MDB Group Limited

# Pillar 3 disclosures report – Half-yearly report
30 June 2022

**Contents**

# 1 Introduction

This Pillar 3 report provides disclosures for the consolidated MDB Group (the "Group") as required by the global regulatory framework for capital and liquidity, which was established by the Basel Committee on Banking Supervision, also known as Basel III. The Basel III capital adequacy framework consist of three complementary pillars:

- Pillar 1 ('minimum capital requirements') provides a framework for measuring minimum capital requirements for the credit, market and operational risks faced by banks.

- Pillar 2 ('supervisory review') addresses the principles of the supervisory review process, emphasising the need for a qualitative approach to supervising banks. This requires banks to estimate their own capital through an Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) are subject to supervisory review from the Regulator, through the Supervisory Review and Evaluation process (SREP).

- Pillar 3 ('market discipline') requires banks to publish a range of qualitative and quantitative disclosures to the market aimed at providing further insight on the capital structure, capital adequacy and risk management practices.

*Basis of preparation*

These Disclosures have been prepared in accordance with the requirements in Article 433 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"). The frequency of Pillar 3 disclosures is determined by the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions.

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.

Unless otherwise stated the amounts have been rounded to euro millions. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures. In the tables, parts that have been greyed out indicate information that is not required.

In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of risk weighted assets ('RWAs') by article 92 of the Capital Requirements Regulation.

The Legal Entity Identifier ("LEI") code of MDB Group Limited is 213800TC9PZRBHMJW403.

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.

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, but as a small and non-complex subsidiary of MDB Group Limited, MeDirect Belgium is subject to mandatory, though limited, Pillar 3 Disclosures on an annual basis as per Article 433b CRR as follows:

- Points (a), (e) and (f) of Article 435 (1);

- Point (d) of Article 438;

- Points (a) to (d), (h), (i), (j) of Article 450 (1); and

- The key metrics referred to in Article 447.

Despite MeDirect Belgium is only required to disclose the above, in order to provide comprehensive information to its stakeholders, MeDirect Belgium may decide to make certain additional disclosures on a voluntary 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 2022, as well as in the MDB Group Annual Report 2020 and the MDB Group Pillar 3 Report 2021.

*Frequency of disclosures*

In December 2020, EBA published the final Implementing Technical Standards (ITS) on institutions' public disclosures as per its mandate under Article 434 of the CRR 2 to introduce uniform formats and associated instructions for disclosure requirements in order to optimise the Pillar 3 policy framework.

This ITS aims to reinforce market discipline, by increasing consistency and comparability of institutions' public disclosures, and to implement the CRR 2 regulatory changes in alignment with the revised Basel Pillar 3 standards. These requirements introduced a comprehensive set of disclosure templates, tables and related instructions in order to ensure alignment and consistency with the Basel Committee's updated Pillar 3 framework.

In December 2020, the EBA has updated the mapping of quantitative disclosure data and supervisory reporting, which aims at facilitating institutions' compliance and improving the consistency and quality of the information disclosed. The EBA also published a file summarising the frequency at which each type of institution should disclose each template and table, in accordance with the CRR 2.

As required by the CRR and also through newly published EBA guidelines, the Group is required to publish quarterly, semi-annual and annual Pillar 3 disclosures in line with the frequency as established within the March 2021 Commission Implementing Regulations. The MDB Group publishes these disclosures according to the frequency required for large and listed institutions. In line with Article 4 (146) CRR 2, the Group is defined as a large institution since 'it has been identified as another systemically important institution (O-SII) in accordance with Article 131(1) and (3) of Directive 2013/36/EU'.

Disclosures in this Pillar 3 include comparative periods in accordance with the requirements of EBA ITS. For those disclosures only required on a semi-annual basis, the comparative period is 31 December 2021. Disclosures required on a quarterly basis generally include comparative information for 31 March 2022.

*Means of disclosures*

As required by the CRR, the Group will continue to make available its Pillar 3 disclosure reports in the Investor Relations section of the Group's website (https://www.medirect.com.mt/about-us/investor-relations).

*COVID-19 disclosure templates*

In June 2020, EBA published the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis". These additional reporting and disclosure requirements were introduced, on a temporary basis, and at present extended until 31 December 2022, to introduce standardised reporting on exposures with a specific Covid-19 classification. On a semi-annual basis, these three templates are included in the Pillar 3 reports. In scope of these templates are the loans and advances that are subject to legislative and non-legislative moratoria (also referred to as subject to 'EBA compliant moratoria') and the (newly originated) loans and advances that are subject to public guarantee schemes introduced in response to the Covid-19 crisis.

## 2 Key metrics

*(Article 447 (a - g) and Article 438 (b) CRR)*

The table EU KM1 provides 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]

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | *Amounts in €millions* | **30-Jun-22** | **31-Mar-22** | **31-Dec-21** | **30-Sep-21** | **30-Jun-21** |
| | **Available own funds** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 188 | 204 | 213 | 227 | 234 |
| 2 | Tier 1 capital | 188 | 204 | 213 | 227 | 234 |
| 3 | Total capital | 240 | 252 | 260 | 273 | 281 |
| | **Risk-weighted exposure amounts** | | | | | |
| 4 | Total risk exposure amount | 1,385 | 1,330 | 1,356 | 1,395 | 1,454 |
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 13.6%* | 15.4% | 15.7% | 16.2% | 16.1% |
| 6 | Tier 1 ratio (%) | 13.6%* | 15.4% | 15.7% | 16.2% | 16.1% |
| 7 | Total capital ratio (%) | 17.3%* | 19.0% | 19.2% | 19.6% | 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% | 3% | 3% | 3% | 3% |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 1.7% | 1.7% | 1.7% | 1.7% | 1.7% |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 2.3% | 2.3% | 2.3% | 2.3% | 2.3% |
| EU 7d | Total SREP own funds requirements (%) | 11.0% | 11.0% | 11.0% | 11.0% | 11.0% |
| | **Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)** | | | | | |
| 8 | Capital conservation buffer (%) | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 9 | Institution specific countercyclical capital buffer (%) | 0.05% | 0.04% | 0.04% | 0.03% | 0.03% |
| EU 9a | Systemic risk buffer (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 10 | Global Systemically Important Institution buffer (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| EU 10a | Other Systemically Important Institution buffer (%) | 0.6% | 0.6% | 0.5% | 0.5% | 0.5% |
| 11 | Combined buffer requirement (%) | 3.2% | 3.2% | 3.0% | 3.0% | 3.0% |
| EU 11a | Overall capital requirements (%) | 14.2% | 14.2% | 14.0% | 14.0% | 14.0% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 5.3% | 4.4% | 4.7% | 5.3% | 5.1% |
| | **Leverage ratio** | | | | | |
| 13 | Total exposure measure | 4,279 | 4,388 | 4,359 | 4,206 | 4,190 |
| 14 | Leverage ratio (%) | 4.4%* | 4.7% | 4.9% | 5.4% | 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 (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14b | of which: to be made up of CET1 capital (percentage points) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14c | Total SREP leverage ratio requirements (%) | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| | **Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)** | | | | | |
| EU 14d | Leverage ratio buffer requirement (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EU 14e | Overall leverage ratio requirement (%) | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value - average) | 828 | 798 | 815 | 791 | 719 |
| EU 16a | Cash outflows - Total weighted value | 354 | 348 | 340 | 322 | 281 |
| EU 16b | Cash inflows - Total weighted value | 92 | 116 | 121 | 128 | 136 |
| 16 | Total net cash outflows (adjusted value) | 263 | 232 | 219 | 194 | 145 |
| 17 | Liquidity coverage ratio (%)[2] | 315% | 344% | 372% | 407% | 495% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 3,555 | 3,600 | 3,582 | 3,534 | 3,507 |
| 19 | Total required stable funding | 2,756 | 2,658 | 2,683 | 2,571 | 2,615 |
| 20 | NSFR ratio (%) | 129%* | 135% | 134% | 138% | 134% |

* In June 2022, the Group changed the business model for managing those investments within the treasury and securitisation investments portfolios that were originally deemed to be “Hold to collect and sell” and therefore were measured at fair value through other comprehensive income. These investments are now categorised as hold to collect and as a result effective as from 1 July 2022 these investments were reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category.

| ***Key regulatory ratios*** | Capital management | | | Liquidity management | |
|---|---|---|---|---|---|
| | *Tier 1 capital ratio* | *Total capital ratio* | *Leverage ratio* | *LCR* | *NSFR* |
| **30 June 2022** | 13.6% | 17.3% | 4.4% | 247% | 129% |
| *Post reclassification on 1 July* | *15.3%* | *19.0%* | *4.9%* | *247%* | *130%* |

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

[2] The liquidity coverage ratio (LCR) uses the simple average of the preceding 12 monthly periods ending on the quarterly reporting date as specified in the table. The Actual LCR reported in June 2022 was 247%.

*Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds*

**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-22 | 31-Mar-22 | 31-Dec-21 | 30-Sep-21 | 30-Jun-21 |
|---|---|---|---|---|---|---|
| | *Amounts in €millions* | | | | | |
| | **Available capital** | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 188 | 204 | 213 | 227 | 234 |
| 2 | Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 186 | 202 | 208 | 222 | 227 |
| 3 | Tier 1 capital | 188 | 204 | 213 | 227 | 234 |
| 4 | Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 186 | 202 | 208 | 223 | 227 |
| 5 | Total capital | 240 | 252 | 260 | 273 | 281 |
| 6 | Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 238 | 250 | 256 | 269 | 275 |
| | | | | | | |
| | **Risk-weighted assets** | | | | | |
| 7 | Total risk-weighted assets | 1,385 | 1,330 | 1,356 | 1,395 | 1,454 |
| 8 | Total risk weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 1,386 | 1,331 | 1,356 | 1,397 | 1,455 |
| | | | | | | |
| | **Capital ratios** | | | | | |
| 9 | Common Equity Tier 1 (as a percentage of risk exposure amount) | 13.6% | 15.4% | 15.7% | 16.2% | 16.1% |
| 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 | 13.4% | 15.2% | 15.4% | 15.9% | 15.6% |
| 11 | Tier 1 (as a percentage of risk exposure amount) | 13.6% | 15.4% | 15.7% | 16.2% | 16.1% |
| 12 | Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 13.4% | 15.2% | 15.4% | 15.9% | 15.6% |
| 13 | Total capital (as a percentage of risk exposure amount) | 17.3% | 19.0% | 19.2% | 19.6% | 19.3% |
| 14 | Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 17.2% | 18.8% | 18.9% | 19.3% | 18.9% |
| | | | | | | |
| | **Leverage ratio** | | | | | |
| 15 | Leverage ratio total exposure measure (€millions) | 4,279 | 4,388 | 4,359 | 4,206 | 4,190 |
| 16 | Leverage ratio | 4.4% | 4.7% | 4.9% | 5.4 % | 5.6% |
| 17 | Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied | 4.3% | 4.6% | 4.8% | 5.3% | 5.4% |

The Group applies the full extent of the IFRS 9 transitional arrangements for capital as set out under CRR Article 473a (as amended via the CRR 'Quick Fix' revisions published in June 2020). Specifically, the Group has opted to apply both paragraphs 2 and 4 of CRR Article 473a (static and dynamic relief) and in addition to apply a 100% risk weight to the consequential Standardised credit risk exposure add-back as permitted under paragraph 7a of the revisions. The 'static-dynamic' approach allows for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, so as to reflect the increase of the ECL provisions within the transition period.

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, including paragraph 4 of article 473a. 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, started 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 to the total risk weighted exposure amount.

*Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income (Article 468 CRR)*

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

<u>*Reconciliation of regulatory own funds to the balance sheet according to IFRS*</u> *(Article 437 (a) CRR)*

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 2. All entities within the Group are subject to full consolidation both for accounting and regulatory purposes. There is no difference in the basis of consolidation for accounting and prudential purposes.

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

| | | a & b | | c |
|---|---|---|---|---|
| | | **Balance sheet as in published financial statements and under regulatory scope of consolidation** | | **Reference** |
| | Amounts in €millions | **As at 30 June 2022** | **As at 31 December 2021** | |
| | **Assets** | | | |
| 1 | Balances with central banks and cash | 193 | 329 | |
| 2 | Derivative financial instruments | 188 | 38 | |
| 3 | Loans and advances to financial institutions | 285 | 199 | |
| 4 | Loans and advances to customers | 2,242 | 2,324 | |
| 5 | Investments - Treasury portfolio | 855 | 770 | |
| 6 | Investments – Securitisation portfolio | 557 | 507 | |
| 7 | Property and equipment | 7 | 9 | |
| 8 | Intangible assets | 14 | 13 | D |
| 9 | Non-current assets classified as held for sale | 2 | 2 | |
| 10 | Current tax assets | 1 | 1 | |
| 11 | Deferred tax assets | 27 | 18 | E |
| 12 | Prepayments and accrued income | 20 | 14 | |
| 13 | Other assets | 21 | 15 | |
| 14 | **Total assets** | **4,412** | **4,240** | |
| | **Liabilities** | | | |
| 1 | Derivative financial instruments | 5 | 1 | |
| 2 | Amounts owed to financial institutions | 512 | 273 | |
| 3 | Amounts owed to customers | 2,946 | 2,961 | |
| 4 | Debt securities in issue | 629 | 658 | |
| 5 | Subordinated liabilities | 65 | 65 | F |
| 6 | Current tax liabilities | - | - | |
| 7 | Deferred tax liabilities | 1 | 1 | |
| 8 | Provisions for liabilities and other charges | 3 | 1 | |
| 9 | Accruals and deferred income | 23 | 25 | |
| 10 | Other liabilities | 14 | 20 | |
| 11 | **Total liabilities** | **4,198** | **4,005** | |
| | **Shareholders' Equity**[3] | | | |
| 1 | Called up issued share capital | 56 | 56 | A |
| 2 | Share premium | 14 | 14 | A |
| 3 | Shareholders' contributions | 136 | 136 | B |
| 4 | Reserve for general banking risks | 4 | 4 | B |
| 5 | Other reserves | -24 | -2 | |
| 6 | Retained earnings | 28 | 28 | C |
| 7 | **Total shareholders' equity** | **214** | **235** | |

[3] The balance sheet components are used in the calculation of the regulatory capital in table EU CC1 - Own funds disclosure. 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 Group Limited. '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 Group Limited. 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 Group Limited. 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. Refer to Note 16 "Capital and reserves" to the MDB Group Limited Annual Report and financial statements for the financial year ended 31 December 2021.

vi. The fair value reserve includes the cumulative net change in the fair value of FVOCI investments, excluding impairment losses, until the investment is derecognised, net of deferred taxation. These relate to the hold to collect and sell ("HTC&S") category of EU-endorsed IFRS 9.

### *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 31 December 2021, subordinated liabilities included within Tier 2 capital comprised the following debt securities 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.

In February 2021 MDB Group Limited issued €11 million fixed rate reset callable subordinated notes due on 10 February 2031. The notes bear a fixed rate of 9.75% per annum. The proceeds of such Tier 2 Capital issuance were immediately delivered to MeDirect Malta through a qualifying Tier 2 loan instrument to MeDirect Malta for general corporate purposes, including to further reinforce and optimise our regulatory capital and to support the execution of our business strategy.

## 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 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*

(Article 437 (a, d-f) CRR)

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.

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**

| | | a | | b |
|---|---|---|---|---|
| | *Amounts in €millions* | **30 June 2022** | **31 December 2021** | **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 | 69 | A |
| 2 | Retained earnings | 28 | 43 | C |
| 3 | Accumulated other comprehensive income (and other reserves) | 109 | 130 | B |
| EU-3a | Funds for general banking risk | 4 | 4 | |
| 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** | **211** | **247** | |
| | **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | |
| 7 | Additional value adjustments (negative amount) | (1) | (1) | |
| 8 | Intangible assets (net of related tax liability) (negative amount) | (8) | (9) | 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) | (9) | (8) | 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) | - | (15) | |
| 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 | (4) | (1) | |
| 28 | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | (23) | (34) | |
| 29 | **Common Equity Tier 1 (CET1) capital** | **188** | **213** | |
| | **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 | 52 | 48 | 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** | 52 | **48** | |
| | **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** | **52** | **48** | |
| **59** | **Total capital (TC = T1 + T2)** | **240** | **260** | |
| **60** | **Total Risk exposure amount** | **1,385** | **1,356** | |
| **Capital ratios and requirements including buffers** | | | | |
| 61 | Common Equity Tier 1 capital | 13.6% | 15.7% | |
| 62 | Tier 1 capital | 13.6% | 15.7% | |
| 63 | Total capital | 17.3% | 19.2% | |
| 64 | Institution CET1 overall capital requirements | 9.4% | 9.2% | |
| 65 | of which: capital conservation buffer requirement | 2.5% | 2.5% | |
| 66 | of which: countercyclical capital buffer requirement | 0.05% | 0.04% | |
| 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 | 0.6% | 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** | 7.4% | 9.5% | |
| **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) | 17 | 8 | |
| **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 13.6% and its total capital ratio was 17.3% as at 30 June 2022. The Group's total capital ratio of 17.5% as at 30 June 2022 was well above the Total SREP Capital Requirement benchmark of 11%.

The intangible assets in the above table, were in particular recalculated in terms of the Regulation 2020/2176 of 12 November 2020, whereby a portion of the prudential valued software asset would be risk-weighted at 100% and the remainder is subject to a CET1 deduction. Under the old rules, software assets were deducted in full from common equity tier 1 ('CET1').

In line with Article 437 (e) of the regulation (EU) No 575/2013 MeDirect confirms that no restrictions have been applied to the calculation of own funds.

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 2022.

*<u>Main features of capital instruments</u> (Article 437 (b-c) CRR)*

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 issued by the MDB Group.

**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 | EUR14.0 million | EUR1.0 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 2022 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 €13.8 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.

| | 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 | EUR24.0 million | EUR2.1 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 €13.8 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 is placing much of its emphasis and monitoring on 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 reported the CCR calculations under the new approach namely the Original Exposures Method (as defined in CRR II, Article 282).

- 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.

*Overview of capital requirements (Article 438 (d) 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. 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 €millions* | | Total risk exposure amounts (TREA) | | Total own funds requirements |
|---|---|---|---|---|
| | | a | b | c |
| | | **30 June 2022** | **31 March 2022** | **30 June 2022** |
| | | | | |
| 1 | Credit risk (excluding CCR) | 1,159 | 1,104 | 93 |
| 2 | Of which the standardised approach | 1,159 | 1,104 | 93 |
| 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 | 17 | 15 | 1 |
| 7 | Of which the standardised approach | - | - | - |
| 8 | Of which internal model method (IMM) | - | - | - |
| EU 8a | Of which exposures to a CCP | 14 | 12 | 1 |
| EU 8b | Of which credit valuation adjustment – CVA | 1 | 1 | - |
| 9 | Of which other CCR | 2 | 2 | - |
| 15 | Settlement risk | - | - | - |
| 16 | Securitisation exposures in the non-trading book (after the cap) | 101 | 103 | 8 |
| 17 | Of which SEC-IRBA approach | - | - | - |
| 18 | Of which SEC-ERBA (including IAA) | - | - | - |
| 19 | Of which SEC-SA approach | 101 | 103 | 8 |
| 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 | 109 | 109 | 9 |
| EU 23a | Of which basic indicator approach | 109 | 109 | 9 |
| 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) | 42 | 29 | 3 |
| **29** | **Total** | **1,385** | **1,330** | **111** |

*Capital buffers*

*Minimum capital requirements and additional capital buffers*

In light of the fact that the Group is supervised by the ECB as part of the Single Supervisory Mechanism, MDB Group is subject to the Supervisory Review and Evaluation Process ("SREP"), which determines the capital requirement by the ECB.

MDB Group is required to meet a total SREP capital requirement ("TSCR") of 11% on a consolidated level. The TSCR of 11% is composed of a minimum own funds requirement of 8% to be maintained at all times in accordance with Article 92(1) of the CRR 2, and an own funds requirement of 3% required to be held in excess of the minimum own funds requirement and to be maintained at all times. In view of the COVID-19 pandemic, on the 12 March 2020, the ECB announced, that as part of the extraordinary measures, banks are allowed to partially use capital instruments that do not qualify as CET1, to meet the P2R. This brings forward a measure which was initially scheduled to come into effect in January 2021 as part of the revision of the Capital Requirements Directive, implying that institutions shall meet the additional own funds requirements imposed by the ECB with own funds that satisfy the following conditions: i) at least 75% shall be met with Tier 1 capital; and ii) at least 56.25% with CET1 capital. The Group is also subject to the Overall Capital Requirement (OCR), in addition to TSCR, which includes the Combined Buffer Requirement.

The 2021 SREP decision also included a Pillar II Guidance (P2G) in addition to the OCR. The ECB has stated that it expects banks to meet the Pillar 2 guidance although it is not legally binding, and failure to meet the Pillar 2 guidance does not lead to automatic restrictions of capital distributions.

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 'other systemically important institutions (O-SII) buffer', the 'countercyclical 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 V 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.

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%. 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.

In addition to the measures above, CRD V 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%.

*<u>Geographical distribution of credit exposures</u> (Article 440 (a) CRR)*

CRD V 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.

The Group held a countercyclical buffer requirement of 0.05% as at 30 June 2022. As at 30 June 2022, Norway had set a countercyclical buffer rate of 1.5%, whilst Luxembourg, Bulgaria and Czech Republic had set a rate of 0.50%. The rest of the countries had set the rates at 0%.

The following table represents the Group's geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer at 30 June 2022.

**EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer[4]**

| | 30 June 2022 | **General credit exposures** | **Securitisation exposures** | | **Own funds requirement** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | *a* | *e* | *f* | *g* | *h* | *j* | *k* | *l* | *m* |
| | | *Exposure value under the standardised approach* | *Exposure value for non-trading book* | *Total exposure value* | *Relevant credit exposures – Credit risk* | *Relevant credit exposures - Securitisation positions in the non-trading book* | *Total* | *Risk weighted exposure amounts* | *Own funds requirement weights* | *Counter cyclical capital buffer rate* |
| | *Amounts in €millions* | | | | | | | | **%** | **%** |
| 010 | **Breakdown by country:** | | | | | | | | | |
| | Austria | 72 | 3 | 74 | 1 | - | 1 | 16 | 1.4% | 0.0% |
| | Australia | - | 1 | 1 | - | - | - | - | 0.0% | 0.0% |
| | Belgium | 22 | 4 | 26 | 1 | - | 1 | 16 | 1.4% | 0.0% |
| | Bulgaria | - | - | - | - | - | - | - | 0.0% | 0.5% |
| | Canada | - | 2 | 2 | - | - | - | - | 0.0% | 0.0% |
| | Czech Republic | - | 1 | 1 | - | - | - | - | 0.0% | 0.5% |
| | Denmark | 5 | 3 | 8 | - | - | - | 1 | 0.1% | 0.0% |
| | Finland | 20 | 7 | 26 | - | - | - | 3 | 0.3% | 0.0% |
| | France | 234 | 108 | 342 | 8 | 2 | 10 | 119 | 10.3% | 0.0% |
| | Germany | 270 | 72 | 342 | 8 | 1 | 9 | 115 | 9.9% | 0.0% |
| | Ireland | 21 | 12 | 33 | - | - | - | 5 | 0.4% | 0.0% |
| | Israel | - | - | - | - | - | - | - | 0.0% | 0.0% |
| | Italy | 95 | 23 | 118 | 8 | - | 8 | 99 | 8.5% | 0.0% |
| | Jersey | 5 | - | 5 | - | - | - | 5 | 0.5% | 0.0% |
| | Lithuania | - | - | - | - | - | - | - | 0.0% | 0.0% |
| | Luxembourg | 78 | 36 | 113 | 7 | - | 8 | 98 | 8.4% | 0.5% |
| | Malta | 189 | 1 | 191 | 13 | - | 13 | 167 | 14.3% | 0.0% |
| | Netherlands | 1,624 | 68 | 1,691 | 16 | 1 | 17 | 216 | 18.5% | 0.0% |
| | Norway | 15 | 4 | 19 | - | - | - | 2 | 0.2% | 1.5% |
| | Poland | 15 | - | 15 | - | - | - | 2 | 0.1% | 0.0% |
| | Portugal | - | 1 | 1 | - | - | - | - | 0.0% | 0.0% |
| | Estonia | - | - | - | - | - | - | - | 0.0% | 0.0% |
| | Singapore | - | 1 | 1 | - | - | - | - | 0.0% | 0.0% |
| | Slovenia | - | - | - | - | - | - | - | 0.0% | 0.0% |
| | Spain | 27 | 28 | 55 | 1 | - | 2 | 22 | 1.89% | 0.0% |
| | Sweden | 46 | 19 | 65 | 3 | - | 3 | 40 | 3.5% | 0.0% |
| | Switzerland | - | 8 | 8 | - | - | - | 1 | 0.1% | 0.0% |
| | United Kingdom | 180 | 85 | 265 | 14 | 1 | 16 | 195 | 16.7% | 0.0% |
| | United States | 25 | 70 | 95 | 2 | 1 | 3 | 41 | 3.5% | 0.0% |
| | Hong Kong | - | - | - | - | - | - | - | 0.0% | 1.0% |
| | Japan | - | - | - | - | - | - | - | 0.0% | 0.0% |
| 020 | | **2,941** | **559** | **3,500** | **85** | **8** | **93** | **1,164** | **100.0%** | |

[4] Figures have been prepared on an IFRS 9 transitional basis. Missing columns since the Group does not use the IRB approach and does not hold a trading book.

31 December 2021

| | | General credit exposures | Securitisation exposures | | Own funds requirement | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | a | e | f | g | h | j | k | l | m |
| | | Exposure value under the standardised approach | Exposure value for non-trading book | Total exposure value | Relevant credit exposures – Credit risk | Relevant credit exposures - Securitisation positions in the non-trading book | Total | Risk weighted exposure amounts | Own funds requirement weights | Counter cyclical capital buffer rate |
| | Amounts in €millions | | | | | | | | % | % |
| 010 | **Breakdown by country:** | | | | | | | | | |
| | Austria | 75 | 2 | 77 | 1 | - | 1 | 16 | 1.3% | 0.0% |
| | Australia | - | 1 | 1 | - | - | - | - | 0.0% | 0.0% |
| | Belgium | 8 | 5 | 13 | 1 | - | 1 | 13 | 1.0% | 0.0% |
| | Bulgaria | - | 1 | 1 | - | - | - | - | 0.0% | 0.5% |
| | Canada | - | 2 | 2 | - | - | - | - | 0.0% | 0.0% |
| | Czech Republic | - | - | - | - | - | - | - | 0.0% | 0.5% |
| | Denmark | 11 | 5 | 16 | - | - | - | 2 | 0.2% | 0.0% |
| | Finland | 18 | 6 | 23 | - | - | - | 3 | 0.2% | 0.0% |
| | France | 191 | 101 | 292 | 9 | 1 | 10 | 125 | 10.7% | 0.0% |
| | Germany | 160 | 64 | 224 | 5 | 1 | 6 | 71 | 6.1% | 0.0% |
| | Ireland | 22 | 10 | 32 | - | - | - | 5 | 0.4% | 0.0% |
| | Israel | - | - | - | - | - | - | - | 0.0% | 0.0% |
| | Italy | 104 | 16 | 120 | 8 | - | 9 | 106 | 9.1% | 0.0% |
| | Jersey | 9 | - | 9 | 1 | - | 1 | 9 | 0.7% | 0.0% |
| | Latvia | - | - | - | - | - | - | - | 0.0% | 0.0% |
| | Luxembourg | 62 | 40 | 103 | 6 | 1 | 7 | 82 | 7.0% | 0.5% |
| | Malta | 158 | 1 | 159 | 12 | - | 12 | 151 | 12.9% | 0.0% |
| | Netherlands | 1,756 | 60 | 1,816 | 17 | 1 | 18 | 227 | 19.3% | 0.0% |
| | Norway | 16 | 4 | 20 | - | - | - | 2 | 0.2% | 1.0% |
| | Poland | 24 | - | 24 | - | - | - | 2 | 0.2% | 0.0% |
| | Portugal | - | 1 | 1 | - | - | - | - | 0.0% | 0.0% |
| | Russian Federation | - | - | - | - | - | - | - | 0.0% | 0.0% |
| | Singapore | - | 1 | 1 | - | - | - | - | 0.0% | 0.0% |
| | Slovenia | - | - | - | - | - | - | - | 0.0% | 0.0% |
| | Spain | 37 | 23 | 61 | 2 | - | 3 | 32 | 2.7% | 0.0% |
| | Sweden | 61 | 20 | 81 | 4 | - | 4 | 52 | 4.4% | 0.0% |
| | Switzerland | - | 6 | 6 | - | - | - | 1 | 0.1% | 0.0% |
| | United Kingdom | 206 | 74 | 280 | 18 | 1 | 19 | 234 | 20% | 0.0% |
| | United States | 24 | 65 | 89 | 2 | 1 | 3 | 39 | 3.3% | 0.0% |
| | Japan | - | - | 1 | - | - | - | - | 0.0% | 0.0% |
| 020 | | **2,941** | **508** | **3,450** | **86** | **7** | **94** | **1,173** | **100.0%** | |

*Institution specific countercyclical buffer (Article 440 (b) CRR)*

The following table shows an overview of our institution specific countercyclical exposure and buffer requirements:

**EU CCyB2: Amount of institution-specific countercyclical capital buffer[5]**

| | | **As at 30 June 2022** |
|---|---|---|
| | | **a** |
| 1 | Total risk exposure amount (€millions) | 1,385 |
| 2 | Institution specific countercyclical buffer rate (%) | 0.05% |
| 3 | Institution specific countercyclical buffer requirement (€millions) | 1 |

| | | **As at 31 December 2021** |
|---|---|---|
| | | **a** |
| 1 | Total risk exposure amount (€millions) | 1,356 |
| 2 | Institution specific countercyclical buffer rate (%) | 0.04% |
| 3 | Institution specific countercyclical buffer requirement (€millions) | - |

[5] Figures have been prepared on an IFRS 9 transitional basis. Missing columns since the Group does not use the IRB approach and does not hold a trading book.

## 6 Leverage

*Leverage ratio according to CRR/CRD framework*

Article 429 of CRR 2 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 in the banking sector – one of the drivers of the banking crisis – previously not captured within Basel II. It helps to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy, and to reinforce the risk-based requirements with a simple non-risk based “backstop measure”.

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 2, 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 reflects 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. The final framework confirmed that 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.

Our total leverage ratio exposures includes derivatives, securities financing transactions (SFTs), off-balance sheet exposure and other on-balance sheet exposure (excluding derivatives and SFTs).

*Leverage ratio (Article 451 (1) (a-c), (2) and (3) CRR)*

The following table provides a summary of the Group’s leverage ratio exposure and the leverage ratio calculation as at 30 June 2022, determined in accordance with the requirements stipulated by Implementing Regulation (EU) 2016/200.

The following table provides a reconciliation of accounting assets as per IFRS to the leverage ratio exposure.

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

| | *Amounts in €millions* | **30 June 2022** | **31 December 2021** |
|---|---|---|---|
| | | | |
| 1 | Total assets as per published financial statements | 4,412 | 4,241 |
| 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) | (20) |
| 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 | 5 | 6 |
| 9 | Adjustment for securities financing transactions (SFTs) | 17 | 17 |
| 10 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 125 | 136 |
| 11 | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital) | - | - |
| EU-11a | (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-11b | (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR) | - | - |
| 12 | Other adjustments | (261) | (21) |
| 13 | **Total exposure measure** | **4,279** | **4,359** |

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 2022.

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

| | *Amounts in €millions* | CRR leverage ratio exposures | |
|---|---|---|---|
| | | a | b |
| | | 30 June 2022 | 31 December 2021 |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 4,113 | 4,182 |
| 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) | (17) | (14) |
| 7 | Total on-balance sheet exposures (excluding derivatives and SFTs) | **4,097** | **4,168** |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)[6] | - | - |
| 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 | 350 | 69 |
| 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) | (344) | (62) |
| 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** | **6** | **7** |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | 34 | 31 |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | - | - |
| 16 | Counterparty credit risk exposure for SFT assets | 17 | 17 |
| 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) | - | - |
| 18 | **Total securities financing transaction exposures** | **51** | **48** |
| 19 | Off-balance sheet exposures at gross notional amount | 374 | 385 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (249) | (249) |
| 21 | (General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures) | - | - |
| 22 | **Off-balance sheet exposures** | **125** | **136** |
| 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** | 188 | 213 |
| 24 | **Total exposure measure** | **4,279** | **4,359** |
| 25 | Leverage ratio (%) | **4.4%** | **4.9%** |
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 4.4% | 4.9% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 4.4% | 4.9% |
| 26 | Regulatory minimum leverage ratio requirement (%)[7] | 3.0% | 3.0% |
| EU-26a | Additional own funds requirements to address the risk of excessive leverage (%) | 0.0% | 0.0% |
| EU-26b | of which: to be made up of CET1 capital | 0.0% | 0.0% |
| 27 | Leverage ratio buffer requirement (%) | 0.0% | 0.0% |
| EU-27a | Overall leverage ratio requirement (%) | 3.0% | 3.0% |
| EU-27b | Choice on transitional arrangements for the definition of the capital measure | Transitional | 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 | 13 | 13 |
| 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 | 34 | 31 |
| 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) | 4,257 | 4,340 |

[6] The replacement cost associated with SA-CCR is effective from 30 June 2021.
[7] The Leverage ratio requirement is effective from 30 June 2021 under the CRR 2.

| | | | |
|---|---|---|---|
| 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) | 4,257 | 4,340 |
| 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) | 4.4% | 4.9% |
| 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) | 4.4% | 4.9% |

The following table provides a split of the on-balance sheet exposures as at 30 June 2022 in relation to the calculation of the leverage ratio (excluding derivatives, SFTs and exempted exposures).

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

| | | CRR leverage ratio exposures | |
|---|---|---|---|
| | | a | a |
| | *Amounts in €millions* | 30 June 2022 | 31 December 2021 |
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **4,164** | **4,219** |
| EU-2 | Trading book exposures | - | - |
| EU-3 | Banking book exposures, of which: | 4,164 | 4,219 |
| EU-4 | Covered bonds | 516 | 422 |
| EU-5 | Exposures treated as sovereigns | 451 | 586 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns | 53 | 53 |
| EU-7 | Institutions | 292 | 253 |
| EU-8 | Secured by mortgages of immovable properties | 1,449 | 1,518 |
| EU-9 | Retail exposures | 149 | 167 |
| EU-10 | Corporates | 525 | 479 |
| EU-11 | Exposures in default | 100 | 144 |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 629 | 598 |

## 7 Credit Risk and Credit Risk Mitigation (“CRM”)

The Group Risk Appetite Statement and internal policies governing the treasury and the lending portfolios, 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.

