3.47 | 11 |
| 37 | *D35.2 - Manufacture of gas; distribution of gaseous fuels through mains* | *6.17* | - | - | - | *(0.01)* | - | - | 6.17 | - | - | - | 1 |
| 39 | E - Water supply; sewerage, waste management and remediation activities | 2.92 | - | 0.07 | - | (0.00) | (0.00) | - | 0.15 | 1.36 | - | 1.41 | 13 |
| 40 | F - Construction | 292.79 | 1.23 | 6.41 | 11.39 | (2.73) | (0.00) | (2.70) | 68.91 | 73.88 | 134.32 | 15.68 | 10 |
| 41 | *F.41 - Construction of buildings* | *264.74* | *1.23* | *5.52* | *7.93* | *(0.31)* | *(0.00)* | *(0.31)* | 62.19 | 73.58 | 128.52 | 0.46 | 10 |
| 42 | *F.42 - Civil engineering* | *12.85* | - | - | - | *(0.02)* | - | - | 4.01 | - | - | 8.87 | 15 |
| 43 | *F.43 - Specialised construction activities* | *15.20* | - | *0.89* | *3.46* | *(2.40)* | *(0.00)* | *(2.39)* | 2.71 | 0.30 | 5.80 | 6.38 | 14 |
| 44 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 42.68 | 0.46 | 6.10 | 0.52 | (0.30) | (0.00) | (0.25) | 2.91 | 9.01 | 2.99 | 27.77 | 16 |
| 45 | H - Transportation and storage | 23.76 | - | 0.00 | - | *(0.00)* | *(0.00)* | - | 9.55 | 6.66 | 7.45 | 0.10 | 7 |
| 47 | *H.49, 50, 51 - Transport via land, pipelines, water and air* | *15.25* | - | *0.00* | - | *(0.00)* | - | - | 5.09 | 3.86 | 6.30 | - | 7 |
| 49 | *H.52 - Warehousing and support activities for transportation* | *8.51* | - | - | - | *(0.00)* | - | - | 4.46 | 2.80 | 1.15 | 0.01 | 6 |
| 51 | I - Accommodation and food service activities | 59.97 | - | 3.49 | - | (0.02) | (0.00) | - | 7.07 | 17.04 | 34.14 | 1.73 | 10 |
| 52 | L - Real estate activities | 136.11 | 0.89 | 0.64 | 18.29 | (9.52) | (0.00) | (9.51) | 26.77 | 37.53 | 67.93 | 3.88 | 11 |
| **53** | **Exposures towards sectors other than those that highly contribute to climate change*** | 805.87 | - | 7.95 | 1.78 | (1.88) | (0.00) | (1.11) | 410.46 | 278.18 | 156.71 | 20.49 | |
| 54 | K - Financial and insurance activities | 92.51 | - | 1.60 | - | *(0.27)* | - | - | 40.07 | 21.25 | 30.61 | 0.59 | 13 |
| 55 | Exposures to other sectors (NACE codes J, M - U) | 713.36 | - | 2.86 | 1.78 | (1.59) | (0.00) | (1.11) | 363.32 | 239.89 | 91.96 | 18.17 | 7 |
| 56 | TOTAL | **1488.85** | **7.21** | **27.11** | **39.64** | **(15.91)** | **(0.53)** | **(14.22)** | **584.59** | **424.42** | **370.49** | **109.36** | |

