MDB Group Limited

Pillar 3 disclosures report – Half-yearly report
30 June 2021

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1 Introduction

These Pillar 3 disclosures (the “Disclosures”) are in respect of MDB Group Limited (the “Regulatory Parent” or “MDB Holding”), and its subsidiaries, together referred to as the “Group” or “MDB Group”. The Group is regulated under the Single Supervisory Mechanism (“SSM”). The SSM is the system of banking supervision in Europe, the main aim of which is to ensure the safety and soundness of the European banking system and to increase financial integration, stability and consistency of supervision. Under the SSM, the Group is regulated by a Joint Supervisory Team comprising the European Central Bank (“ECB”), the National Bank of Belgium and the Malta Financial Services Authority (“MFSA”). The Group is classified as an “Other Systemically Important Institution”, and MeDirect Malta is considered a core domestic bank by the Central Bank of Malta.

The JST receives information on the capital adequacy requirements and sets capital requirements for the Group. At a consolidated Group level, capital is calculated for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision (‘Basel’), as implemented by the European Union (‘EU’) in the revisions to the Capital Requirements Regulation.

The Basel III framework is structured around three ‘pillars’: the Pillar 1 minimum capital requirements, Pillar 2 in relation to supervisory review process, and Pillar 3, market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of banks’ application of the Basel Committee’s framework. It also aims to assess their application of the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

These Disclosures have been prepared in accordance with the requirements of Part Eight of the EU Regulation 876/2019 of the European Parliament and of the Council of 20 May 2019 amending regulation (EU) No 575/2013 (Capital Requirements Regulation 2 – “CRR 2”). This semi-annual Pillar 3 disclosures report provides the Pillar 3 disclosures which have a quarterly/semi-annual frequency assigned in line with the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions.

MDB Holding’s subsidiary, MeDirect Malta has been authorised to waive its requirement to comply with Part Eight of the CRR on an individual basis, in terms of Article 6 (3) of the CRR. On the other hand MeDirect Belgium is exempt from full disclosure requirements laid down in Part Eight of the CRR, however being a significant subsidiary of an EU parent institution, it is subject to limited disclosure requirements in terms of Article 13 of the CRR on an annual basis.

Consistent with the banking regulations, these disclosures are not subject to external audit however the disclosures have been prepared on a basis consistent with information submitted to the regulator. These disclosures have been appropriately verified internally by the Group’s management, thus the Group is satisfied that internal verification procedures ensure that these Disclosures are presented fairly.

This report does not contain references to the Interim Report as of 30 June 2021. However, additional information can be found in the Interim Report as of 30 June 2021, as well as in the MDB Group Annual Report 2020 and the Pillar 3 Report 2020.

2 Key metrics

In the following table EU KM1 we provide key regulatory metrics and ratios as well as related input components as defined by the amended versions of CRR and CRD. They comprise own funds, RWAs, capital ratios, additional requirements based on SREP, capital buffer requirements, leverage ratio, liquidity coverage ratio and net stable funding ratio. They serve as high level metrics and form part of our holistic risk management across individual risk types in addition to the Group's specific internal risk metrics. Based on this they are fully integrated across strategic planning, risk appetite framework and stress testing concepts and are reviewed and approved by our Management Board at least annually.

EU KM1 – Key metrics[1]

	Amounts in €000	30-Jun-21
	Available own funds	
1	Common Equity Tier 1 (CET1) capital	233,666
2	Tier 1 capital	233,666
3	Total capital	281,343
	Risk-weighted exposure amounts	
4	Total risk exposure amount	1,454,460
	Capital ratios (as a percentage of risk-weighted exposure amount)	
5	Common Equity Tier 1 ratio (%)	16.1%
6	Tier 1 ratio (%)	16.1%
7	Total capital ratio (%)	19.3%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.7%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.3%
EU 7d	Total SREP own funds requirements (%)	11.0%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)	
8	Capital conservation buffer (%)	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%
9	Institution specific countercyclical capital buffer (%)	0.03%
EU 9a	Systemic risk buffer (%)	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	0.5%
11	Combined buffer requirement (%)	3.0%
EU 11a	Overall capital requirements (%)	14.0%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.1%
	Leverage ratio	
13	Total exposure measure	4,189,819
14	Leverage ratio (%)	5.6%
	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 (%)	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%
EU 14c	Total SREP leverage ratio requirements (%)	3.0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)	
EU 14d	Leverage ratio buffer requirement (%)	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%
	Liquidity Coverage Ratio	
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	719,285
EU 16a	Cash outflows - Total weighted value	281,048
EU 16b	Cash inflows - Total weighted value	134,423
16	Total net cash outflows (adjusted value)	146,625
17	Liquidity coverage ratio (%)	522.1%
	Net Stable Funding Ratio	
18	Total available stable funding	3,506,740
19	Total required stable funding	2,614,632
20	NSFR ratio (%)	134.1%

[1] Capital ratios and risk-weighted exposure amounts have been prepared on an IFRS 9 transitional basis.

IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

		30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20
	Amounts in €000					
	Available capital					
1	Common Equity Tier 1 (CET1) capital	233,666	240,807	243,718	254,745	264,651
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	227,426	234,567	235,899	244,393	254,297
3	Tier 1 capital	233,665	240,807	243,718	254,745	264,651
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	227,426	234,567	235,899	244,393	254,297
5	Total capital	281,343	291,146	284,623	297,601	310,587
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	275,104	284,906	276,804	287,249	300,234
	Risk-weighted assets					
7	Total risk-weighted assets	1,454,460	1,620,050	1,642,542	1,789,676	1,980,964
8	Total risk weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,455,471	1,621,060	1,643,917	1,792,056	1,983,291
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.1%	14.9%	14.8%	14.2%	13.4%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.6%	14.5%	14.3%	13.6%	12.8%
11	Tier 1 (as a percentage of risk exposure amount)	16.1%	14.9%	14.8%	14.2%	13.4%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.6%	14.5%	14.3%	13.6%	12.8%
13	Total capital (as a percentage of risk exposure amount)	19.3%	18.0%	17.3%	16.6%	15.7%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.9%	17.6%	16.8%	16.0%	15.1%
	Leverage ratio					
15	Leverage ratio total exposure measure (€000)	4,189,819	4,528,369	4,284,891	4,131,201	3,897,639
16	Leverage ratio	5.6%	5.3%	5.7%	6.2%	6.8%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.4%	5.2%	5.5%	5.9%	6.5%

As laid down in Regulation (EU) 2017/2395 and amended by Regulation (EU) 2020/873, the Group has opted to apply the transitional arrangements laid down in the same regulation to mitigate the impact of the introduction of IFRS 9 on own funds. Thus, during the transitional period ending 31 December 2024, the Group will be adding back a proportion of:

(a) the Day 1 impact as a result of the introduction of IFRS 9, being the difference between IFRS 9 expected credit losses ("ECLs") on 1 April 2018 and IAS 39 provisions determined at 31 March 2018; and

(b) the difference in the IFRS 9 ECLs determined as at 31 December 2019 and the ECLs determined on 'day 1' of the introduction of IFRS 9 (being 1 April 2018 for the Group) for Stage 1 (12-months ECLs) and Stage 2 (lifetime ECLs) assets; and

(c) the difference in the IFRS 9 ECLs determined at reporting date and the ECLs determined as at 1 January 2020 for Stage 1 (12-months ECLs) and Stage 2 (lifetime ECLs) assets.

Two sets of factors are used to adjust the above ECLs which will decline across the transitional period. The first set of factors, applicable to (a) and (b) above, started at 95% during the financial year ended 31 March 2019 and will fall to 25% in the final transitional year ending 31 December 2023. The second set of factors, applicable to (c) above, start at 100% during the financial years ended 31 December 2020 and 31 December 2021 and will fall down to 25% during the final transitional year ending 31 December 2024.

The above treatment is in accordance with the requirements laid down in paragraphs 6 and 6a of Regulation (EU) 2017/2395, as amended by Regulation (EU) 2020/873.

The Group has also chosen to apply the calculation referred to paragraph 7a of Regulation (EU) 2017/2395, as amended by Regulation (EU) 2020/873, whereby instead of reducing the specific credit risk adjustments by an accordingly calculated factor, the Group will instead risk weight the relevant amount at 100% and add it the total risk weighted exposure amount.

As noted in template IFRS 9-FL above, the impact of the transitional arrangement on the Group's capital ratio as at 30 June 2021 amounted to 44 bps at the reporting period under review. This was a result of an add-back in capital of €6.2 million and a reduction of €1million in risk-weighted assets. Similarly, the Group's leverage ratio is 15 bps greater in view of the transitional arrangement applied.

Further to the amending Regulation (EU) 2020/873, and as required to be disclosed by EBA Guidelines (EBA/GL/2020/12), the Group chose not to apply the temporary treatment relating to unrealised gains and losses measured at fair value through other comprehensive income, as per Article 468.

3 Scope of application of the regulatory framework

The consolidation of the Group's financial statements is based on the IFRS requirements, whereas the prudential consolidation in the statement of capital is based on the CRR II. All entities within the Group are subject to full consolidation both for accounting and regulatory purposes.

EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published financial statements and under regulatory scope of consolidation	Reference
	Amounts in €000	As at 30 June 2021	
Assets			
1	Balances with central banks and cash	190,893	
2	Derivative financial instruments	21,700	
3	Loans and advances to financial institutions	252,429	
4	Loans and advances to customers	2,343,944	
5	Investments - Treasury portfolio	784,090	
6	Investments – Securitisation portfolio	416,979	
7	Property and equipment	10,025	
8	Intangible assets	13,982	D
9	Non-current assets classified as held for sale	1,785	
10	Current tax assets	1,198	
11	Deferred tax assets	18,710	E
12	Prepayments and accrued income	17,941	
13	Other assets	23,086	
14	**Total assets**	4,096,762	
Liabilities			
1	Derivative financial instruments	2,513	
2	Amounts owed to financial institutions	252,627	
3	Amounts owed to customers	2,792,791	
4	Debt securities in issue	682,616	
5	Subordinated liabilities	64,921	F
6	Current tax liabilities	72	
7	Deferred tax liabilities	843	
8	Provisions for liabilities and other charges	2,294	
9	Accruals and deferred income	26,317	
10	Other liabilities	16,729	
11	**Total liabilities**	3,841,723	
Shareholders' Equity[2]			
1	Called up issued share capital	55,738	A
2	Share premium	13,756	A
3	Shareholders' contributions	136,300	B
4	Reserve for general banking risks	3,357	B
5	Other reserves	604	
6	Retained earnings	45,284	C
7	**Total shareholders' equity**	255,039	

[2] The balance sheet components are used in the calculation of the regulatory capital in table 4 (Own funds disclosure EU CC1). This table shows items at their accounting values which might be subject to adjustments in the calculation of regulatory capital.