### 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 2022 in line with EBA guidelines on disclosures, by exposure class, industry and geography.

*Performing and non-performing exposures and related provisions* (Article 442 (c) CRR)

Table EU CR1 provides asset quality information of the Group’s Debt Instruments and Off-Balance Sheet exposures broken down by Supervisory Reporting counterparty classes.

The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for non-performing exposures. An exposure is being classified as non-performing (defaulted) according to the criteria in Article 47a (3) (Article 178) of the CRR.

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

| | As at 30 June 2022 | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | **Gross carrying amount/nominal amount** | | | | | |
| | | Performing exposures | | | Non-performing exposures | | |
| | *Amounts in €millions* | | 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 | 288 | 288 | - | - | - | - |
| 010 | Loans and advances | 2,532 | 2,428 | 105 | 116 | 14 | 101 |
| 020 | *Central banks* | - | - | - | - | - | - |
| 030 | *General governments* | - | - | - | - | - | - |
| 040 | *Credit institutions* | 191 | 191 | - | - | - | - |
| 050 | *Other financial corporations* | 241 | 206 | 35 | 47 | - | 47 |
| 060 | *Non-financial corporations* | 377 | 312 | 65 | 68 | 14 | 53 |
| 070 | *Of which SMEs* | 68 | 58 | 9 | 16 | - | 16 |
| 080 | *Households* | 1,724 | 1,719 | 5 | 1 | - | 1 |
| 090 | Debt securities | 1,415 | 1,414 | - | - | - | - |
| 100 | *Central banks* | - | - | - | - | - | - |
| 110 | *General governments* | 199 | 199 | - | - | - | - |
| 120 | *Credit institutions* | 645 | 645 | - | - | - | - |
| 130 | *Other financial corporations* | 559 | 558 | - | - | - | - |
| 140 | *Non-financial corporations* | 12 | 12 | - | - | - | - |
| 150 | Off-balance-sheet exposures | 371 | 347 | 24 | 3 | - | 3 |
| 160 | *Central banks* | - | - | - | - | - | - |
| 170 | *General governments* | - | - | - | - | - | - |
| 180 | *Credit institutions* | 4 | 4 | - | - | - | - |
| 190 | *Other financial corporations* | 106 | 99 | 8 | - | - | - |
| 200 | *Non-financial corporations* | 120 | 103 | 16 | 3 | - | 3 |
| 210 | *Households* | 140 | 141 | - | - | - | - |
| **220** | **Total** | **4,606** | **4,477** | **129** | **119** | **14** | **105** |

| | | g | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 30 June 2022 | **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 |
| | *Amounts in €millions* | | **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)* | ***(4)*** | *(2)* | *(19)* | - | *(19)* | - | *1,818* | *15* |
| *020* | *Central banks* | - | - | - | - | - | - | - | - | - |
| *030* | *General governments* | - | - | - | - | - | - | - | - | - |
| *040* | *Credit institutions* | - | - | - | - | - | - | - | - | - |
| *050* | *Other financial corporations* | *(2)* | ***(1)*** | *(1)* | *(8)* | - | *(8)* | - | *19* | - |
| *060* | *Non-financial corporations* | *(3)* | ***(2)*** | *(1)* | *(12)* | - | *(11)* | - | *75* | *15* |
| *070* | *Of which SMEs* | - | - | - | - | - | - | - | *68* | *15* |
| *080* | *Households* | - | - | - | - | - | - | - | *1,724* | - |
| 090 | Debt securities | - | - | - | - | - | - | - | - | - |
| *100* | *Central banks* | - | - | - | - | - | - | - | | |
| *110* | *General governments* | - | - | - | - | - | - | - | - | - |
| *120* | *Credit institutions* | - | - | - | - | - | - | - | - | - |
| *130* | *Other financial corporations* | - | - | - | - | - | - | - | - | - |
| *140* | *Non-financial corporations* | - | - | - | - | - | - | - | - | - |
| 150 | Off-balance-sheet exposures | - | - | - | *(1)* | - | *(1)* | | - | - |
| *160* | *Central banks* | - | - | - | - | - | - | | - | - |
| *170* | *General governments* | - | - | - | - | - | - | | - | - |
| *180* | *Credit institutions* | - | - | - | - | - | - | | - | - |
| *190* | *Other financial corporations* | - | - | - | - | - | - | | - | - |
| *200* | *Non-financial corporations* | - | - | - | *(1)* | - | *(1)* | | - | - |
| *210* | *Households* | - | - | - | - | - | - | | - | - |
| **220** | **Total** | ***(8)*** | ***(7)*** | ***(2)*** | ***(20)*** | **-** | ***(20)*** | **-** | ***1,818*** | ***15*** |

| As at 31 December 2021 | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount | | | | | |
| | | Performing exposures | | | Non-performing exposures | | |
| *Amounts in €millions* | | | 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 | 488 | 488 | - | - | - | - |
| 010 | Loans and advances | 2,267 | 2,127 | 140 | 162 | 46 | 108 |
| 020 | *Central banks* | - | - | - | - | - | - |
| 030 | *General governments* | - | - | - | - | - | - |
| 040 | *Credit institutions* | *39* | *39* | - | - | - | - |
| 050 | *Other financial corporations* | *238* | *186* | *51* | *69* | - | *61* |
| 060 | *Non-financial corporations* | *322* | *238* | *84* | *93* | *46* | *47* |
| 070 | *Of which SMEs* | *71* | *67* | *4* | *12* | - | *12* |
| 080 | *Households* | *1,668* | *1,664* | *5* | - | - | - |
| 090 | Debt securities | *1,279* | *1,278* | *1* | - | - | - |
| 100 | *Central banks* | *205* | *205* | - | - | - | - |
| 110 | *General governments* | - | - | - | - | - | - |
| 120 | *Credit institutions* | *554* | *554* | - | - | - | - |
| 130 | *Other financial corporations* | *508* | *507* | *1* | - | - | - |
| 140 | *Non-financial corporations* | *12* | *12* | - | - | - | - |
| 150 | Off-balance-sheet exposures | *412* | *371* | *41* | *5* | - | *5* |
| 160 | *Central banks* | - | - | - | - | - | - |
| 170 | *General governments* | - | - | - | - | - | - |
| 180 | *Credit institutions* | *31* | *31* | - | - | - | - |
| 190 | *Other financial corporations* | *118* | *112* | *6* | - | - | - |
| 200 | *Non-financial corporations* | *152* | *117* | *35* | *5* | - | *5* |
| 210 | *Households* | *111* | *111* | - | - | - | - |
| **220** | **Total** | **4,446** | **4,264** | **182** | **167** | **46** | **113** |

| As at 31 December 2021 | | g | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **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 |
| *Amounts in €millions* | | | 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 | (4) | (2) | (2) | (18) | (2) | (16) | (12) | 1,751 | 11 |
| *020* | *Central banks* | - | - | - | - | - | - | - | - | - |
| *030* | *General governments* | - | - | - | - | - | - | - | - | - |
| *040* | *Credit institutions* | - | - | - | - | - | - | - | - | - |
| *050* | *Other financial corporations* | *(2)* | *(1)* | *(1)* | *(11)* | - | *(11)* | *(7)* | *14* | - |
| *060* | *Non-financial corporations* | *(2)* | *(1)* | *(1)* | *(7)* | *(2)* | *(4)* | *(5)* | *70* | *11* |
| *070* | *Of which SMEs* | - | - | - | - | - | - | - | *70* | *11* |
| *080* | *Households* | - | - | - | - | - | - | - | *1,668* | - |
| 090 | Debt securities | - | - | - | - | - | - | - | - | - |
| *100* | *Central banks* | - | - | - | - | - | - | - | - | - |
| *110* | *General governments* | - | - | - | - | - | - | - | - | - |
| *120* | *Credit institutions* | - | - | - | - | - | - | - | - | - |
| *130* | *Other financial corporations* | - | - | - | - | - | - | - | - | - |
| *140* | *Non-financial corporations* | - | - | - | - | - | - | - | - | - |
| 150 | Off-balance-sheet exposures | (1) | - | - | (1) | - | (1) | | - | - |
| *160* | *Central banks* | - | - | - | - | - | - | | - | - |
| *170* | *General governments* | - | - | - | - | - | - | | - | - |
| *180* | *Credit institutions* | - | - | - | - | - | - | | - | - |
| *190* | *Other financial corporations* | - | - | - | - | - | - | | - | - |
| *200* | *Non-financial corporations* | - | - | - | *(1)* | - | *(1)* | | - | - |
| *210* | *Households* | - | - | - | - | - | - | | - | - |
| **220** | **Total** | **(8)** | **(5)** | **(2)** | **(19)** | **(2)** | **(17)** | **-** | **1,751** | **11** |

*Note: The above table excludes non-performing exposures which are allocated to stage 1 – such exposures would be classified as non-performing but still part of stage 1 due to the non-performing exit criteria as required under EBA Final draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures. The tables also exclude debt securities measured at fair value.*

*Residual maturity breakdown of credit exposure (Article 442 (g) CRR)*

The table EU CR1-A represents the net credit exposure by maturity and financial instrument. Here exposures refers to on-balance sheet items wherein the "net value of exposure" is calculated by deducting credit risk adjustments from the gross amount. The net exposure is split into 5 categories based on the residual contractual maturity. Below are the categories:

- On demand: where the counterparty has a choice of when the amount is repaid.
- Bucketing: 0 to 1 year, 1 to 5 years and more than 5 years
- No stated maturity: where an exposure has no stated maturity for reasons other than the counterparty having the choice of the repayment date.

The following table provides an ageing analysis of exposures as at 30 June 2022:

**EU CR1-A: Maturity of exposures**

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| As at 30 June 2022 | | Net exposure value[8] | | | | | |
| | *Amounts in €millions* | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| 010 | Loans and advances | 208 | 106 | 537 | 1,773 | - | 2,623 |
| 020 | Debt securities | 0 | 313 | 966 | 136 | - | 1,415 |
| 030 | **Total** | **208** | **419** | **1,503** | **1,908** | **-** | **4,038** |

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| As at 31 December 2021 | | Net exposure value[9] | | | | | |
| | *Amounts in €millions* | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| 010 | Loans and advances | 67 | 97 | 527 | 1,717 | - | 2,408 |
| 020 | Debt securities | - | 290 | 949 | 40 | - | 1,279 |
| 030 | **Total** | **67** | **387** | **1,476** | **1,756** | **-** | **3,687** |

*Quality of non-performing exposures by geography (Article 442 (c+e) CRR)*

Table EU CQ4 provides asset quality information on the Group's On Balance Sheet exposures and Off Balance Sheet exposures broken down by significant countries. The first column in this table represents the total Gross carrying/nominal amount and performing and non-performing exposures. The geographical distribution is based on the legal domicile of the counterparty or issuer.

The amounts shown are based on IFRS accounting values. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for non-performing exposures. An exposure is being classified as non-performing (defaulted) if it meets to the criteria in Article 47a (3) (Article 178) of the CRR.