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Variable: Geographical area subject to climate change physical risk - acute and chronic events | Gross carrying amount (Mln EUR) | | | | | | | | | | | | | |
| | | of which exposures sensitive to impact from climate change physical 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 |
| 1 | A - Agriculture, forestry and fishing | 38.74 | 7.79 | 0.00 | 0.08 | 30.60 | 16 | - | 27.72 | 7.76 | 0.12 | - | (0.03) | (0.01) | - |
| 2 | B - Mining and quarrying | 3.65 | 2.50 | 0.00 | 0.00 | 1.15 | 9 | - | 1.15 | 0.00 | - | - | (0.01) | - | - |
| 3 | C - Manufacturing | 67.44 | 45.27 | 17.37 | 0.00 | 4.80 | 5 | - | 15.90 | 0.34 | 5.76 | 7.65 | (1.43) | (0.52) | (0.65) |
| 4 | D - Electricity, gas, steam and air conditioning supply | 15.19 | 10.28 | 0.45 | 0.99 | 3.47 | 7 | - | 0.37 | 0.25 | 0.05 | - | (0.02) | - | - |
| 5 | E - Water supply; sewerage, waste management and remediation activities | 2.92 | 0.15 | 1.36 | 0.00 | 1.41 | 13 | - | 1.41 | 0.00 | 0.07 | - | (0.00) | - | - |
| 6 | F - Construction | 292.79 | 68.91 | 73.88 | 134.32 | 15.68 | 10 | - | 147.46 | 27.23 | 6.41 | 11.39 | (2.73) | (0.00) | (2.70) |
| 7 | G - Wholesale and retail trade; repair of motor vehicles and motorcycles | 42.68 | 2.91 | 9.01 | 2.99 | 27.77 | 16 | - | 24.10 | 2.94 | 6.10 | 0.52 | (0.30) | (0.00) | (0.25) |
| 8 | H - Transportation and storage | 23.766 | 9.55 | 6.66 | 7.45 | 0.10 | 7 | - | 8.28 | 1.23 | 0.00 | | (0.00) | - | - |
| 9 | L - Real estate activities | 136.11 | 26.77 | 37.53 | 67.93 | 3.88 | 9 | - | 82.93 | 7.18 | 0.64 | 18.29 | (9.52) | (0.40) | (9.51) |
| 10 | Loans collateralised by residential immovable property | 37.28 | 12.54 | 5.71 | 11.14 | 7.89 | 10 | - | 32.54 | 4.74 | 4.43 | 5.34 | (1.59) | (0.00) | (1.59) |
| 11 | Loans collateralised by commercial immovable property | 750.44 | 125.33 | 187.94 | 358.15 | 79.02 | 11 | - | 664.46 | 85.98 | 15.87 | 14.70 | (0.99) | (0.00) | (0.67) |
| 12 | Repossessed collateral | 3.10 | - | - | - | 3.10 | 20 | - | 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 collaterals 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**

| | | 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/m² of collateral) | | | | | | Level of energy efficiency (EPC label of collateral) | | | | | | | Without EPC label of collateral | |
| | Counterparty sector | | 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/m² of collateral) estimated |
| 1 | **Total EU area** | 3,408.64 | 437.40 | 504.86 | 83.37 | 0.00 | 0.00 | 0.00 | 39.86 | 63.85 | 216.36 | 348.82 | 204.48 | 105.12 | 47.14 | 2,383.01 | |
| 2 | Of which Loans collateralised by commercial immovable property | 838.37 | 1.72 | 2.18 | 0.12 | - | - | - | 0.06 | 0.52 | 0.93 | 1.62 | 0.76 | 0.13 | | 834.35 | - |
| 3 | Of which Loans collateralised by residential immovable property | 2,567.17 | 435.68 | 502.68 | 83.25 | - | - | - | 39.80 | 63.33 | 215.43 | 347.20 | 203.72 | 104.99 | 47.14 | 1,545.56 | - |
| 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/m² 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/m² of collateral) estimated | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

## 9.2. Social Risk

### 9.2.1 Business Strategy

<table>
<tr><td>(a)</td><td>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</td><td>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.<br><br>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’.</td></tr>
<tr><td>(b)</td><td>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</td><td rowspan="2">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.</td></tr>
<tr><td>(c)</td><td>Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce socially harmful activities</td></tr>
</table>

### 9.2.2 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 context of social risk management covering counterparties' approaches to: | The roles and responsibilities of the Board and Senior Management in relation to the management of ESG risks are explained in detail in Section 9.1.2. 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.<br><br>THE REMUNERATION POLICY<br>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.<br><br>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.<br><br>THE RESPONSIBLE LENDING POLICY<br>As mentioned in Section 9.1.3, 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 per sector 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 |
| (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 | |

| | | |
|---|---|---|
| | | staffing levels and labour issues. Social factors are taken into consideration when assessing syndicated loans and risk participation transactions.<br><br>Further information on the initiatives and measures undertaken by the Group to manage social risk is included in Section 9.2 above. |
| (f) | Lines of reporting and frequency of reporting relating to social risk | 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.<br><br>Further information is included in point (h) of Section 9.2 |
| (g) | Alignment of the remuneration policy in line with institution's social risk-related objectives | Refer to point (i) of Section 9.1.2. |