4 Own Funds

4.1 Total available capital

The Group adopts the appropriate processes to ensure that the minimum regulatory requirements are met at all times, through the assessment of its capital resources and requirements given current financial projections. The Group has a strong track record of robust capital ratios and is confident that it will be positioned to maintain its overall capital strength.

For regulatory purposes, the Group's capital base is divided in two main categories, namely Common Equity Tier 1 ("CET1") capital and Tier 2 capital.

4.1.1 Common Equity Tier 1 capital – composition

Common Equity Tier 1 capital includes:

- ordinary share capital;
- share premium;
- shareholders' contribution;
- retained earnings;
- reserve for general banking risks;
- fair value reserve; and
- other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes including deductions relating to reserve for depositor compensation scheme and the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation and certain other regulatory items.

4.1.2 Common Equity Tier 1 capital – terms and conditions

i. Ordinary share capital includes equity instruments which fall under the definition of Article 28(1) of the CRR, '*Common Equity Tier 1 instruments'*. The holders of 'A' ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of MDB Holding. 'B' ordinary shareholders are not entitled to vote or to receive any dividends distributed.

ii. Share premium reserve is made up of premium paid by shareholders in excess of the nominal value of the 'A' ordinary shares. This reserve can only be applied in the paying up of unissued shares to be issued to members of MDB Group as fully paid bonus shares.

iii. Shareholders' contributions ("Contributions") are amounts granted by the shareholders to MDB Group whereby MDB Group has no obligation to bear any servicing cost or transfer any economic benefits of any kind to the contributor or any other person in return and has no obligation to repay the Contributions. These terms and conditions of such Contributions render this instrument equity in nature in accordance with the requirements of IAS 32: Financial Instruments – Presentation.

iv. Retained earnings are the part of the distributable items as per the CRR Article (4)(1)(128) definition, which are amounts of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution's bye-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of MDB Holding. The balance in this reserve is net of tax.

Subject to MDB Group's Dividend Policy, the directors of MDB Group, in the annual general meeting, may from time to time recommend dividends to be paid from the retained earnings of MDB Holding. Such dividends may be in the form of capitalisation of retained earnings to 'A' ordinary shares.

v. Reserve for general banking risks – in accordance with BR 09, the Group has allocated from its retained earnings, to a non-distributable reserve, an amount equivalent to 2.5% of the regulatory allocation for positions on which a specific impairment provision has been attributed.

vi. The fair value reserve includes the cumulative net change in the fair value of available-for-sale ("AFS") investments, excluding impairment losses, until the investment is derecognised, net of deferred taxation. These relate to the AFS category of EU-endorsed IAS 39.

4.1.3 Tier 2 capital

Tier 2 capital consists of subordinated liabilities in issue, which rank after the claims of all depositors (including financial institutions) and all other creditors. As at 30 June 2021, subordinated liabilities included within Tier 2 capital comprised the following instruments issued which are unsecured and in the event of the winding-up of the issuer, these are subordinated to the claims of depositors and all other creditors of the issuer:

- debt securities, bearing interest payable at 5%, repayable on 13 October 2027, with a 13 October 2022 early redemption option held by the Group.
- debt securities, bearing interest payable at 4%, repayable on 5 November 2029, with a 5 November 2024 early redemption option held by the Group.
- fixed rate reset callable subordinated notes due on 10 February 2031. The notes bear a fixed rate of 9.75% per annum.

4.2 Own Funds – other disclosures

The Group does not have items included in the 'Total capital' which have values differing from those reported within IFRS compliant Statement of Financial Position, with the exception of Subordinated liabilities issued by MeDirect Malta included as part of Tier 2 capital, since these are amortised in line with Article 64 of the CRR.

Retained earnings form part of 'Own Funds' only if those profits have been verified by persons independent of the Group that are responsible for the auditing of the Group's financial statements and the Group has demonstrated to the satisfaction of the competent authority that any foreseeable charge or dividend has been deducted from the amount of those profits.

4.2.1 Composition of Own Funds

MDB Group Limited is the primary provider of equity capital to its subsidiaries. These investments are substantially funded through the issuance of equity, shareholder's contribution and by profit retention. As part of its capital management process, MDB Group Limited seeks to maintain a balance between the composition of its capital and its investment in subsidiaries. In line with the requirement of Article 436 of the CRR in accordance with directive 2013/36/EU, there is no current or foreseen impediment to MDB Group Limited's ability to provide funding for such investments. The ability of subsidiaries to pay dividends or advance monies to MDB Group Limited depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

In December 2013 the European Commission published regulation (EU) No 1423/2013 being the *'Implementing Technical Standards with regard to Disclosure for Own Funds Requirements for institutions according to Regulation (EU) 575/2013 (CRR)'*. In order to increase transparency regarding the regulatory capital of European institutions the regulation provided a set of templates which will help to facilitate cross-jurisdictional comparisons.

The following table shows the composition of the own funds of the Group in accordance with Article 437 the CRR.

EU CC1 – Composition of regulatory own funds

	Amounts in €000	**30-Jun-21**	**31-Dec-20**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	69,495	69,494	A
2	Retained earnings	42,289	45,585	C
3	Accumulated other comprehensive income (and other reserves)	135,689	135,553	B
EU-3a	Funds for general banking risk	-	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**247,473**	**250,632**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(824)	(690)	
8	Intangible assets (net of related tax liability) (negative amount)	(8,254)	(8,727)	D
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(10,968)	(5,316)	E
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	

EU-20c	of which: securitisation positions (negative amount)	-	-	
EU-20d	of which: free deliveries (negative amount)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	
25	of which: deferred tax assets arising from temporary differences	-	-	
EU-25a	Losses for the current financial year (negative amount)	-	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	6,239	7,819	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(13,807)	(6,914)	
29	**Common Equity Tier 1 (CET1) capital**	**233,666**	**243,718**	
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-	
31	of which: classified as equity under applicable accounting standards	-	-	
32	of which: classified as liabilities under applicable accounting standards	-	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	**-**	
	Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-	
42a	Other regulatory adjustments to AT1 capital	-	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**	
44	**Additional Tier 1 (AT1) capital**	**-**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**-**	**-**	
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	47,677	40,905	F
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**47,677**	**40,905**	
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount	-	-	

	above 10% threshold and net of eligible short positions) (negative amount)			
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-	
EU-56b	Other regulatory adjustments to T2 capital	-	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**	
58	**Tier 2 (T2) capital**	**47,677**	**40,905**	
59	**Total capital (TC = T1 + T2)**	**281,343**	**284,623**	
60	**Total Risk exposure amount**	**1,454,460**	**1,642,542**	
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital	16.1%	14.8%	
62	Tier 1 capital	16.1%	14.8%	
63	Total capital	19.3%	17.3%	
64	Institution CET1 overall capital requirements	9.2%	9.2%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical capital buffer requirement	0.03%	0.01%	
67	of which: systemic risk buffer requirement	0.0%	0.0%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.5%	0.5%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.7%	1.7%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	9.9%	8.7%	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	3,998	8,675	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	

***Note:** CET1 capital, Tier 1 capital and Total capital disclosed in the table above includes the regulatory adjustment in relation to the transitional arrangements for the introduction of IFRS 9 on own funds. Refer to template IFRS 9-FL for a comparison of the Group's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9*

The Group's CET1 and Tier 1 capital ratios were 16.1% and its total capital ratio was 19.3% as at 30 June 2021. The Group's CET 1 capital ratio remains well above the Total SREP Capital Requirements, with CET 1 capital surplus of ca. 5.1 basis points above this requirement.

Furthermore as shown in the table above, there were no other items requiring deduction that were not deducted from the own funds in accordance with Section 3, Chapter 2, Title I, Part Two of CRR. In particular, in terms of article 48 and 473a (7) of CRR, the Group's deferred tax assets dependent on future profitability and arising from temporary differences did not exceed the 10% threshold and therefore were not required to be deducted from own funds. The Group does not have any systemic risk buffer as at 30 June 2021.

In respect of the Group, BR 15: *"Capital Buffers of Credit Institutions authorised under the Maltese Banking Act (Cap. 371)"*, requires additional buffers, namely the 'capital conservation buffer', the 'countercyclical buffer', 'other systemically important institutions (O-SII) buffer' and the 'systemic risk buffer'. Automatic restrictions on capital distributions apply if the Group's CET1 capital falls below the level of its CRD IV combined buffer.

The Group is required to maintain a capital conservation buffer of 2.5%, made up of CET1 capital, on its risk weighted exposures.

CRD IV also contemplates a countercyclical buffer in line with Basel III, in the form of an institution-specific countercyclical buffer and the application of increased requirements to address macro-prudential or systemic risk. This is expected to be set in the range of 0 - 2.5% of relevant credit exposure RWAs, whereby the rate shall consist of the weighted average of the 'countercyclical buffer' rates that apply in the jurisdiction where the relevant exposures are located. Countercyclical capital buffer rates are determined by Basel Committee member jurisdictions.

The following table represents the Group's geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer at 30 June 2021.

EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer[3]

	General credit exposures	Securitisation exposures		Own funds requirement					
	Exposure value for SA	*Exposure value for SA*	*Total exposure value*	*of which: general credit exposures*	*of which: securitisation exposures*	*Total*	*Risk weighted exposure amounts*	*Own funds requirement weights*	*Counter cyclical capital buffer rate*
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**%**	**%**
Austria	75,818	2,032	77,850	1,189	24	1,213	15,173	1.20%	0.00%
Australia	-	1,158	1,158	-	21	21	267	0.02%	0.00%
Belgium	7,969	4,237	12,206	956	64	1,020	12,754	1.01%	0.00%
Bulgaria	-	190	190	-	16	16	195	0.02%	0.50%
Canada	-	2,032	2,032	-	24	24	305	0.02%	0.00%
Czech Republic	-	79	79	-	1	1	12	0.00%	0.50%
Denmark	17,462	6,014	23,476	584	91	675	8,437	0.67%	0.00%
Finland	17,992	3,984	21,976	144	48	192	2,397	0.19%	0.00%
France	194,007	79,423	273,430	10,170	1,234	11,404	142,548	11.32%	0.00%
Germany	167,709	52,167	219,876	5,571	701	6,272	78,407	6.22%	0.00%
Ireland	-	7,252	7,252	-	95	95	1,182	0.09%	0.00%
Israel	-	341	341	-	4	4	51	0.00%	0.00%
Italy	120,765	15,941	136,706	9,727	242	9,969	124,611	9.89%	0.00%
Jersey	14,989	-	14,989	1,199	-	1,199	14,989	1.19%	0.00%
Lithuania	-	23	23	-	0	0	3	0.00%	0.00%
Luxembourg	72,027	27,878	99,905	5,944	412	6,356	79,444	6.31%	0.50%
Malta	146,348	1,672	148,020	12,258	26	12,284	153,543	12.19%	0.00%
Netherlands	1,703,280	43,618	1,746,898	16,502	602	17,104	213,789	16.97%	0.00%
Norway	26,378	4,370	30,748	211	61	272	3,397	0.27%	1.00%
Poland	27,338	-	27,338	219	-	219	2,734	0.22%	0.00%
Portugal	-	998	998	-	19	19	233	0.02%	0.00%
Russian Federation	40	-	40	1	-	1	14	0.00%	0.00%
Singapore	-	617	617	-	7	7	93	0.01%	0.00%
Slovenia	-	440	440	-	5	5	66	0.01%	0.00%
Spain	37,691	21,382	59,073	2,190	320	2,510	31,374	2.49%	0.00%
Sweden	72,746	16,688	89,434	3,984	240	4,224	52,800	4.19%	0.00%
Switzerland	-	5,711	5,711	-	77	77	960	0.08%	0.00%
United Kingdom	229,137	62,857	291,994	19,012	994	20,006	250,075	19.85%	0.00%
United States	52,596	56,712	109,308	4,529	1,061	5,590	69,878	5.55%	0.00%
	2,984,292	**417,816**	**3,402,108**	**94,390**	**6,389**	**100,779**	**1,259,731**	**100.00%**	

EU CCyB2: Amount of institution-specific countercyclical capital buffer[4]

		As at 30 June 2021
1	Total risk exposure amount (€000)	1,454,460
2	Institution specific countercyclical buffer rate (%)	0.03%
3	Institution specific countercyclical buffer requirement (€000)	487

Given the Group's position and its systemic relevance to the financial system in Malta, the Group is also required to maintain an Other Systemically Important Institution ("O-SII") buffer also made up of CET1 capital. This buffer is also institution specific and may be set at a maximum of 2% of a systemically important institution's total risk exposure amount.

The Group's O-SII buffer has been set at 0.5%. In addition to the measures above, CRD IV sets out a 'systemic risk buffer' for the financial sector as a whole, or one or more sub-sectors, to be deployed as necessary by each EU member state with a view to mitigate structural macro-prudential risk. The 'systemic risk buffer' may range between 0% and 5%. As per Decision letter communicated during February 2021, the Group will be subject to a buffer rate of 1% which will be phased in over the four-year period between 2022 and 2025 .

[3] Figures have been prepared on an IFRS 9 transitional basis
[4] Figures have been prepared on an IFRS 9 transitional basis

In line with Part Eight Article 437 of the CRR the following table discloses the main features and the terms and conditions of Tier 1 and Tier 2 instruments.

EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

	Instruments	**MDB Group Limited Ordinary shares**	**MDB Group Limited Share premium**	**MeDirect Bank (Malta) plc 5% Subordinated Unsecured Bonds EUR 2027**	**MeDirect Bank (Malta) plc 5% Subordinated Unsecured Bonds GBP 2027**
1	Issuer	MDB Group Limited	MDB Group Limited	MeDirect Bank (Malta) plc	MeDirect Bank (Malta) plc
2	Unique identifier	N/A	N/A	MT0000551284	MT0000551292
2a	Public or private placement	Private	Private	Public	Public
3	Governing law(s) of the instrument	Maltese Law	Maltese Law	Maltese Law	Maltese Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	No	No	No (but extensive disclosure in offering documents as to write down and conversion powers of resolutions authorities under BRRD)	No (but extensive disclosure in offering documents as to write down and conversion powers of resolutions authorities under BRRD)
	Regulatory treatment				
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 1	Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 1	Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & (Sub) Consolidated	Solo & (Sub) Consolidated	Solo & (Sub) Consolidated	Solo & (Sub) Consolidated
7	Instrument type	Tier 1 as published in Regulation (EU) No 575/2013 articles 26 and 28	Tier 1 as published in Regulation (EU) No 575/2013 articles 26 and 28	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital	EUR55.7 million	EUR13.8 million	EU12.5 million	EUR1 million
9	Nominal amount of instrument	EUR55.7 million	EUR13.8 million	EUR18.7 million	EUR1.2 million
EU-9a	Issue price	EUR1 per share	EUR0.335 per share	EUR100 per EUR Bond	GBP100 per GBP Bond
EU-9b	Redemption price	N/A	N/A	EUR100 per EUR Bond	GBP100 per GBP Bond
10	Accounting classification	Share capital	Share premium	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	10 June 2004	10 June 2004	27 October 2017 (Note 1)	27 October 2017 (Note 1)
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	N/A	N/A	13 October 2027	13 October 2027
14	Issuer call subject to prior supervisory approval	No	No	N/A (Note 2)	N/A (Note 2)
15	Optional call date, contingent call dates, and redemption amount	No	No	N/A (Note 2)	N/A (Note 2)
16	Subsequent call dates, if applicable	No	No	N/A (Note 2)	N/A (Note 2)
	Coupons/dividends				
17	Fixed or floating dividend/coupon	Floating	N/A	Fixed	Fixed
18	Coupon rate and any related index	N/A	N/A	5% per annum	5% per annum
19	Existence of a dividend stopper	No	No	No	No
EU20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A	Mandatory	Mandatory
EU20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	N/A	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation	Subordinated to MeDirect Bank Malta plc subordinated bonds	Subordinated to MeDirect Bank Malta plc subordinated bonds	Subordinated to senior creditors and depositors	Subordinated to senior creditors and depositors
36	Non-compliant transitioned features	No	No	No	No

Note (1): The subordinated loan capital in Tier 2 capital represents the subordinated unsecured bonds of MeDirect Bank (Malta) plc. They are included as part of Tier II Capital as they fully qualify for the provisions listed under CRR (575/2013) Part Two, Title 1, Chapter 4, Article 63. Specifically they rank after the claim of all other creditors and are not to be repaid until all other debts outstanding at the time have been settled. As at 30 June 2021 the subordinated bonds listed above had a remaining maturity of more than 5 years and had all been fully paid up. These securities are included in the Group's Own Funds figure following a haircut in accordance with article 87 under CRR (575/2013) equivalent to €6.6 million.

Note (2): Redemption of the subordinated loan capital shall take place on 13 October 2027, provided that in the event that a Regulatory Change Event occurs, the Group shall at its sole discretion but subject to the prior approval of the JST, have the option to redeem the subordinated loan capital in full prior to the scheduled redemption date.

EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

	Instruments	**MeDirect Bank (Malta) plc 4% Subordinated Unsecured Bonds EUR 2029**	**MeDirect Bank (Malta) plc 4% Subordinated Unsecured Bonds GBP 2029**	**MDB Group 9.75% subordinated notes EUR 2031**
1	Issuer	MeDirect Bank (Malta) plc	MeDirect Bank (Malta) plc	MDB Group Limited
2	Unique identifier	MT0000551300	MT0000551318	XS2296173540
2a	Public or private placement	Public	Public	Public
3	Governing law(s) of the instrument	Maltese Law	Maltese Law	England Law, except conditions 4 and 16(d) that are governed by the law of Malta
3a	Contractual recognition of write down and conversion powers of resolution authorities	No (but extensive disclosure in offering documents as to write down and conversion powers of resolutions authorities under BRRD)	No (but extensive disclosure in offering documents as to write down and conversion powers of resolutions authorities under BRRD)	Yes
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & (Sub) Consolidated	Solo & (Sub) Consolidated	Solo & (Sub) Consolidated
7	Instrument type	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital	EUR21.4 million	EUR1.9 million	EUR11 million
9	Nominal amount of instrument	EUR32.2 million	EUR2.8 million	EUR11 million
EU-9a	Issue price	EUR1,000 per EUR Bond	GBP1,000 per GBP Bond	99.052% of face amount
EU-9b	Redemption price	EUR1,000 per EUR Bond	GBP1,000 per GBP Bond	100% of face amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	5 November 2019 (Note 1)	5 November 2019 (Note 1)	10 February 2021 (Note 3)
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	5 November 2029	5 November 2029	10 February 2031
14	Issuer call subject to prior supervisory approval	N/A (Note 2)	N/A (Note 2)	N/A (Note 4)
15	Optional call date, contingent call dates, and redemption amount	N/A (Note 2)	N/A (Note 2)	N/A (Note 4)
16	Subsequent call dates, if applicable	N/A (Note 2)	N/A (Note 2)	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4% per annum	4% per annum	9.75% per annum
19	Existence of a dividend stopper	No	No	No
EU20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-covertible
30	Write-down features	No	No	No
35	Position in subordination hierarchy in liquidation	Subordinated to senior creditors and depositors	Subordinated to senior creditors and depositors	Subordinated to senior creditors and depositors
36	Non-compliant transitioned features	No	No	No

Note (1): The subordinated loan capital in Tier 2 capital represents the subordinated unsecured bonds of MeDirect Bank (Malta) plc. They are included as part of Tier II Capital as they fully qualify for the provisions listed under CRR (575/2013) Part Two, Title 1, Chapter 4, Article 63. Specifically they rank after the claim of all other creditors and are not to be repaid until all other debts outstanding at the time have been settled. As at 30 June 2021 the subordinated bonds listed above had a remaining maturity of more than 5 years and had all been fully paid up. These securities are included in the Group's Own Funds figure following a haircut in accordance with article 87 under CRR (575/2013) equivalent to €11.6 million.