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

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| 30 June 2022 | | **Gross carrying/nominal amount** | | | | **Accumulated impairment** | **Provisions on off-balance-sheet commitments and financial guarantees given** | **Accumulated negative changes in fair value due to credit risk on non-performing exposures** |
| | | | Of which non-performing | | Of which subject to impairment | | | |
| | *Amounts in €millions* | | | Of which defaulted | | | | |
| **010** | ***On-balance-sheet exposures*** | **4,063** | **116** | **116** | **4,063** | **25** | | **-** |
| *020* | *Germany* | *424* | *24* | *24* | *424* | *7* | | - |
| *030* | *France* | *278* | - | - | *278* | *1* | | - |
| *040* | *Netherlands* | *1,928* | *1* | *1* | *1,928* | *1* | | - |
| *050* | *Austria* | *108* | - | - | *108* | - | | - |
| *060* | *Ireland* | *549* | - | - | *549* | - | | - |
| *070* | *Other countries* | *776* | *91* | *91* | *776* | *16* | | - |
| ***080*** | ***Off-balance-sheet exposures*** | **374** | **3** | **3** | **374** | | **1** | |
| *090* | *Germany* | *16* | - | - | *16* | | - | |
| *100* | *Mslta* | *93* | - | - | *93* | | - | |
| *110* | *United Kingdom* | *35* | - | - | *35* | | - | |
| *120* | *Netherlands* | *105* | - | - | *105* | | - | |
| *130* | *United States* | *38* | - | - | *38* | | - | |
| *140* | *Other countries* | *87* | *3* | *3* | *87* | | *1* | |
| 150 | Total | **4,437** | **119** | **119** | **4,437** | **25** | **1** | **-** |

* In template EU CQ4 columns b and d apply to significant credit institutions with a gross NPL ratio of 5% or above and such disclosures are required only on an annual basis. As at 30 June 2022 MDB Group has a gross NPL ratio lower than 5%.

[8] Net exposure value: For on-balance-sheet items, the net value is the gross carrying value of the exposure less allowances/impairments. For off-balance-sheet items, the net value is the gross carrying value of exposure less provisions.

[9] Net exposure value: For on-balance-sheet items, the net value is the gross carrying value of the exposure less allowances/impairments. For off-balance-sheet items, the net value is the gross carrying value of exposure less provisions.

The top 5 countries by exposure are listed in the table above, representing more than 68% of total exposure. Immaterial exposure to remaining countries is reflected in the 'other countries' category, with individual exposure of less than €236 million.

| 31 December 2021 | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | **Gross carrying/nominal amount** | | | | **Accumulated impairment** | **Provisions on off-balance-sheet commitments and financial guarantees given** | **Accumulated negative changes in fair value due to credit risk on non-performing exposures** |
| | | | Of which non-performing | | Of which subject to impairment | | | |
| Amounts in €millions | | | | Of which defaulted | | | | |
| **010** | ***On-balance-sheet exposures*** | **3,709** | **162** | **162** | **3,709** | **22** | | **-** |
| *020* | *Germany* | *307* | *24* | *24* | *307* | *7* | | - |
| *030* | *France* | *231* | *12* | *12* | *231* | - | | - |
| *040* | *United Kingdom* | *224* | *35* | *35* | *224* | *3* | | - |
| *050* | *Ireland* | *485* | - | - | *485* | - | | - |
| *060* | *Netherlands* | *1,787* | - | - | *1,787* | *1* | | - |
| *070* | *Other countries* | *675* | *91* | *91* | *675* | *11* | | - |
| ***080*** | ***Off-balance-sheet exposures*** | **416** | **5** | **5** | **416** | | **1** | |
| *090* | *Malta* | *55* | - | - | *55* | | - | |
| *100* | *Belgium* | *32* | - | - | *32* | | - | |
| *110* | *United Kingdom* | *104* | - | - | *104* | | - | |
| *120* | *Germany* | *106* | - | - | *106* | | - | |
| *130* | *Italy* | *41* | - | - | *41* | | - | |
| *140* | *France* | *78* | *5* | *5* | *78* | | *1* | |
| 150 | Total | **4,125** | **167** | **167** | **4,125** | **22** | **1** | **-** |

The top 5 countries by exposure are listed in the table above, representing more than 65% of total exposure. Immaterial exposure to remaining countries is reflected in the 'other countries' category, with individual exposure of less than €675 million.

*Credit quality of loans and advances to non-financial corporations by industry (Article 442 (c+e) CRR)*

Table EU CQ5 provides asset quality information on the Group's loans and advances to non-financial corporations broken down by industries. The first column in this table represents the total Gross carrying/nominal amount and performing and non-performing exposures. The industry classification is based on NACE codes. NACE is a European industry standard classification system for classifying business activities.

The amounts shown are based on IFRS accounting values. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for non-performing exposures. An exposure is being classified as non-performing (defaulted) if it meets to the criteria in Article 47a (3) (Article 178) of the CRR.

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

| | 30 June 2022 | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | | | Of which non-performing | | Of which loans and advances subject to impairment | | |
| | *Amounts in €millions* | | | Of which defaulted | | | |
| 010 | Agriculture, forestry and fishing | - | - | - | - | - | - |
| 020 | Mining and quarrying | - | - | - | - | - | - |
| 030 | Manufacturing | 69 | - | - | 69 | 1 | - |
| 040 | Electricity, gas, steam and air conditioning supply | - | - | - | - | - | - |
| 050 | Water supply | - | - | - | - | - | - |
| 060 | Construction | 34 | 1 | 1 | 34 | - | - |
| 070 | Wholesale and retail trade | 22 | 1 | 1 | 22 | - | - |
| 080 | Transport and storage | 9 | - | - | 9 | - | - |
| 090 | Accommodation and food service activities | 20 | - | - | 20 | - | - |
| 100 | Information and communication | 44 | - | - | 44 | 1 | - |
| 110 | Professional, scientific and technical activities | 83 | - | - | 83 | - | - |
| 120 | Financial and insurance activities | - | - | - | - | - | - |
| 130 | Real estate activities | 65 | 14 | 15 | 65 | - | - |
| 140 | Administrative and support service activities | 73 | 51 | 51 | 73 | 12 | - |
| 150 | Public administration and defense, compulsory social security | - | - | - | - | - | - |
| 160 | Education | - | - | - | - | - | - |
| 170 | Human health services and social work activities | 25 | - | - | 25 | - | - |
| 180 | Arts, entertainment and recreation | - | - | - | - | - | - |
| 190 | Others | - | - | - | - | - | - |
| **200** | **Total** | **444** | **67** | **68** | **444** | **14** | **-** |

| | 31 December 2021 | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | | | | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | | | Of which non-performing | | Of which loans and advances subject to impairment | | |
| | *Amounts in €millions* | | | Of which defaulted | | | |
| 010 | Agriculture, forestry and fishing | - | - | - | - | - | - |
| 020 | Mining and quarrying | - | - | - | - | - | - |
| 030 | Manufacturing | 60 | 12 | 12 | 60 | 1 | - |
| 040 | Electricity, gas, steam and air conditioning supply | - | - | - | - | - | - |
| 050 | Water supply | - | - | - | - | - | - |
| 060 | Construction | 31 | 1 | 1 | 31 | - | - |
| 070 | Wholesale and retail trade | 14 | 1 | 1 | 14 | - | - |
| 080 | Transport and storage | 8 | - | - | 8 | - | - |
| 090 | Accommodation and food service activities | 22 | 19 | 19 | 22 | 1 | - |
| 100 | Information and communication | 27 | - | - | 27 | - | - |
| 110 | Professional, scientific and technical activities | 139 | 15 | 15 | 139 | 1 | - |
| 120 | Financial and insurance activities | - | - | - | - | - | - |
| 130 | Real estate activities | 39 | 10 | 10 | 39 | - | - |
| 140 | Administrative and support service activities | 55 | 34 | 34 | 54 | 4 | - |
| 150 | Public administration and defense, compulsory social security | - | - | - | - | - | - |
| 160 | Education | - | - | - | - | - | - |
| 170 | Human health services and social work activities | 19 | - | - | 18 | - | - |
| 180 | Arts, entertainment and recreation | - | - | - | - | - | - |
| 190 | Others | - | - | - | - | - | - |
| **200** | **Total** | **415** | **93** | **93** | **415** | **9** | **-** |

* In template EU CQ5 columns b and d apply to significant credit institutions with a gross NPL ratio of 5% or above and such disclosures are required only on an annual basis. As at 30 June 2022 MDB Group has a gross NPL ratio lower than 5%.

*Credit quality of forborne exposures (Article 442 (c) CRR)*

Table EU CQ1 provides an overview of asset quality information for forborne exposures broken down by supervisory reporting counterparty classes.

The amounts shown are based on IFRS accounting values. The gross carrying amount reflects the exposure value including accumulated impairment, provisions and accumulated negative changes due to credit risk for non-performing exposures. Exposures are being classified as forborne according to the criteria in Article 47b of the CRR. An exposure is being classified as non-performing (defaulted) according to the criteria in Article 47a (3) (Article 178) of the CRR.

**EU-CQ1: Credit quality of forborne exposures**

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| 30 June 2022 | | **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 €millions* | | | Of which defaulted | Of which impaired | | | | |
| 005 | Cash balances at central banks and other demand deposits | - | - | - | - | - | - | - | - |
| 010 | Loans and advances | 129 | 99 | 99 | 84 | 2 | 14 | 19 | 15 |
| *020* | *Central banks* | - | - | - | - | - | - | - | - |
| *030* | *General governments* | - | - | - | - | - | - | - | - |
| *040* | *Credit institutions* | - | - | - | - | - | - | - | - |
| *050* | *Other financial corporations* | 37 | 32 | 32 | 32 | 1 | 2 | - | - |
| *060* | *Non-financial corporations* | 89 | 67 | 67 | 52 | 1 | 12 | 15 | 15 |
| *070* | *Households* | 3 | - | - | - | - | - | 3 | - |
| 080 | Debt Securities | - | - | - | - | - | - | - | - |
| 090 | Loan commitments given | 15 | 3 | 3 | 3 | - | 1 | - | - |
| **100** | **Total** | **144** | **102** | **102** | **87** | **2** | **15** | **19** | **15** |

| 31 December 2021 | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | **Gross carrying amount/nominal amount of exposures with forbearance measures** | | | | **Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions** | | **Collateral received and financial guarantees received on forborne exposures** | |
| | | Performing forborne | Non-performing forborne | | | On performing forborne exposures | On non-performing forborne exposures | | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| | *Amounts in €millions* | | | Of which defaulted | Of which impaired | | | | |
| 005 | Cash balances at central banks and other demand deposits | - | - | - | - | - | - | - | - |
| 010 | Loans and advances | 116 | 134 | 134 | 80 | 1 | 11 | 13 | 10 |
| *020* | *Central banks* | - | - | - | - | - | - | - | - |
| *030* | *General governments* | - | - | - | - | - | - | - | - |
| *040* | *Credit institutions* | - | - | - | - | - | - | - | - |
| *050* | *Other financial corporations* | *43* | *54* | *54* | *46* | - | *6* | - | - |
| *060* | *Non-financial corporations* | *71* | *80* | *80* | *34* | *1* | *5* | *11* | *10* |
| *070* | *Households* | *2* | - | - | - | - | - | *2* | - |
| 080 | Debt Securities | - | - | - | - | - | - | - | - |
| 090 | Loan commitments given | 20 | - | - | - | - | - | - | - |
| **100** | **Total** | **137** | **134** | **134** | **80** | **1** | **11** | **13** | **10** |

Table EU-CQ2 shows the quality of forbearance through the loans and advances that have been forborne more than twice and the non-performing forborne loans and advances that failed to meet the non-performing exit criteria.