### 9.2.3. 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 9.1.3 above. |
| (i) | Processes to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk, covering relevant transmission channels | As mentioned in Section 9.1.3, 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 he production or trade in radioactive materials, business or activities related to the nuclear industry or nuclear materials.<br><br>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 |
| (j) | Activities, commitments and assets contributing to mitigate social risk | |
| (k) | Implementation of tools for identification and management of social risk | |

| | | |
|---|---|---|
| | | management framework is provided in Section 9.1.3. The Bank plans to enhance the integration of social risk into its risk management framework in the future.<br><br>Further information is included in Section 9.1.3 above. |
| (l) | Description of setting limits to social risk and cases to trigger escalation and exclusion in the case of breaching these limits | The Group sets qualitative and quantitative limits to manage exposures sensitive to social risks, including breaches of labour standards, 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.<br><br>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).<br><br>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. |
| (m) | 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 | Refer to point (r) in Section 11.1.3. |

## 9.3. 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 | Governance factors[11] 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.<br><br>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. 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. |
| (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: | The Bank is environmentally, socially and ethically responsible. It has a positive influence on the community and supports good causes. Nevertheless, there remains a risk that transactions or business relationships may expose the Bank to environmental, social, or ethical risks, as well as a risk that emerging ESG issues may not be identified and adequately considered.<br><br>.<br>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, |
| (i) | Ethical considerations | |
| (ii) | Strategy and risk management | |
| (iii) | Inclusiveness | |
| (iv) | Transparency | |
| (v) | Management of conflict of interest | |
| (vi) | Internal communication on critical concerns | |

[11] As defined in the EBA Report on Management and Supervision of ESG Risks fort Credit Institutions and Investment Firms EBA/REP/2021/18

| | | |
|---|---|---|
| | | Sanctions Policy, Customer Due Diligence Principles and Third-Party Providers (TPP) Policy and Procedures.<br><br>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 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.<br><br>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. |

# 10. CRR III References

| CRR Article | | Title | Reference |
|---|---|---|---|
| Article | 435 | Risk management objectives and policies | Sections 2 |
| Article | 436 | Scope of application | Not applicable |
| Article | 437 | Own funds | Section 4 |
| Article | 438 | Capital requirements | Section 4 |
| Article | 439 | Exposure to counterparty credit risk | Not applicable |
| Article | 440 | Countercyclical capital buffers | Section 4.2 |
| Article | 441 | Indicators of global systemic importance | Not applicable |
| Article | 442 | Credit risk adjustments | Section 6 |
| Article | 443 | Encumbered and unencumbered assets | Not applicable |
| Article | 444 | Use of the standardised approach | Section 6.2 |
| Article | 445 | Exposure to market risk | Section 7 |
| Article | 445a | Credit valuation adjustment risk | Not Applicable |
| Article | 446 | Operational risk management | Not Applicable |
| Article | 447 | Key metrics | Section 3.1 |
| Article | 448 | Exposure to interest rate risk on positions not included in the trading book | Section 7 |
| Article | 449 | Exposure to securitisation positions | Not applicable |
| Article | 449a | Environmental, social and governance risks (ESG risks) | Section 9 |
| Article | 449b | Shadow banking entities | Not Applicable |
| Article | 450 | Remuneration policy | Not Applicable |
| Article | 451 | Leverage ratio | Section 5 |
| Article | 451a | Liquidity requirements | Section 8.1 and 8.2 |
| Article | 452 | Use of the IRB approach to credit risk | Not applicable |
| Article | 453 | Use of credit risk mitigation techniques | Section 6.2 |
| 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 |

# 11. Non-Applicable Disclosures

Any tables or templates not disclosed in this Pillar 3 disclosures document and not included in the below table are subject to annual reporting frequency.

| 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 June 2026 |
| EU CQ2: Quality of forbearance | The Bank's NPL ratio dd not exceed the 5% threshold as at June 2026 |
| CQ6: Collateral valuation - loans and advances | The Bank's NPL ratio did not exceed the 5% threshold as at June 2026 |
| 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 June 2026 |
| 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's exposure to derivative financial instruments is very small and limited only to risk management purposes. |
| EU LIB – Other Qualitative information on the scope of application | (a-d) | (a) There are no such transfers taking place within the Group<br>(b) The subsidiaries within the Group are not subject to own funds requirements<br>(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<br>(d) The subsidiaries within the Group are not subject to own funds requirements |
| EU REMA - Remuneration policy | (a-j) | Included as part of the Remuneration Report within the Annual Report |