Note (2): Redemption of the subordinated loan capital shall take place on 5 November 2029, provided that in the event that a Regulatory Change Event occurs, the Group shall at its sole discretion but subject to the prior approval of the JST, have the option to redeem the subordinated loan capital in full prior to the scheduled redemption date.

Note (3): The fixed rate reset callable subordinated notes due 2031 were issued by MDB Group Limited on 10 February 2031. They are included as part of Tier II Capital as they fully qualify for the provisions listed under CRR (575/2013) Part Two, Title 1, Chapter 4, Article 63. Specifically they rank pari passu and without any preference amongst themselves, and will, in the event of a Winding-Up, be subordinated to the claims of all Senior Creditors. As at 30 June 2021 the subordinated notes listed above had a remaining maturity of more than 5 years and had all been fully paid up.

Note (4): MDB Group Limited may, in its sole discretion but subject to the conditions set out under “Conditions to Early Redemption, Substitution, Variation and Purchase” section in the Information Memorandum and upon notice to the Holders, elect to redeem all (but not some only), of the Notes on the Reset Date or any Interest Payment Date thereafter at their principal

5 Capital requirements

Capital requirements represent the amount of capital resources that a bank must hold as required by the regulator. In line with CRR, the Group continuously monitors its Common Equity Tier 1 capital.

The scope of permissible CRR approaches and those adopted by the Group are described below.

- Credit risk – The Group calculates its risk weighted credit risk exposure in accordance with the Standardised Approach, described in Chapter 2 of Title II of Part Three of the CRR. To calculate the risk-weighted exposure amounts, risk weights are applied based on the exposure class and the related credit quality. Credit quality may be determined by reference to the credit assessments of ECAIs that have been determined as eligible by the EBA. In the Group's calculations, senior secured loans and other corporate credit exposures are assigned risk weights corresponding to unrated positions and for the remainder of its securities investment portfolio the Group has nominated well-known risk rating agencies such as Fitch, Standard and Poor's and Moody's. Accordingly, the Group complies with the standard association of the external ratings of ECAIs with the credit quality steps prescribed in CRR.

- Operational risk – The Group calculates its capital requirement using the Basic Indicator Approach, in terms of Article 315 of the CRR. The own funds requirement amounts to 15% of the average three years of the relevant indicator, as defined in Article 316 of the CRR. Elements within the relevant indicator include interest receivable and similar income, interest payable and similar charges, income from shares and other variable/fixed-yield securities, commissions and fees receivable/payable, net profit or net loss on financial operations and other operating income, adjusted for, amongst others stipulated in the CRR, profits on sale of non-trading book items and extraordinary or irregular items.

- Counterparty credit risk – The Group adopted the original exposures method for the counterparty credit risk as defined in Article 282 of CRR 2. This takes into consideration the netting arrangements in place while accounting for potential future changes. This netting process reduces the credit risk and settlement risk to a single net claim on the party to the contract.

- Foreign exchange risk – The Group has adopted the basic method to determine its foreign exchange risk requirement in accordance with Article 351 of the CRR. In terms of this Article, the Group does not calculate the capital requirement for foreign exchange risk as its net foreign exchange position is less than 2% of its own funds.

- Credit valuation adjustment risk – The Group uses the standardised approach, as per Article 384 of the CRR.

The following table provides an overview of the total RWA and the capital requirement for credit risk, derived from the RWA by an 8% capital ratio, split by the different exposure classes as well as capital for operational risk, foreign exchange risk and credit valuation adjustment risk. No capital is allocated for market risk as the Group does not operate a trading book. The Group has no exposure in items representing securitisation positions. Moreover, the capital allocated to settlement risk and commodities risk is nought. The exposure value is equal to the total on-balance sheet and off-balance sheet net of value adjustments and provisions and post CCF.

EU OV1 – Overview of total risk exposure amounts

Amounts in €000		**Total risk exposure amounts (TREA)**		**Total own funds requirements**
		30 June 2021	**31 December 2020**	**30 June 2021**
1	Credit risk (excluding CCR)	1,242,805	1,449,662	99,424
2	Of which the standardised approach	1,242,805	1,449,662	99,424
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	12,343	12,188	987
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	8,118	9,732	649
EU 8b	Of which credit valuation adjustment - CVA	2,063	811	165
9	Of which other CCR	2,162	1,645	173
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	79,870	61,250	6,390
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	79,870	61,250	6,390
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	119,442	119,442	9,555
EU 23a	Of which basic indicator approach	119,442	119,442	9,555
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	9,995	35,921	800
29	**Total**	**1,454,460**	**1,642,542**	**116,357**

6 Leverage

The CRR II requires financial institutions to calculate a non-risk based leverage ratio, to supplement risk-based capital requirements. The leverage ratio measures the relationship between the capital resources of the organisation and its total assets. The leverage ratio is a regulatory supervisory tool for the Regulator, to constrain the build-up of excessive leverage – one of the drivers of the banking crisis – previously not captured within Basel II.

The leverage ratio is calculated by taking capital as a proportion of total exposures at the end of each quarter. Capital is defined as Tier 1 capital in line with Article 25 of the CRR, whilst total exposure relates to the total on and off-balance sheet exposures, less deductions applied to Tier 1 capital.

The CRD V package introduced a binding 3% leverage ratio. CRR 2 broadly reflected the Basel leverage ratio. It sets the Tier 1 capital-based leverage ratio requirement at 3% for all EU banks as per the EBA's recommendation. Under this framework, firms are allowed to use any Common Equity Tier 1 (CET1) capital that they use to meet their leverage ratio requirements to also meet their Pillar 1 and Pillar 2 capital requirements.

The following table delivers a reconciliation of accounting assets as per IFRS to the leverage ratio exposures as at 30 June 2021.

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

	Amounts in €000	**30 June 2021**
1	Total assets as per published financial statements	4,096,762
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)	(19,638)
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	(12,157)
9	Adjustment for securities financing transactions (SFTs)	(9,788)
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	182,488
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	(13,807)
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	(34,041)
13	**Total exposure measure**	**4,189,819**

The following table presents the constituents of the leverage exposure, the leverage ratio on a fully-loaded and phase-in basis with the fully-loaded and phase-in Tier 1 Capital, respectively as at 30 June 2021.

EU LR2 - LRCom: Leverage ratio common disclosure

	Amounts in €000	**CRR leverage ratio exposures**
		30 June 2021
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	3,993,845
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining Tier 1 capital)	(13,807)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	3,980,038
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)[5]	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-
EU-9b	Exposure determined under Original Exposure Method	71,900
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	(62,357)
11	Adjusted effective notional amount of written credit derivatives	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
13	**Total derivatives exposures**	9,543
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	32,962
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
16	Counterparty credit risk exposure for SFT assets	9,788
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-
17	Agent transaction exposures	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	(25,000)
18	**Total securities financing transaction exposures**	17,750
19	Off-balance sheet exposures at gross notional amount	461,342
20	(Adjustments for conversion to credit equivalent amounts)	(278,854)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-
22	**Off-balance sheet exposures**	182,488
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-
EU-22k	(Total exempted exposures)	-
23	**Tier 1 capital**	233,666
24	**Total exposure measure**	**4,189,819**
25	Leverage ratio (%)	5.6%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.6%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.6%
26	Regulatory minimum leverage ratio requirement (%)[6]	3.0%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%
EU-26b	of which: to be made up of CET1 capital	0.0%
27	Leverage ratio buffer requirement (%)	0.0%
EU-27a	Overall leverage ratio requirement (%)	3.0%
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	32,769
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	32,962
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)	4,189,626

[5] The replacement cost associated with SA-CCR is effective from 30 June 2021.
[6] The Leverage ratio requirement is effective from 30 June 2021 under the CRR2.

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)	4,189,626
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)	5.6%
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)	5.6%

The disclosed leverage ratio was calculated using the transitional definition (i.e. including IFRS 9 adjustments to Tier 1 capital and risk-weighted assets) and represents the end-of-quarter leverage ratio.

The following table provides a split-up of the on-balance sheet exposures as at 30 June 2021 in relation to the calculation of the leverage ratio.

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

	Amounts in €000	**30 June 2021**
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**4,023,271**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	4,023,271
EU-4	Covered bonds	433,691
EU-5	Exposures treated as sovereigns	446,052
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	53,732
EU-7	Institutions	273,270
EU-8	Secured by mortgages of immovable properties	1,442,919
EU-9	Retail exposures	170,242
EU-10	Corporates	574,676
EU-11	Exposures in default	112,138
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	516,551

7 Credit Risk and Credit Risk Mitigation ("CRM")

Both the treasury management policy and the corporate credit framework include a list of permitted asset classes, countries and currencies, whilst a high degree of diversification is implemented through single issuer, industry and geography concentration limits.

The global COVID-19 crisis implied that the Group had to quickly identify and respond to new risks as with a changing risk landscape comes the need for new risk assessments and a subsequent adjustment of controls to contain such new or heightened risks. Risks are constantly changing and evolving, as is our risk management framework, given that the more tailored and risk-based the Group's approach, the swifter the Group will be able to adapt to the current changing environment.

The Group will continue to monitor the situation closely. The risk response to COVID-19 included reviewing the key objectives and priorities in the light of current information, balancing 'business as usual' against new demands and changing priorities, ensuring that the Group undertakes risk assessments in respect to the impact of COVID-19 on its key objectives and the preparation and implementation of response plans, stress testing various scenarios and being alert to other risks materialising.

The Group is participating in several COVID-19 relief programmes to support its customers. Group entities have supported affected customers with interest and capital moratoria, temporary overdraft facilities and changes in funding terms, amongst other measures, all in line with directives issued by the Central Bank of Malta or other regulatory authorities. Such assistance is being provided based on appropriate risk assessment. MeDirect Malta also actively participated in an open dialogue with the Malta Development Bank, which manages the financial packages scheme for the Ministry of Finance. MeDirect Malta became an accredited financial intermediary under the Malta Development Bank's COVID-19 Guarantee Scheme ("CGS") and launched its MeAssist product in early May 2020 in order to enhance access to bank financing for the working capital requirements of customers in Malta.