**EU-CQ2: Quality of forbearance**

| 30 June 2022 | *Amounts in €millions* | a |
|---|---|---|
| | | **Gross carrying amount of forborne exposures** |
| 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 | - |

| 31 December 2021 | *Amounts in €millions* | a |
|---|---|---|
| | | **Gross carrying amount of forborne exposures** |
| 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 shows an analysis of loans and advances that are secured by immovable property, split by the LTV of the respective loans and advances as at 30 June 2022, in line with the EBA Guidelines on disclosure of non-performing and forborne exposures.

**EU CQ6: Collateral valuation – loans and advances**

| | 30 June 2021 | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Loans and advances | | | | |
| | | | Performing | | Non-performing | |
| | *Amounts in €millions* | | | Of which past due > 30 days ≤ 90 days | | Unlikely to pay that are not past due or are past due ≤ 90 days |
| 010 | **Gross carrying amount** | **2,648** | **2,532** | **4** | **116** | **87** |
| 020 | Of which secured | 1,833 | 1,818 | 4 | 16 | - |
| 030 | Of which secured with immovable property | 1,833 | 1,818 | 4 | 16 | - |
| 040 | Of which instruments with LTV higher than 60% and lower or equal to 80% | 361 | 353 | | 8 | - |
| 050 | Of which instruments with LTV higher than 80% and lower or equal to 100% | 1,174 | 1,174 | | - | - |
| 060 | Of which instruments with LTV higher than 100% | 110 | 110 | | - | - |
| 070 | **Accumulated impairment for secured assets** | **25** | **5** | **1** | **20** | **10** |
| 080 | **Collateral** | | | | | |
| 090 | Of which value capped at the value of exposure | 1,825 | 1,809 | 4 | 16 | - |
| 100 | Of which immovable property | 1,825 | 1,809 | 4 | 16 | - |
| 110 | Of which value above the cap | 308 | 287 | 1 | 21 | - |
| 120 | Of which immovable property | 307 | 286 | 1 | 21 | - |
| 130 | **Financial guarantees received** | **1,525** | **1,525** | **3** | **-** | **-** |
| 140 | **Accumulated partial write-off** | **1** | **-** | **-** | **1** | **-** |

| | | f | g | h | i | j | k | l |
|---|---|---|---|---|---|---|---|---|
| | | Loans and advances | | | | | | |
| | | Non-performing | | | | | | |
| | | Past due > 90 days | | | | | | |
| | *Amounts in €millions* | | 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 |
| 010 | **Gross carrying amount** | **28** | - | **17** | **-** | **-** | **-** | **11** |
| 020 | Of which secured | 15 | - | 4 | - | - | - | 11 |
| 030 | Of which secured with immovable property | 15 | - | 4 | - | - | - | 11 |
| 040 | Of which instruments with LTV higher than 60% and lower or equal to 80% | 7 | | | | | | |
| 050 | Of which instruments with LTV higher than 80% and lower or equal to 100% | - | | | | | | |
| 060 | Of which instruments with LTV higher than 100% | - | | | | | | |
| 070 | **Accumulated impairment for secured assets** | **20** | **-** | **9** | **-** | **-** | **-** | **11** |
| 080 | **Collateral** | | | | | | | |
| 090 | Of which value capped at the value of exposure | 15 | - | 4 | - | - | - | 11 |
| 100 | Of which immovable property | 15 | - | 4 | - | - | - | 11 |
| 110 | Of which value above the cap | 21 | - | 13 | - | - | - | 8 |
| 120 | Of which immovable property | 21 | - | 13 | - | - | - | 8 |
| 130 | **Financial guarantees received** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 140 | **Accumulated partial write-off** | **1** | **1** | **-** | **-** | **-** | **-** | **-** |

| 31 December 2021 | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Loans and advances | | | | |
| | | | Performing | | Non-performing | |
| *Amounts in €millions* | | | | Of which past due > 30 days ≤ 90 days | | Unlikely to pay that are not past due or are past due ≤ 90 days |
| 010 | **Gross carrying amount** | **2,430** | **2,268** | **3** | **162** | **151** |
| 020 | Of which secured | 1,763 | 1,752 | 3 | 11 | - |
| 030 | Of which secured with immovable property | 1,763 | 1,752 | 3 | 11 | - |
| 040 | Of which instruments with LTV higher than 60% and lower or equal to 80% | 321 | 316 | | 5 | - |
| 050 | Of which instruments with LTV higher than 80% and lower or equal to 100% | 1,175 | 1,174 | | - | - |
| 060 | Of which instruments with LTV higher than 100% | 102 | 102 | | - | - |
| 070 | **Accumulated impairment for secured assets** | **22** | **4** | **-** | **18** | **18** |
| 080 | **Collateral** | | | | | |
| 090 | Of which value capped at the value of exposure | 1,763 | 1,752 | 3 | 11 | - |
| 100 | Of which immovable property | 1,763 | 1,752 | 3 | 11 | - |
| 110 | Of which value above the cap | 220 | 208 | - | 13 | - |
| 120 | Of which immovable property | 219 | 207 | - | 13 | - |
| 130 | **Financial guarantees received** | **1,462** | **1,461** | **2** | **-** | **-** |
| 140 | **Accumulated partial write-off** | **11** | **-** | **-** | **11** | **-** |

| | | f | g | h | i | j | k | l |
|---|---|---|---|---|---|---|---|---|
| | | Loans and advances | | | | | | |
| | | Non-performing | | | | | | |
| | | Past due > 90 days | | | | | | |
| *Amounts in €millions* | | | 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 |
| 010 | **Gross carrying amount** | **11** | **3** | **1** | **-** | **-** | **-** | **7** |
| 020 | Of which secured | 11 | 3 | 1 | - | - | - | 7 |
| 030 | Of which secured with immovable property | 11 | 3 | 1 | - | - | - | 7 |
| 040 | Of which instruments with LTV higher than 60% and lower or equal to 80% | 6 | | | | | | |
| 050 | Of which instruments with LTV higher than 80% and lower or equal to 100% | - | | | | | | |
| 060 | Of which instruments with LTV higher than 100% | - | | | | | | |
| 070 | **Accumulated impairment for secured assets** | **7** | **-** | **-** | **-** | **-** | **-** | **7** |
| 080 | **Collateral** | | | | | | | |
| 090 | Of which value capped at the value of exposure | 11 | 3 | 1 | - | - | - | 7 |
| 100 | Of which immovable property | 11 | 3 | 1 | - | - | - | 7 |
| 110 | Of which value above the cap | 12 | 6 | 2 | - | - | - | 4 |
| 120 | Of which immovable property | 12 | 6 | 2 | - | - | - | 4 |
| 130 | **Financial guarantees received** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 140 | **Accumulated partial write-off** | **11** | **11** | **-** | **-** | **-** | **-** | **-** |

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.

### 7.2 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 Group's provisioning approach is forward looking with a view of capturing current and future difficulties of borrowers. The Group carries out 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.

For Maltese Business Lending assets, the Group is unable to use external credit ratings as all exposures are unrated. Exposures within the Maltese Business Lending portfolio are therefore managed at an individual exposure level for credit purposes, through relationship managers who have access to the customers and their financial information on a regular basis.

Therefore, for loans in the International Corporate Lending and Maltese Business Lending portfolios, the Group estimates ECL on an individual basis.

When assessing impairment for these assets, the recoverable amount corresponds to the present value of estimated future cash flows. In the case of collateralised exposures, typically within the Maltese Business Lending portfolio, the estimation of the recoverable amount reflects the cash flows that may result from the liquidation of the collateral discounted at the original effective interest rate.

For exposures in the International Corporate Lending portfolio, the Group deems these assets as very rarely secured by assets whose value is easily observable. Therefore, recoverable amounts are usually calculated by projecting expected cash flows using a discounted cash flow ("DCF") approach to determine the Enterprise Value ("EV") under multiple scenarios. The recoverable amount under each scenario is estimated as the EV, plus available cash, less exit fees, discounted using the estimated weighted average cost of capital ("WACC") at a borrower level. The latter is determined using multiple assumptions in respect of the cost of debt and cost of equity. The recoverable amount is then compared to the EAD in order to determine any expected shortfalls / credit losses.

For exposures in the Maltese Business Lending portfolio, these are typically secured by real estate assets, cash collateral or tradeable equities whose value is more easily observable. In this respect, the recoverable amount is usually calculated on the basis of the present value of the estimated future cash flows of a collateralised financial asset, reflecting the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

In respect of the Dutch and Maltese Mortgage portfolios, the key indicator of credit-impairment arises when exposures are past due by more than 90 days taking into account the materiality threshold for Retail exposures as per the EBA regulatory definition of default, with other unlikeliness to pay indicators, such as the extension of forbearance measures, also being taken into consideration. The ECL on Stage 3 exposures is equivalent to the LGD parameter multiplied by the exposure amount, with PD equivalent to 100%.

For the Treasury Investment portfolio, recoverable amounts are assessed on a mark-to-market basis, using observable market prices for the instruments held.

Financial assets purchased or originated at a deep discount, classified as Purchased or Originated Credit-Impaired ('POCI'), are seen to reflect incurred credit losses. A lifetime ECL is recognised on POCI assets. The Group does not expect to originate or purchase any financial assets that are credit-impaired. However, there might be rare instances where the Group originates new assets following a renegotiation or restructure for reasons relating to a borrower's distressed financial circumstances that otherwise would not have been considered, and which may result in the new assets to be deemed POCI.

<u>Changes in stock of non-performing loans and advances</u> *(Article 442 (f) CRR)*

The following table provides an analysis of the changes in stock of non-performing loans and advances throughout the financial year. The gross carrying value is inclusive of accrued interest.

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

| | *Amounts in €millions* | **Period from 1 January to 30 June 2022**<br>**a**<br>**Gross carrying amount** | **Period from 1 July to 31 December 2021**<br>**a**<br>**Gross carrying amount** |
|---|---|---|---|
| **010** | **Initial stock of non-performing loans and advances** | 162 | 204 |
| 020 | Inflows to non-performing portfolios | 9 | 88 |
| 030 | Outflows from non-performing portfolios | (55) | (130) |
| *040* | *Outflows due to write-offs* | *(51)* | *(8)* |
| *050* | *Outflow due to other situations* | *(4)* | *(122)* |
| **060** | **Final stock of non-performing loans and advances** | **116** | **162** |

## 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 V 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.

The Malta Corporate Lending portfolio largely consists of short-term lending against residential and commercial real estate for resale, therefore, the source of repayment and collateral are generally the same pool of assets. For this reason, the Group applies risk appetite Loan-to-cost and Loan-to-value limits to provide a buffer in case of any changes to the credit quality of the borrower since origination. In view of the speculative nature of such facilities, a risk weight of 150% is applied as detailed under Article 128 of the CRR.

The Malta Mortgages portfolio is offered to retail borrowers for the purchase of residential real estate in Malta. Such borrowing is provided in line with general market standards and governed by the Central Bank of Malta Directive 16, which covers maximum lending limits for different categories of borrowers and income considerations for debt service to income ratios. Risk weights are also applied in line with section 2 of the CRR.

In September 2019, the Group commenced mortgage lending in the Netherlands under the NHG mortgage criteria under the standardised approach to credit risk and as from 2022 the Group also has Belgium mortgages on its balance sheet.

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 mortgage exposure that should be considered to be secured by property and the portion, if any, of the mortgage exposure that should be treated as a retail exposure under article 123 of the CRR.

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, 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 as 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 and Belgium (in the frame of the Dutch and Belgian Mortgage business). In particular, in relation to the Maltese Business 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 Maltese Business 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.

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

No collateral was obtained by taking possession of tangible assets.