7.1 Credit quality analysis

The following tables provide a comprehensive picture of the credit quality of the Group's assets by exposure class as at 30 June 2021 in line with EBA guidelines on disclosures, by exposure class, industry and geography.

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

	Amounts in €000	Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
005	Cash balances at central banks and other demand deposits	381,235	381,235	-	-	-	-
010	Loans and advances	2,312,335	2,079,190	233,145	137,436	29,809	99,659
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-
040	*Credit institutions*	*37,089*	*37,089*	-	-	-	-
050	*Other financial corporations*	*287,169*	*197,387*	*89,782*	*53,503*	-	*45,535*
060	*Non-financial corporations*	*402,363*	*261,106*	*141,257*	*83,339*	*29,809*	*53,530*
070	*Of which SMEs*	*80,238*	*69,341*	*10,897*	*10,034*	-	*10,034*
080	*Households*	*1,585,714*	*1,583,608*	*2,106*	*594*	-	*594*
090	Debt securities	1,203,456	1,202,234	-	-	-	-
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*206,899*	*206,899*	-	-	-	-
120	*Credit institutions*	*566,288*	*566,288*	-	-	-	-
130	*Other financial corporations*	*417,862*	*416,640*	-	-	-	-
140	*Non-financial corporations*	*12,407*	*12,407*	-	-	-	-
150	Off-balance-sheet exposures	439,426	390,831	48,595	11,520	-	11,520
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-
180	*Credit institutions*	-	-	-	-	-	-
190	*Other financial corporations*	*170,987*	*155,204*	*15,783*	-	-	-
200	*Non-financial corporations*	*144,557*	*111,745*	*32,812*	*11,520*	-	*11,520*
210	*Households*	*123,882*	*123,882*	-	-	-	-
220	**Total**	**4,336,452**	**4,053,490**	**281,740**	**148,956**	**29,809**	**111,179**

	Amounts in €000	**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 – 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			
005	Cash balances at central banks and other demand deposits	(3)	(3)	-	-	-	-	-	-	-
010	Loans and advances	(5,648)	(1,977)	(3,671)	(9,533)	(1,605)	(7,775)	-	1,673,990	9,665
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	*(2,328)*	*(803)*	*(1,525)*	*(6,076)*	-	*(5,923)*	-	*9,528*	-
060	*Non-financial corporations*	*(3,164)*	*(1,071)*	*(2,093)*	*(3,422)*	*(1,605)*	*(1,817)*	-	*78,906*	*9,108*
070	*Of which SMEs*	*(164)*	*(138)*	*(26)*	*(79)*	-	*(79)*	-	*78,906*	*9,108*
080	*Households*	*(156)*	*(103)*	*(53)*	*(35)*	-	*(35)*	-	*1,585,556*	*557*
090	Debt securities	(230)	(230)	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-		
110	*General governments*	*(6)*	*(6)*	-	-	-	-	-	-	-
120	*Credit institutions*	*(3)*	*(3)*	-	-	-	-	-	-	-
130	*Other financial corporations*	*(151)*	*(151)*	-	-	-	-	-	-	-
140	*Non-financial corporations*	*(70)*	*(70)*	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	(670)	(312)	(358)	(1,536)	-	(1,536)		-	-
160	*Central banks*	-	-	-	-	-	-		-	-
170	*General governments*	-	-	-	-	-	-		-	-
180	*Credit institutions*	-	-	-	-	-	-		-	-
190	*Other financial corporations*	*(244)*	*(171)*	*(73)*	-	-	-		-	-
200	*Non-financial corporations*	*(423)*	*(138)*	*(285)*	*(1,536)*	-	*(1,536)*		-	-
210	*Households*	*(3)*	*(3)*	-	-	-	-		-	-
220	**Total**	**(6,551)**	**(2,522)**	**(4,029)**	**(11,069)**	**(1,605)**	**(9,311)**	-	**1,673,990**	**9,665**

EU CQ 4: Quality of non-performing exposures by geography

		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
	Amounts in €000		Of which non-performing	Of which defaulted	Of which subject to impairment			
010	***On-balance-sheet exposures***	3,653,227	137,436	137,076	3,653,227	15,414		-
020	*Malta*	*113,259*	*10,268*	*10,268*	*113,259*	*298*		*-*
030	*Belgium*	*9,091*	*7,969*	*7,969*	*9,091*	*153*		*-*
040	*United Kingdom*	*230,786*	*35,194*	*35,194*	*230,786*	*2,719*		*-*
050	*Germany*	*330,448*	*7,903*	*7,903*	*330,448*	*345*		*-*
060	*Italy*	*145,309*	*20,513*	*20,513*	*145,309*	*1,659*		*-*
070	*France*	*230,007*	*11,948*	*11,948*	*230,007*	*1,165*		*-*
080	*Netherlands*	*1,713,342*	*360*	*-*	*1,713,342*	*714*		*-*
090	*United States*	*31,875*	*9,068*	*9,068*	*31,875*	*831*		*-*
100	*Austria*	*116,212*	*-*	*-*	*116,212*	*-*		*-*
110	*Sweden*	*65,608*	*-*	*-*	*65,608*	*207*		*-*
120	*Denmark*	*11,314*	*-*	*-*	*11,314*	*-*		*-*
130	*Ireland*	*406,538*	*-*	*-*	*406,538*	*150*		*-*
140	*Other countries*	*249,438*	*34,213*	*34,213*	*249,438*	*7,173*		*-*
160	***Off-balance-sheet exposures***	**450,946**	**11,520**	**11,520**	**450,946**		**2,206**	
170	*Malta*	*62,203*	*8*	*8*	*62,203*		*-*	
180	*Belgium*	*-*	*-*	*-*	*-*		*-*	
190	*United Kingdom*	*51,167*	*-*	*-*	*51,167*		*218*	
200	*Germany*	*24,133*	*-*	*-*	*24,133*		*22*	
210	*Italy*	*6,306*	*-*	*-*	*6,306*		*53*	
220	*France*	*29,373*	*-*	*-*	*29,373*		*156*	
230	*Netherlands*	*142,882*	*-*	*-*	*142,882*		*25*	
240	*United States*	*44,963*	*-*	*-*	*44,963*		*66*	
250	*Austria*	*16,267*	*-*	*-*	*16,267*		*35*	
260	*Sweden*	*14,828*	*-*	*-*	*14,828*		*32*	
270	*Denmark*	*12,500*	*-*	*-*	*12,500*		*29*	
280	*Ireland*	*-*	*-*	*-*	*-*		*-*	
290	*Other countries*	*46,324*	*11,512*	*11,512*	*46,324*		*1,570*	
300	***Total***	**4,104,173**	**148,956**	**148,596**	**4,104,173**	**15,414**	**2,206**	-

EU CQ 5: Credit quality of loans and advances to non-financial corporations by industry

		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		
	Amounts in €000			Of which defaulted			
010	Agriculture, forestry and fishing	455	-	-	455	-	-
020	Mining and quarrying	-	-	-	-	-	-
030	Manufacturing	66,126	11,948	11,948	66,126	1,367	-
040	Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050	Water supply	-	-	-	-	-	-
060	Construction	43,409	-	-	43,409	64	-
070	Wholesale and retail trade	14,407	1,652	1,652	14,407	223	-
080	Transport and storage	7,968	-	-	7,968	153	-
090	Accommodation and food service activities	20,300	17,862	17,862	20,300	1,033	-
100	Information and communication	49,462	9,068	9,068	49,462	969	-
110	Professional, scientific and technical activities	133,662	-	-	133,662	965	-
120	Financial and insurance activities	-	-	-	-	-	-
130	Real estate activities	35,040	10,034	10,034	35,040	122	-
140	Administrative and support service activities	73,637	32,775	32,775	73,637	1,125	-
150	Public administration and defense, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	27,882	-	-	27,882	545	-
180	Arts, entertainment and recreation	13,353	-	-	13,353	20	-
190	Others	-	-	-	-	-	-
200	**Total**	**485,701**	**83,339**	**83,339**	**485,701**	**6,586**	-

7.2 Impairment loss measurement guidelines

The scope of the impairment loss measurement guidelines are to establish effective provisioning standards, internal controls, reporting requirements and approval processes that will govern the on-going monitoring of credit risk exposures inherent in the investment securities and loan and advances portfolios.

An exposure is "past due" when any amount of principal, interest or fee has not been paid at the date it was due. Past due but not impaired loans are those loans and advances for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Group.

In accordance with the policy, impaired investment securities and loans are either those that are more than 90 days past due, or those for which the Group establishes that it is unlikely that it will collect the full principal and/or interest due in accordance with the contractual terms of the underlying agreement(s).

However, as outlined previously where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Group, such facilities are considered as past due but not impaired loans. Related credit losses, which may arise, are partly covered by Stage 1 and Stage 2 credit loss allowances.

The uncertainty in the macroeconomic environment has increased substantially since the COVID-19 outbreak. The Group's provisioning approach is forward looking with a view of capturing current and future difficulties of borrowers. The Group carried out an intensive and comprehensive review of the resilience of its international corporate lending portfolio under various economic scenarios, taking into consideration both direct and indirect risks.

This review evaluated the portfolio to identify problematic exposures, and impairments were booked to cover all expected future losses. This assessment was conducted based on a thorough review of all borrowers on a name-by-name basis, often involving direct communication with the senior management of individual borrowers and, where applicable, the examination of detailed reviews performed by independent experts. This review was undertaken conservatively with the aim of identifying and providing for all currently expected credit losses.

The Group will continue to monitor the evolution of COVID-19 and its impact on the macroeconomic environment and the Group's borrowers.

The following table provides an ageing analysis of exposures as at 30 June 2021:

EU CR1-A: Maturity of exposures

		Net exposure value					
	Amounts in €000	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	107,612	203,059	494,851	1,629,068	-	2,434,590
2	Debt securities	-	142,756	922,629	137,842	-	1,203,227
3	**Total**	**107,612**	**345,815**	**1,417,480**	**1,766,910**	**-**	**3,637,817**

The following table provides the change in stock on non-performing loans and advances

EU CR 2 - Changes in stock of non-performing loans and advances

		Gross carrying amount (€000)
010	**Initial stock of non-performing loans and advances**	203,986
020	Inflows to non-performing portfolios	32,324
030	Outflows from non-performing portfolios	(98,874)
040	*Outflows due to write-offs*	*(7,782)*
050	*Outflow due to other situations*	*(91,092)*
060	**Final stock of non-performing loans and advances**	**137,436**

EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

		Gross carrying amount (€000)	Related net accumulated recoveries (€000)
010	**Initial stock of non-performing loans and advances**	203,986	
020	Inflows to non-performing portfolios	32,324	
030	Outflows from non-performing portfolios	(98,874)	
040	Outflow to performing portfolio	-	
050	Outflow due to loan repayment, partial or total	(30,286)	
060	Outflow due to collateral liquidations	-	-
070	Outflow due to taking possession of collateral	-	-
080	Outflow due to sale of instruments	(22,501)	-
090	Outflow due to risk transfers	-	-
100	Outflows due to write-offs	(7,782)	
110	Outflow due to other situations	(38,305)	
120	Outflow due to reclassification as held for sale	-	
130	**Final stock of non-performing loans and advances**	**137,436**	-

The following tables provide an overview of asset quality information for forborne exposures as at 30 June 2021 broken down by supervisory reporting counterparty classes.

EU-CQ1: Credit quality of forborne exposures

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	Amounts in €000			Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	164,097	113,912	113,822	84,012	2,520	8,934	14,793	9,368
020	*Central banks*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
030	*General governments*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
040	*Credit institutions*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
050	*Other financial corporations*	*69,609*	*34,252*	*34,252*	*34,252*	*835*	*5,924*	*-*	*-*
060	*Non-financial corporations*	*93,531*	*79,379*	*79,379*	*49,569*	*1,647*	*2,988*	*13,615*	*9,108*
070	*Households*	*957*	*281*	*191*	*191*	*38*	*22*	*1,178*	*260*
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	27,112	-	-	-	193	-	-	-
100	**Total**	**191,209**	**113,912**	**113,822**	**84,012**	**2,713**	**8,934**	**14,793**	**9,368**

EU-CQ2: Quality of forbearance

		Gross carrying amount of forborne exposures (€000)
010	Loans and advances that have been forborne more than twice	-
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	-

The following table provides an aging analysis of performing and non-performing exposures as at 30 June 2021, as per the EBA Guidelines on disclosure of non-performing and forborne exposures. The gross carrying values indicated is before impairments and provisions but after the write-offs reported in the interim financial statements for the financial period ended 30 June 2021.

EU CQ 6: Collateral valuation – loans and advances

		Loans and advances				
			Performing		Non-performing	
	Amounts in €000			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days
1	**Gross carrying amount**	2,449,771	2,312,335	1,189	137,436	130,386
2	Of which secured	1,683,796	1,674,096	1,189	9,700	2,694
3	Of which secured with immovable property	1,683,001	1,673,301	1,189	9,700	2,694
4	Of which instruments with LTV higher than 60% and lower or equal to 80%	295,670	290,028		5,642	-
5	Of which instruments with LTV higher than 80% and lower or equal to 100%	1,132,840	1,132,570		270	153
6	Of which instruments with LTV higher than 100%	92,728	92,728		-	-
7	**Accumulated impairment for secured assets**	15,181	5,649	53	9,532	9,498
8	**Collateral**					
9	Of which value capped at the value of exposure	1,683,603	1,673,919	1,189	9,684	2,693
10	Of which immovable property	1,682,809	1,673,125	1,189	9,684	2,693
11	Of which value above the cap	206,652	195,313	-	11,339	6,461
12	Of which immovable property	206,417	195,077	-	11,340	6,461
13	**Financial guarantees received**	1,402,659	1,402,341	1,646	318	318
14	**Accumulated partial write-off**	6,900			6,900	

		Loans and advances						
		Non-performing						
		Past due > 90 days						
	Amounts in €000		Of which past due > 90 days ≤ 180 days	Of which past due > 180 days ≤ 1 year	Of which past due > 1 year ≤ 2 years	Of which past due > 2 years ≤ 5 years	Of which past due > 5 years ≤ 7 years	Of which past due > 7 years
1	**Gross carrying amount**	7,050	90	117	191	33	-	6,619
2	Of which secured	7,006	90	117	191	-	-	6,608
3	Of which secured with immovable property	7,006	90	117	191	-	-	6,608
4	Of which instruments with LTV higher than 60% and lower or equal to 80%	5,641	90	-	-	-	-	5,551
5	Of which instruments with LTV higher than 80% and lower or equal to 100%	117	-	117	-	-	-	-
6	Of which instruments with LTV higher than 100%	-	-	-	-	-	-	-
7	**Accumulated impairment for secured assets**	6,646	8	5	14	-	-	6,619
8	**Collateral**							
9	Of which value capped at the value of exposure	6,992	90	117	177	-	-	6,608
10	Of which immovable property	6,992	90	117	177	-	-	6,608
11	Of which value above the cap	4,877	-	-	1,023	-	-	3,854
12	Of which immovable property	4,877	-	-	1,023	-	-	3,854
13	**Financial guarantees received**	-	-	-	-	-	-	-
14	**Accumulated partial write-off**	6,900	6,900					

The amounts in the table above represent the gross carrying amount of the non-performing exposures. As a result of the COVID-19 pandemic, assessments of lending portfolios were made on an ongoing basis.

Based on the Group's detailed name by name portfolio analysis, provisions were taken on all borrowers whom have defaulted, as well as all non-defaulted borrowers that showed potential future characteristics of unlikeliness to pay. The Group also amended Stage 1 and Stage 2 provisions to reflect rating migrations and updates to the macroeconomic outlook.

The whole of €7.1 million, which is past due more than 90 days as shown in EU CQ6 above, is considered as credit impaired. As stated earlier, those exposures classified as past due but not impaired would be treated as such as although contractual interest or principal payments is past due, the Group believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Group. However, related credit losses, which may arise, would be partly covered by Stage 1 and Stage 2 credit loss allowances. As of 30 June 2021, all of the exposures past due more than 90 days are covered by stage 3 credit loss allowances.

As per the Article 111 of CRR, the exposure values of assets shall be their accounting values remaining after specific credit risk adjustments while any general credit risk adjustments are treated as part of Tier 2 capital. Regulation 183/2014 defines what should be treated as general or specific credit risk adjustments, which can result from impairments, value adjustments or other provisions.

Such adjustments shall be equal to all amounts by which the Common Equity Tier 1 capital has been reduced in order to reflect losses exclusively related to credit risk according to the applicable accounting framework and recognised as such in the income statement. Losses which are a result of current or past events affecting certain exposures and losses for which historical experience (on the basis of current observable data) indicates that the loss has occurred but it is not yet known which individual exposure suffered these losses, are treated as specific credit risk adjustments.

Amounts which are freely and fully available, as regards to timing and amount, to meet credit risk losses that have not yet materialised and amounts which reflect credit risk losses for a group of exposures for which there is currently no evidence that a loss event has occurred, are treated as general credit risk adjustments.

According to these definitions, the Group's specific and general impairment allowances as calculated under IFRS 9, are classified as specific credit risk adjustments and are deducted from the accounting values to determine the exposure amounts.

There are no other amounts apart from the impairment allowances that are classified as specific or general credit risk adjustments.

The Group does not account for any general credit risk adjustments.

The Group's impaired and past due but not impaired loans and advances to customers were primarily concentrated in Europe.

There were no other adjustments including those determined by business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments.

7.3 Credit Risk Mitigation ("CRM")

It is the Group's practice to lend on the basis of the customer's ability to meet its obligations out of its cash flow resources rather than rely on the value of security offered. In fact, the majority of Group's international corporate loans are not secured by any type of collateral.

The Group uses various techniques as allowed by the CRD IV in order to mitigate credit risks such as netting and set off, and in some cases use of collateral. Credit risk mitigation is recognised only when it is legally enforceable and effective, which in order to do so requires adequate monitors and valuation of collateral received.

In September 2019, the Group commenced mortgage lending in the Netherlands under the NHG mortgage criteria under the standardised approach to credit risk.

Under the Standardised Approach, the risk-weights for exposures secured by mortgages on residential property are set by Articles 123 to 125 of the Capital Requirements Regulation (CRR). Thus the valuation of the collateral is an important component to determine the portion of the Dutch mortgage exposure that should be considered to be secured by property and the portion, if any, of the Dutch mortgage exposure that should be treated as a retail exposure under article 123 of the CRR.

As from 31 March 2020, following changes to the Dutch National Mortgage Guarantee (NHG), when applying a risk weighting to mortgage loans, the Group is taking into account the terms and conditions that govern the National Mortgage Guarantee (NHG) scheme and, hence, the credit protection it provides. In the case of residential mortgage loans that are guaranteed by the NHG, the risk-weights for such exposures are amended in accordance with the credit risk mitigation framework of Part Three, Title II, Chapter 4 of the CRR, given that the NHG guarantee now meets the conditions of, in particular, Articles 213 to 215 of the CRR.

Thus, as from 31 March 2020, with respect to NHG-mortgages the actual coverage of the guarantee is being taken into account. Thus, the amortisation of the NHG coverage value, as well as the 10% own risk factor, is now being taken into account in the establishment of the protected amount (the factor GA as laid out in Article 235 of the CRR).

In addition to the risk-weights and capital charges for NHG-mortgages under Pillar I, the Group is now taking into account under Pillar II specific risks of NHG-mortgages in its internal capital adequacy assessment process (ICAAP).

7.3.1 Capital allocation and capital buffers for credit risk

The Group adopts the standardised approach to calculate its capital requirement for credit risk. The Group's credit framework contains enough detail specifying how the Group calculates the risk weights of the exposures covered by the framework, wherever the regulatory framework permits elections or other choices to be made.

Besides allocating capital against its Pillar I risks that are based on the Group's accounting records, the Group also carries an assessment of the extra capital proportionate to Pillar II risks as part of its annual ICAAP. The ICAAP chapter on concentration risk, describes the Group's approach for allocating capital for this risk.

Since the Group is not rated, it is not required to allocate internal capital or allocate collateral in the eventuality of a downgrade in its credit rating.