**EU CR5 – Standardised approach[10]**

30 June 2022

| | | Risk weight | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Amounts in €millions* | **0%** | **10%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **250%** | **Total** | **Of which unrated** |
| | | a | d | e | f | g | i | j | k | l | q | q |
| | **Exposure classes** | | | | | | | | | | | |
| 1 | Central governments or central banks | 1,577 | - | - | - | - | - | - | - | 17 | 1,594 | 1,594 |
| 2 | Regional governments or local authorities | 117 | - | - | - | - | - | - | - | - | 117 | 117 |
| 3 | Public sector entities | 73 | - | 20 | - | - | - | - | - | - | 93 | 93 |
| 4 | Multilateral development Banks | 40 | - | - | - | - | - | - | - | - | 40 | 40 |
| 5 | International organisations | 25 | - | - | - | - | - | - | - | - | 25 | 25 |
| 6 | Institutions | 9 | - | 236 | - | - | - | 8 | - | - | 252 | 66 |
| 7 | Corporates | - | - | - | - | - | - | 614 | - | - | 614 | 614 |
| 8 | Retail exposures | - | - | - | - | - | 113 | - | - | - | 113 | 113 |
| 9 | Exposures secured by mortgages on immovable property | - | - | - | 124 | 25 | - | 30 | - | - | 180 | 180 |
| 10 | Exposures in default | - | - | - | - | - | - | 22 | 79 | - | 101 | 101 |
| 11 | Items associated with particular high risk | - | - | - | - | - | - | - | 36 | - | 36 | 36 |
| 12 | Covered bonds | - | 514 | 2 | - | - | - | - | - | - | 516 | - |
| 13 | Exposures to institutions and corporates with a short term credit assessment | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Units or shares in collective investment undertakings | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Equity exposure | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Other items | 4 | - | - | - | - | - | 36 | - | - | 40 | 40 |
| **17** | **Total** | **1,845** | **514** | **258** | **124** | **25** | **113** | **710** | **115** | **17** | **3,720** | **3,019** |

31 December 2021

| | | Risk weight | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Amounts in €millions* | **0%** | **10%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **250%** | **Total** | **Of which unrated** |
| | | a | d | e | f | g | i | j | k | l | q | q |
| | **Exposure classes** | | | | | | | | | | | |
| 1 | Central governments or central banks | 1,826 | - | - | - | - | - | - | - | 8 | 1,834 | 1,834 |
| 2 | Regional governments or local authorities | 121 | - | - | - | - | - | - | - | - | 121 | 121 |
| 3 | Public sector entities | 74 | - | 20 | - | - | - | - | - | - | 94 | 94 |
| 4 | Multilateral development Banks | 41 | - | - | - | - | - | - | - | - | 41 | 41 |
| 5 | International organisations | 26 | - | - | - | - | - | - | - | - | 26 | 26 |
| 6 | Institutions | 31 | - | 173 | - | - | - | 2 | - | - | 206 | 63 |
| 7 | Corporates | - | - | - | - | - | - | 581 | - | - | 581 | 581 |
| 8 | Retail exposures | - | - | - | - | - | 118 | - | - | - | 118 | 118 |
| 9 | Exposures secured by mortgages on immovable property | - | - | - | 98 | 13 | - | 36 | - | - | 148 | 148 |
| 10 | Exposures in default | - | - | - | - | - | - | 22 | 123 | - | 145 | 145 |
| 11 | Items associated with particular high risk | - | - | - | - | - | - | - | 35 | - | 35 | 35 |
| 12 | Covered bonds | - | 420 | 2 | - | - | - | - | - | - | 422 | - |
| 13 | Exposures to institutions and corporates with a short term credit assessment | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Units or shares in collective investment undertakings | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Equity exposure | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Other items | 4 | - | - | - | - | - | 37 | - | - | 40 | 40 |
| **17** | **Total** | **2,122** | **420** | **195** | **98** | **13** | **118** | **678** | **158** | **8** | **3,811** | **3,246** |

### 7.4 Exposures subject to measures applied in response to the COVID-19 pandemic

In 2020, the European Banking Association (EBA) issued a “Statement on the application of the prudential framework regarding default, Forbearance and IFRS 9 in light of COVID-19 measures”, along with guidance on legislative and non-legislative moratoria. On 2 December 2020 after closely monitoring the developments of the COVID-19 pandemic and, in particular, the impact of the second COVID-19 wave and the related government restrictions taken in many EU countries. EBA reactivated its guidelines on legislative and non-legislative moratoria which applied until 31 March 2021.

[10] Amounts presented in this table represent exposure value after credit risk mitigants (‘CRM’) and credit conversion factor (‘CCF’) excluding IFRS 9 transitional adjustment. Missing columns relate to risk weight percentages that are not applicable to the Group.

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.

The COVID-19 templates 1 and 2 provide an overview of active and expired loans and advances subject to EBA-compliant moratoria in the context of the COVID-19 pandemic as of 30 June 2022 and 31 December 2021.

COVID-19 template 1 provides details on loans and advances subject to EBA-complaint moratoria (legislative and non-legislative). The template provides a breakdown of the goss carrying amount and he related loss allowances by the status of the exposure (performing and non-performing). In additions, exposures for which a grace period of capital and interest payment was granted and exposures with forbearance measures are reported in the template. Performing exposures are ‘instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)’; and Non-performing exposures ae those that are “unlikely to pay that are not past-due or past-due led than or equal to 90 days” are reported.

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

| | As at 30 June 2022 | Gross Carrying Amount | | | |
|---|---|---|---|---|---|
| | | Total exposures | Performing | | |
| | *Amounts in €millions* | | | 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 | - | - | - | - |
| 2 | of which: Households | - | - | - | - |
| 3 | *of which: Collateralised by residential immovable property* | - | - | - | - |
| 4 | of which: Non-financial corporations | - | - | - | - |
| 5 | *of which: Small and Medium-sized Enterprises* | - | - | - | - |
| 6 | *of which: Collateralised by commercial immovable property* | - | - | - | - |

| | As at 30 June 2022 | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | |
|---|---|---|---|---|---|
| | | Total | Performing | | |
| | *Amounts in €millions* | | | 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 | - | - | - | - |
| 2 | of which: Households | - | - | - | - |
| 3 | *of which: Collateralised by residential immovable property* | - | - | - | -- |
| 4 | of which: Non-financial corporations | - | - | - | - |
| 5 | *of which: Small and Medium-sized Enterprises* | - | - | - | - |
| 6 | *of which: Collateralised by commercial immovable property* | - | - | - | - |

| | As at 31 December 2021 | Gross Carrying Amount | | | |
|---|---|---|---|---|---|
| | | Total exposures | Performing | | |
| | *Amounts in €millions* | | | 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 | - | - | - | - |
| 2 | of which: Households | - | - | - | - |
| 3 | *of which: Collateralised by residential immovable property* | - | - | - | - |
| 4 | of which: Non-financial corporations | - | - | - | - |
| 5 | *of which: Small and Medium-sized Enterprises* | - | - | - | - |
| 6 | *of which: Collateralised by commercial immovable property* | - | - | - | - |

As at 31 December 2021

| | Amounts in €millions | 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 | - | - | - | - |
| 2 | of which: Households | - | - | - | - |
| 3 | *of which: Collateralised by residential immovable property* | - | - | - | - |
| 4 | of which: Non-financial corporations | - | - | - | - |
| 5 | *of which: Small and Medium-sized Enterprises* | - | - | - | - |
| 6 | *of which: Collateralised by commercial immovable property* | - | - | - | - |

The moratoria granted are in the form of postponement of principal and/or interest for a predefined limited period of time and those still active which are reported in the above table were granted to households and to borrowers in the real estate and accommodation industry. No economic losses were realised.

The following COVID-19 template 2, provides details on EBA-compliant moratoria (legislative and non-legislative) for loans and advances that meet the requirements described in paragraph 10 of the EBA guidelines on moratoria. The template provides information on the number of obligors and gross carrying amount of loans and advances subject to different statuses of EBA compliant moratoria (requested/granted). In addition, the template contains a breakdown of those loans and advances that continue to be active moratoria by remaining period outstanding and the remaining gross carrying amount to be repaid of legislative moratoria as per the definition of the EBA Guidelines on moratoria.
.

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

As at 30 June 2022

| | Amounts in €millions | 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 | 23 | 22 | - | | | | | | |
| 2 | Loans and advances subject to moratorium (granted) | 23 | 22 | 22 | 22 | - | - | - | - | - |
| 3 | of which: Households | | 1 | 1 | 1 | - | - | - | - | - |
| 4 | *of which: Collateralised by residential immovable property* | | - | - | - | - | - | - | - | - |
| 5 | of which: Non-financial corporations | | 17 | 17 | 17 | - | - | - | - | - |
| 6 | *of which: Small and Medium-sized Enterprises* | | 17 | 17 | 17 | - | - | - | - | - |
| 7 | *of which: Collateralised by commercial immovable property* | | 12 | 12 | 12 | - | - | - | - | - |

As at 31 December 2021

| | Amounts in €millions | 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 | - | | | | | | |
| 2 | Loans and advances subject to moratorium (granted) | 30 | 30 | 30 | 30 | - | - | - | - | - |
| 3 | of which: Households | | 1 | 1 | 1 | - | - | - | - | - |
| 4 | *of which: Collateralised by residential immovable property* | | - | - | - | - | - | - | - | - |
| 5 | of which: Non-financial corporations | | 24 | 24 | 24 | - | - | - | - | - |
| 6 | *of which: Small and Medium-sized Enterprises* | | 24 | 24 | 24 | - | - | - | - | - |
| 7 | *of which: Collateralised by commercial immovable property* | | 17 | 17 | 17 | - | - | - | - | - |

The COVID-19 template 3 provides details on newly originated loans and advances as referred to in paragraph 15 of EBA GL 2020 07 that are subject to public guarantee scheme that Member States introduced in response to the COVID-19 pandemic. In the case of refinancing of previous debt with a new loan or of repackaging of several debts into a new loan, the new loan recognised in the financial statements is reported in this template provided that it is covered by a public guarantee scheme related to the COVID-19 pandemic. The template provides a breakdown of the gross carrying amount, the forbearance measures and the amount of public guarantees related to loans and advances and the inflows to non-performing exposures, if any.

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

Facilities amounting to €1.4 million guaranteed by the Malta Development Bank were granted to 2 borrowers in the professional, scientific and technical industry and the retail industry. These facilities were fully drawn as at 30 June 2022. The term of these two loans are 48 and 72 months respectively, and the guarantee is valid for 48 months. The guarantee for the 72 month term loan can be increased to cover the full term subject to additional terms and conditions.

| | *As at 30 June 2022* | Gross carrying amount | | Maximum amount of the guarantee that can be considered | Gross carrying amount |
|---|---|---|---|---|---|
| | *Amounts in €millions* | | of which: forborne | Public guarantees received | Inflows to non-performing exposures |
| 1 | **Newly originated loans and advances subject to public guarantee schemes** | **1** | - | 1 | - |
| *2* | of which: Households | | | | - |
| *3* | of which: Collateralised by residential immovable property | | | | - |
| *4* | of which: Non-financial corporations | 1 | - | 1 | - |
| *5* | of which: Small and Medium-sized Enterprises | - | | | - |
| *6* | of which: Collateralised by commercial immovable property | | | | - |

| | *As at 31 December 2021* | Gross carrying amount | | Maximum amount of the guarantee that can be considered | Gross carrying amount |
|---|---|---|---|---|---|
| | *Amounts in €millions* | | of which: forborne | Public guarantees received | Inflows to non-performing exposures |
| 1 | **Newly originated loans and advances subject to public guarantee schemes** | **1** | - | 1 | - |
| *2* | of which: Households | - | | | - |
| *3* | of which: Collateralised by residential immovable property | - | | | - |
| *4* | of which: Non-financial corporations | 1 | - | 1 | - |
| *5* | of which: Small and Medium-sized Enterprises | 1 | | | - |
| *6* | of which: Collateralised by commercial immovable property | - | | | - |

# 8 Counterparty Credit Risk ("CCR")

*Internal capital and credit limits for counterparty credit risk exposures (Article 439 (a) CRR) (EU CCRA)*

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. As the Group has no trading book and derivatives operations are limited to risk management purpose, the exposure of the Group to counterparty risk is very limited with 99% of the exposure on two counterparties. One of the counterparty is Eurex, a Central Counterparty (CCP) which is required to manage its exposure towards each of their counterparties as defined in the Regulation of European Market Infrastructure (European Market Infrastructure Regulation (EMIR)) and in the European Securities and Markets Authority (ESMA) Technical Standards.