7.3.2 On and off balance sheet netting and set-off

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is the intention to settle on a net basis or realise the asset and settle the liability simultaneously. The level of offsetting within the Group is deemed to be minimal.

7.3.3 Collateral and other credit enhancements

Collateral received by the Group includes residential and commercial property, as well financial collateral such as debt securities and cash on deposit. Most of the immovable property collateral received is located in Malta and in the Netherlands (in the frame of the Dutch Mortgage business). In particular, in relation to the local lending portfolio, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of a default, the Group may utilise the collateral as a source of repayment. Depending on its form, collateral can have a significant financial effect in mitigating exposure to credit risk. The Group follows Articles 124 to 126 of the CRR in order to determine whether exposures are fully and completely secured by immovable property, and which risk weight to apply in order to calculate the own funds requirement.

In order to make use of the financial collateral for credit risk mitigation purposes, the Group follows the conditions set out in Chapter 4, Title I, Part Three of CRR, in particular applying Article 222 of the said regulation. Collateral that is not eligible in terms of CRR is not taken into consideration for credit risk mitigation.

To determine the overall credit exposure limit, the Group applies a number of limits to the Local Lending portfolio both at Portfolio level and at Single Name level. These limits are decided by the Group's board and disclosed on the Risk Appetite Framework which is revised on an annual basis. A Loan-to-Value limit is applied to any credit extended to real estate related transactions or where real estate is pledged as collateral, given that underlying asset values can be subject to market volatility. This limit is calculated on the market value of the security, prior to the application of the relative haircut as described below.

The market value of the collateral is based on an assessment carried out by the Maltese Lending unit to determine whether the 'market value' of the collateral is the best estimate of the net realisable value of the said asset. The unit evaluates the valuation in the context of market impact of liquidation of the said collateral on liquidity, buy-sell spread and market float of the same class of assets. The Group applies haircuts in respect of the property valuation carried out by the independent valuer and is determined on a case-by-case basis taking into account particular characteristics such as valuer's expertise and experience, valuation/s of similar collateral and, locations and conditions of property. Haircuts are applied to arrive at the best prudent estimate of the realisable value of the collateral and are documented in the credit memorandum together with an explanation of the suitability of chosen haircut. The haircut is discussed and ratified at the Local Lending – Management Credit Committee.

The value of collateral that is commercial real estate is monitored at least annually, while the value of residential real estate is reviewed once every three years. The value is monitored through the local Property Price Index as well by gauging asking prices of similar properties available on the market. For individually significant loans, including but not limited to those exceeding €3 million or 5% of the Group's own funds, the value of the property securing such loans shall be reviewed by an independent valuer at least every three years. If the market is subject to significant changes in conditions and publicly available information indicates that the value of the property may have declined materially relative to general market prices, an update of the valuation of the collateral shall be required.

The guidelines on collateral haircuts are reviewed by the Group at least annually, and may from time to time, be amended to ensure that the Group's business continues to act in accordance with best practices.

The following statement as at 30 June 2021 is in line with the EBA Guidelines on disclosure of non-performing and forborne exposures.

EU CQ7: Collateral obtained by taking possession and execution processes and EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown

No collateral was obtained by taking possession of tangible assets.

EU CR5 – Standardised approach[7]

As at 30 June 2021		Exposure value post CCF and CRM										
	Amounts in €000	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Total**	**Of which unrated**
1	Central governments or central banks	1,648,031	-	-	-	-	-	-	-	3,998	1,652,029	1,652,029
2	Regional governments or local authorities	121,614	-	-	-	-	-	-	-	-	121,614	121,614
3	Public sector entities	74,629	-	20,139	-	-	-	-	-	-	94,768	94,768
4	Multilateral development banks	40,736	-	-	-	-	-	-	-	-	40,736	40,736
5	International organisations	25,823	-	-	-	-	-	-	-	-	25,823	25,823
6	Institutions	8,086	-	226,413	-	142	-	2,415	-	-	237,056	58,760
7	Corporates	-	-	-	-	-	-	715,623	-	-	715,623	715,623
8	Retail exposures	-	-	-	-	-	116,994	-	-	-	116,994	116,994
9	Exposures secured by mortgages on immovable property	-	-	-	80,382	14,095	-	31,735	-	-	126,212	126,212
10	Exposures in default	-	-	-	-	-	-	9,473	108,107	-	117,580	117,580
11	Items associated with particular high risk	-	-	-	-	-	-	-	43,416	-	43,416	43,416
12	Covered bonds	-	431,412	2,279	-	-	-	-	-	-	433,691	-
13	Equity exposure	-	-	-	-	-	-	-	-	-	-	-
14	Other items	4,488	-	-	-	-	-	34,953	-	-	39,441	39,441
15	**Total**	**1,923,407**	**431,412**	**248,831**	**80,382**	**14,237**	**116,994**	**794,199**	**151,523**	**3,998**	**3,764,983**	**3,152,996**

[7] Amounts presented in this table represent exposure value after credit risk mitigants ('CRM') and credit conversion factor ('CCF') excluding IFRS 9 transitional adjustment.

7.4 Measures applied in response to the COVID-19 crisis

In light of the COVID-19 pandemic the Group has undertaken a number of measures in order to support the business community, including the Malta Development Bank Guarantee Scheme and the granting of moratoria in line with CBM Directive 18.

As required by the EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07) and MFSA Banking Rule BR/23, the below tables disclose information on exposures to which such measures are applied.

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

	Amounts in €000	Gross Carrying Amount			
		Total exposures	Performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
1	Loans and advances subject to moratorium	*4,143*	*4,143*	-	-
2	of which: Households	-	-	-	-
3	*of which: Collateralised by residential immovable property*	-	-	-	-
4	of which: Non-financial corporations	*4,143*	*4,143*	-	-
5	*of which: Small and Medium-sized Enterprises*	*4,143*	*4,143*	-	-
6	*of which: Collateralised by commercial immovable property*	*4,138*	*4,138*	-	-

	Amounts in €000	Accumulated impairment, accumulated negative changes in fair value due to credit risk			
		Total	Performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)
1	Loans and advances subject to moratorium	*(25)*	*(25)*	-	-
2	of which: Households	-	-	-	-
3	*of which: Collateralised by residential immovable property*	-	-	-	-
4	of which: Non-financial corporations	*(25)*	*(25)*	-	-
5	*of which: Small and Medium-sized Enterprises*	*(25)*	*(25)*	-	-
6	*of which: Collateralised by commercial immovable property*	*(25)*	*(25)*	-	-

The moratoria granted are in the form of postponement of principal and/or interest for a predefined limited period of time and were mainly granted to borrowers in real estate and construction industries. No economic losses due to COVID-19 forbearance were realised during the period. None of the exposures were non-performing as at 30 June 2021.

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	Amounts in €000	Number of obligors	Gross Carrying Amount							
			Total	Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	31	30,554	30,554						
2	Loans and advances subject to moratorium (granted)	31	30,554	30,554	1,059	-	-	-	-	-
3	of which: Households		1,059	1,059	1,059	-	-	-	-	-
4	*of which: Collateralised by residential immovable property*		757	757	757	-	-	-	-	-
5	of which: Non-financial corporations		24,069	24,069	19,925	-	1,709	2,434	-	-
6	*of which: Small and Medium-sized Enterprises*		24,069	24,069	19,925	-	1,709	2,434	-	-
7	*of which: Collateralised by commercial immovable property*		16,499	16,499	12,361	-	1,704	2,434	-	-

Most moratoria where granted for a period of 3-6 months basis. Some of the moratoria which erred towards the 3 month period where granted an extension falling within the 3-6 month bracket, depending on the industry performance and financial standing of the borrower post COVID-19.

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

A new facility amounting to €500 thousand which is guaranteed by the Malta Development Bank, was granted to a borrower acting as a holding company in the retail industry from December 2020. The facility was fully drawn as at 30 June 2021.

	Amounts in €000	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**1,382**	-	1,244	-
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	1,382	-	1,244	-
5	of which: Small and Medium-sized Enterprises	881			-
6	of which: Collateralised by commercial immovable property	-			-

8 Counterparty Credit Risk (“CCR”)

Counterparty credit risk (“CCR”) refers to the risk that the counterparty to a transaction could default before the final settlement of the transaction’s cash flows. The Group is primarily exposed to counterparty credit risk through derivative exposures, which have largely been limited to interest rate and currency hedges of the Group’s investment portfolio, and to other derivatives exposures that can be priced on a real time basis.

The Group was not involved in any credit derivative transactions during the period, and the derivative transactions falling under intermediation activities were immaterial in relation to the total derivative transactions undertaken by the Group. Due to this, the Group does not allocate a capital add-on for counterparty concentration. A description of the methodology used by the Group to allocate internal capital for concentration risk is given in section 3 ‘Credit Risk and Credit Risk mitigation’.

Counterparty credit risk in respect of currency swaps and forwards, interest rate swaps, options, swaptions and any other derivative instruments that entail credit exposures shall only be entered into with counterparties approved by ALCO. Entry into any derivative exposure will be subject to prior implementation of appropriate settlement and risk management infrastructure pursuant to a signed ISDA/CSA Agreement. The Group’s RAS clearly states that the Group has no appetite to enter into currency swaps and forwards, interest rate swaps, options and other derivative instruments which create credit exposures with counterparties which are not approved by ALCO. This list of approved derivative counterparties and associated limits is included in the Group’s FX Risk Policy and Group Risk Appetite Statement. Entering into bilateral secured financing transactions bearing any counterparty risk which cannot be executed under a signed GMRA or ISDA agreement is also outside the Group’s risk appetite.

The Group’s Treasury Function ensures that margin calls arising from the Group’s repo and derivatives obligations are monitored on a daily basis. Exposure to derivative counterparties and the related credit risk is mitigated through the use of netting and collateralisation agreements.

As the Group is not an externally rated entity, the Group does not carry any exposure to counterparty credit risk impact given a downgrade in its credit rating.

In order to determine the potential future credit exposure, the notional amounts or underlying values, as applicable, are multiplied by the percentages stipulated in the CRR, Table 1 of Article 274(2)(c). These are based on contract type and residual maturities.

9 Securitisation

The CRR defines a securitisation as a transaction or scheme where the credit risk of an exposure or pool of exposures is tranched, where the payments arising from the transaction or scheme are dependent upon the performance of the underlying exposure(s) and where the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

In view of the Group’s projected exposure to the total variability of the returns of its structured entity (Grand Harbour CLO 2019-1 Designated Activity Company (“GH1 2019”)), taking into account its maximum exposure as a collateral manager (i.e. incorporating all cash flows, including management and incentive fees) and its exposure to variability of returns from the 5% vertical slice of the structured notes, a significant share of the exposure to variable returns was transferred to other tranche holders and therefore the Group does not consolidate the structured entity. The Group also invests in in CLO transactions managed by third-party entities which together with the structured notes referred to above constitute the Group’s Securitisation Investments portfolio.

From a regulatory point of view the investment in securitisations is risk weighted by looking through to the underlying assets of the securitisation structure. As per standardised approach the Bank uses ratings from three External Credit Assessment Institutions, Moody’s, Standard & Poor’s and Fitch.

The Securitisation Standardised Approach (SEC-SA) is used to calculate all of the risk-weighted exposure amounts and none of the securitisation positions of the Group are deducted from Own Funds or risk weighted at 1250%.

Investment in tranches within a Collateralised Loan Obligation Structured Entity ("CLO SE") originated and managed by the Group

The Group assesses the staging of the tranche rather than the facilities within the underlying portfolio of financial assets. The Group determines an Implied Rating (as a proxy measure of credit risk) for each tranche at different points in time. Expected losses and average life are used to assign an Implied Rating to each tranche based on an external vendor's methodology and observed defaults in the industry. The Implied Rating at reporting date is benchmarked to the Implied Rating at origination date of the tranche in order to determine whether a SICR has occurred since initial recognition.

In line with the Group's approach for the identification of SICR events and the determination of staging for the International Corporate Credit and Treasury portfolio, a quantitative ratings-based approach is utilised in order to assess the movement in credit risk since initial recognition of the Group's investment in the tranches of the CLO.

In respect of tranches of CLOs to which an investment-grade Implied Rating is assigned, the Group makes use of the low credit risk exemption. As a result, the Group assumes that no SICR has occurred since initial recognition as long as the tranche retains an investment-grade Implied Rating. Hence, the Group assumes that the credit risk attributable to tranches to which the low credit risk exemption is applied has not increased significantly since initial recognition, and therefore does not perform an SICR assessment for such tranches unless their Implied Rating falls to sub-investment grade.

The Group does not provide support, directly or indirectly, with a view to reducing potential or actual losses to the investors of GH1-2019 securitisation, beyond its contractual obligations

Investment in tranches within a publicly rated CLO SE originated and managed by a third party, with a public investment grade rating assigned by reputable agency

Similar to the Treasury Portfolio criteria, investment grade rating is an example of a financial instrument that may be considered as having low credit risk; therefore the Group only needs to measure 12-month ECL for publicly rated investment grade tranches of CLOs.

The following tables provide an analysis of the securitisation exposures by looking through to the underlying exposures.

EU-SEC 1: Securitisation exposures in the non-trading book

As at 30 June 2021 *Amounts in €000*		Institution acts as originator							Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS		
			of which SRT		of which SRT							
1	**Total exposures**	-	-	19,638	19,638	-	-	19,638	-	398,178	-	398,178
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	19,638	19,638	-	-	19,638	-	398,178	-	398,178
8	loans to corporates	-	-	19,638	19,638	-	-	19,638	-	398,178	-	398,178
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-

EU-SEC 3: Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator

As at 30 June 2021 *Amounts in €000*		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)	RWEA (by regulatory approach)	Capital charge after cap
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250 % RW	1250% RW/ deductions	SEC-SA	SEC-SA	SEC-SA
1	**Total exposures**	-	-	-	19,638	-	19,638	20,144	1,611
2	Traditional transactions	-	-	-	19,638	-	19,638	20,144	1,611
3	Securitisation	-	-	-	19,638	-	19,638	20,144	1,611
4	Retail	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	19,638	-	19,638	20,144	1,611
7	Of which STS	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

EU-SEC 4: Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as an investor

As at 30 June 2021		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)	RWEA (by regulatory approach)	Capital charge after cap
Amounts in €000		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SA/SSFA	SA/SSFA	SA/SSFA
1	Total exposures	398,178	-	-	-	-	398,178	59,727	4,778
2	Traditional securitisation	398,178	-	-	-	-	398,178	59,727	4,778
3	Of which securitisation	398,178	-	-	-	-	398,178	59,727	4,778
4	Of which retail underlying	-	-	-	-	-	-	-	-
5	Of which wholesale	398,178	-	-	-	-	398,178	59,727	4,778
6	Of which re-securitisation	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-

EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
	Amounts in €000		Of which exposures in default	
1	**Total exposures**	19,638	-	123
2	Retail (total)	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	19,638	-	123
8	loans to corporates	19,638	-	123
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

10 Liquidity

The Liquidity Coverage Ratio (LCR) requires credit institutions to promote short-term resilience to potential liquidity disruptions thereby eliminating, or significantly reducing, structural mismatches between assets and liabilities. In terms of LCR requirements, credit institutions must hold sufficient unencumbered high quality liquid assets (HQLA) to withstand the excess of severe liquidity outflows over inflows that could be expected to accumulate over a 30-day stressed period. During such a period, a credit institution should be able to quickly convert its liquid assets into cash without recourse to central bank liquidity or public funds. The Bank calculates and monitors the LCR on a daily basis.

The Group has in place a number of quantitative risk appetite metrics to be able to monitor liquidity risk including the LCR and the NSFR. At all times, the Group ensures that it is compliant with these regulatory requirements. The following table provides an analysis of the data points used in the calculation of the liquidity coverage ratio:

EU LIQ1: Quantitative information of LCR

	Amounts in €000	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on:	30 Jun 21	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 21	31 Mar 21	31 Dec 20	30 Sep 20
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					719,285	705,874	617,549	621,604
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,388,624	2,364,674	2,054,547	1,727,818	145,319	138,473	130,785	122,107
3	*Stable deposits*	1,074	1,170	1,145	1,114	54	58	57	56
4	*Less stable deposits*	1,442,575	1,373,639	1,296,581	1,209,029	145,229	138,380	130,696	122,020
5	Unsecured wholesale funding	112,861	118,262	118,891	118,942	40,673	43,691	43,899	43,907
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	112,861	118,262	118,891	118,942	40,673	43,691	43,899	43,907
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					20,763	16,334	13,778	12,339
10	Additional requirements	383,691	348,437	343,210	369,735	65,257	65,763	62,716	68,251
11	*Outflows related to derivative exposures and other collateral requirements*	18,521	18,521	17,426	16,164	18,521	18,521	17,426	16,164
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	365,170	329,915	325,784	353,571	46,736	47,241	45,290	52,087
14	Other contractual funding obligations	13,598	15,951	15,646	19,828	9,036	11,772	11,722	15,924
15	Other contingent funding obligations	-	-	-	-	-	--	-	-
16	TOTAL CASH OUTFLOWS					**281,048**	**276,032**	**262,900**	**262,529**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	18,758	21,399	13,908	11,825	3,762	8,487	5,162	5,017
18	Inflows from fully performing exposures	105,015	98,447	93,597	91,206	101,283	94,943	90,942	88,674
19	Other cash inflows	33,686	29,940	31,078	29,902	29,378	26,505	27,785	26,333
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	157,459	149,786	138,583	132,932	134,423	129,935	123,889	120,024
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	**157,459**	**149,786**	**138,583**	**132,932**	**134,423**	**129,935**	**123,889**	**120,024**
TOTAL ADJUSTED BUFFER									
EU-21	LIQUIDITY BUFFER					719,285	705,874	617,549	621,604
22	TOTAL NET CASH OUTFLOWS					146,625	146,097	139,011	142,505
23	LIQUIDITY COVERAGE RATIO					522%	508%	462%	463%

As at 30 June 2021 and 31 December 2020, the Group's LCR was well above both the regulatory minimum and the risk appetite set by the Group.

The following table provides an analysis of the data points used in the calculation of net stable funding ratio:

EU IQ2: Net Stable Funding Ratio (In accordance with Article 41 a(3) CRR)

Amounts in €000		Unweighted value by residual maturity at 31 June 2021				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**253,712**	**-**	**-**	**47,677**	**301,389**
2	*Own funds*	*253,712*	*-*	*-*	*47,677*	*301,389*
3	*Other capital instruments*		*-*	*-*	*-*	*-*
4	Retail deposits		**2,018,545**	**96,088**	**313,097**	**2,303,663**
5	*Stable deposits*		*1,657,456*	*90,479*	*298,938*	*1,959,475*
6	*Less stable deposits*		*361,089*	*5,609*	*14,159*	*344,188*
7	Wholesale funding:		**517,395**	**81,122**	**702,252**	**892,571**
8	*Operational deposits*		*299,515*	*38,931*	*13,838*	*-*
9	*Other wholesale funding*		*217,880*	*42,191*	*688,414*	*892,571*
10	Interdependent liabilities					
11	Other liabilities:	**2,760,517**	**34,750**	**-**	**9,117**	**9,117**
12	*NSFR derivative liabilities*	*2,760,517*				
13	*All other liabilities and capital instruments not included in the above categories*		*34,750*	*-*	*9,117*	*9,117*
14	**Total available stable funding (ASF)**					**3,506,740**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**150,161**
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:		**177,130**	**20,297**	**2,566,302**	**2,187,289**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		32,962	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		122,713	-	-	12,271
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		1,573	-	594,976	506,516
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
22	*Performing residential mortgages, of which:*		19,882	20,297	1,546,810	1,307,663
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		18,475	18,876	1,409,791	1,181,011
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*		-	-	424,516	360,839
25	Interdependent assets		-	-	-	-
26	Other assets:	-	**228,203**	**981**	**147,888**	**257,820**
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*-*	*-*	*7,307*	*6,211*
29	*NSFR derivative assets*		*(2,526)*	*-*	*-*	*(2,526)*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*2,760*	*-*	*-*	*137*
31	*All other assets not included in the above categories*		*227,969*	*981*	*140,581*	*253,998*
32	Off-balance sheet items		**387,245**	**-**	**-**	**19,363**
33	**Total RSF**					**2,614,633**
34	**Net Stable Funding Ratio (%)**					**134.1%**