Four approaches may be used under CRD to calculate exposure values for CCR: mark-to-market, original exposures, standardised and IMM. Exposure values calculated under these approaches are used to determine RWAs. As of June 2022, the Group reported the CCR calculations using the Original Exposures Method (as defined in CRR II, Article 282).

Limits for CCR exposures are established on the basis of the principles for assigning credit limits as described in the sections “General qualitative information on credit risk (Article 435 (1) (a d) CRR (EU OCA and EU CRA)” and “General qualitative information on credit risk mitigation (Article 452 (1-e) CRR) (EU CRC)”. CCR exposures are also considered in the context of the overall credit exposure to the obligor and the group of borrowers under the one obligor principle.

*Management of wrong-way risk exposures (Article 439 (c) CRR (EU CCRA)*

The regulation sets-out principles for prudent management of concentration risks and defines strict requirements for monitoring wrong-way risks by the CCPs. Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. Thus the counterparty exposure and the riskiness of the counterparty increases simultaneously.

In compliance with Article 291 (2) and (4) CRR the Group monitors wrong way risk, that is those situations where the probability of default of a particular counterparty is positively correlated to the exposure with the same counterparty. The second large exposure with a large financial institution is related to a back-to-back swap where the counterparty is between MeDirect and the securitisation vehicle of our Dutch mortgage loans portfolio for which only cash collateral is exchanged. The back-to-back structure and cash collateral agreement mitigate therefore the wrong-way risk.

*Credit derivative exposures (Article 439 (j) CRR)*

The Group was not involved in any credit derivative transactions during the year, 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 7 ‘Credit Risk and Credit Risk mitigation”.

*Collateral and credit reserves for counterparty credit risk (Article 439 (b) CRR) (EU CCRA)*

Settlement and delivery risk are mitigated by the use of industry-standard documentation such as Loan Management Association (LMA) and International Swaps and Derivatives Association (ISDA) agreements, alongside associated Credit Support Annex (CSAs). A bilateral secured financing transaction bearing any counterparty credit risk not executed under a signed Global Master Repurchase Agreement (GMRA) or ISDA agreement, is outside the Group’s Risk Appetite. A master agreement allows for the close-out netting of rights and obligations arising under derivative transactions that have been entered into under such a master agreement upon the counterparty’s default, resulting in a single net claim owed by or to the counterparty.

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

Any new counterparties and associated limits may be approved by the Treasury Management Credit Committee. This list of approved derivative counterparties and associated limits is included in the Group’s Risk Appetite Statement. The Group’s Treasury function monitors market feeds on a daily basis to ensure that any potential downgrade to credit ratings of its counterparties are captured in a timely manner. This ensures that exposure to such counterparties is limited to the current exposure, if necessary.

The Risk Appetite Statement covering the credit risk for the Treasury portfolio ensures wrong-way risk is mitigated. Wrong way risk results when the probability of default of a counterparty is positively correlated to the exposure with the same counterparty, The Risk Appetite Statement sets out the limits on the maximum exposures held in deposits and derivate exposures to counterparties. Limits are primarily based on the long-term credit rating of the counterparty.

*Collateral in the event of a rating downgrade (Article 439 (d) CRR) (EU CCRA)*

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.

*CCR exposures in the standardised approach (Article 444 (e) CRR)*

The below table shows the counterparty credit risk exposure split by risk weights and regulatory exposure classes. This table excludes risk weighted exposure amounts derived from own funds requirements for CVA risk but includes exposures cleared through a CCP. Exposures cleared through a central counterparty (CCP) are presented separately in table EU CCR8.

**EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weight**

| | 30 June 2022 | Risk weight | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Amounts in €millions* | a | b | c | d | e | f | g | h | i | j | k | l |
| | Exposure classes | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | Others | Total exposure value |
| 1 | Central governments or central banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | Regional government or local authorities | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | International organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Institutions | 34 | - | - | - | 6 | - | - | - | - | - | - | 40 |
| 7 | Corporates | - | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Retail | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Other items | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | **Total exposure value** | **34** | **-** | **-** | **-** | **6** | **-** | **-** | **-** | **-** | **-** | **-** | **40** |

| | 31 December 2021 | Risk weight | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Amounts in €millions* | a | b | c | d | e | f | g | h | i | j | k | l |
| | Exposure classes | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | Others | Total exposure value |
| 1 | Central governments or central banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | Regional government or local authorities | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | International organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Institutions | 31 | - | - | - | 7 | - | - | - | - | - | - | 38 |
| 7 | Corporates | - | - | - | - | - | - | - | - | - | - | - | - |
| 8 | Retail | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Other items | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | **Total exposure value** | **31** | **-** | **-** | **-** | **7** | **-** | **-** | **-** | **-** | **-** | **-** | **38** |

*<u>CCR exposures after credit risk mitigation</u> (Article 439 (e) CRR)*

The following table presents information on our counterparty credit risk (CCR) exposure and the composition of collateral used in both derivative transactions and securities financing transactions (SFT).

Table EU CCR5 discloses a breakdown of all types of collateral posted or received to support or reduce CCR exposures related to derivatives and SFT, For SFT, collateral refers to both legs of the transaction as collateral received and collateral positioned.

**EU CCR5 – Composition of collateral for CCR exposures**

| | 30 June 2022 | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | *Amounts in €millions* | Collateral used in derivative transactions | | | | Collateral used in SFTs | | | |
| | Collateral type | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | | Fair value of posted collateral | |
| | | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| 1 | Cash – domestic currency | - | - | - | - | - | - | - | - |
| 2 | Cash – other currencies | - | - | - | - | - | - | - | - |
| 3 | Domestic sovereign debt | - | - | - | - | - | - | - | - |
| 4 | Other sovereign debt | - | - | - | - | - | - | - | - |
| 5 | Government agency debt | - | - | - | - | - | 34 | - | - |
| 6 | Corporate bonds | - | - | - | - | - | - | - | - |
| 7 | Equity securities | - | - | - | - | - | - | - | - |
| 8 | Other collateral | - | - | - | - | - | - | - | - |
| 9 | **Total** | **-** | **-** | **-** | **-** | **-** | **34** | **-** | **-** |

| | 31 December 2021 *Amounts in €millions* | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral used in derivative transactions | | | | Collateral used in SFTs | | | |
| | Collateral type | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | | Fair value of posted collateral | |
| | | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| 1 | Cash – domestic currency | - | - | - | - | - | - | - | - |
| 2 | Cash – other currencies | - | - | - | - | - | - | - | - |
| 3 | Domestic sovereign debt | - | - | - | - | - | - | - | - |
| 4 | Other sovereign debt | - | - | - | - | - | - | - | - |
| 5 | Government agency debt | - | - | - | - | - | 31 | - | - |
| 6 | Corporate bonds | - | - | - | - | - | - | - | - |
| 7 | Equity securities | - | - | - | - | - | - | - | - |
| 8 | Other collateral | - | - | - | - | - | - | - | - |
| 9 | **Total** | **-** | **-** | **-** | **-** | **-** | **31** | **-** | **-** |

*<u>CCR exposures to central counterparties</u> (Article 439 (i) CRR)*

The following table presents an overview of our exposures and capital requirements to central counterparties arising from transactions, margins and contributions to default funds. As of 30 June 2022 and 31 December 2021, MeDirect mainly reports exposures to qualifying central counterparties (QCCP) as defined in Article 4 (88) CRR.

**EU CCR8 – Exposures to CCPs**

| | 30 June 2022 *Amounts in €millions* | a | b |
|---|---|---|---|
| | | Exposure value | RWEA |
| **1** | **Exposures to QCCPs (total)** | | 14 |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 344 | 7 |
| 3 | (i) OTC derivatives | 344 | 7 |
| 4 | (ii) Exchange-traded derivatives | - | - |
| 5 | (iii) SFTs | - | - |
| 6 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 7 | Segregated initial margin | - | |
| 8 | Non-segregated initial margin | 46 | 1 |
| 9 | Prefunded default fund contributions | 14 | 6 |
| 10 | Unfunded default fund contributions | - | - |
| **11** | **Exposures to non-QCCPs (total)** | | - |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | - | - |
| 13 | (i) OTC derivatives | - | - |
| 14 | (ii) Exchange-traded derivatives | - | - |
| 15 | (iii) SFTs | - | - |
| 16 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 17 | Segregated initial margin | - | |
| 18 | Non-segregated initial margin | - | - |
| 19 | Prefunded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

| | 31 December 2021<br>*Amounts in €millions* | a<br>Exposure value | b<br>RWEA |
|---|---|---|---|
| **1** | **Exposures to QCCPs (total)** | | 8 |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 62 | 1 |
| 3 | (i) OTC derivatives | 62 | 1 |
| 4 | (ii) Exchange-traded derivatives | - | - |
| 5 | (iii) SFTs | - | - |
| 6 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 7 | Segregated initial margin | - | |
| 8 | Non-segregated initial margin | 33 | 1 |
| 9 | Prefunded default fund contributions | 14 | 6 |
| 10 | Unfunded default fund contributions | - | - |
| **11** | **Exposures to non-QCCPs (total)** | | - |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | - | - |
| 13 | (i) OTC derivatives | - | - |
| 14 | (ii) Exchange-traded derivatives | - | - |
| 15 | (iii) SFTs | - | - |
| 16 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 17 | Segregated initial margin | - | |
| 18 | Non-segregated initial margin | - | - |
| 19 | Prefunded default fund contributions | - | - |
| 20 | Unfunded default fund contributions | - | - |

## 9 Exposure to securitisation positions

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.

The approach for the calculation of the regulatory capital requirements for banking book securitisation positions is prescribed by the CRR. The securitisation framework determines the regulatory capital requirements for the credit risk of banking book securitisations pursuant to Articles 242 to 270e CRR, and distinguishes between the Securitisation Internal Ratings-Based Approach (SEC-IRBA), the Securitisation Standardised Approach (SEC-SA) and the Securitisation External Ratings-Based Approach (SEC-ERBA).

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%.

*External SSPE-related activities*

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

This investment activity ceased in March 2021 as outlined in the ‘Objectives in relation to securitisation activity’ section of the preceding disclosure. Prior to the cessation of the Group management of the GH1-2019 CLO, the following accounting treatment policies were adhered to.

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 implicit support, directly or indirectly, with a view to reducing potential or actual losses to the investors of GH1-2019 securitisation, beyond its contractual obligations.

No legal entities affiliated with the Group has investments in securitisations originated by the Group.

*B) 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 Group only invests in AAA CLO rated bonds and thus High quality assets (HQLA) with pricing monitored monthly together with ratings. The Group uses the Moody's Structured Finance portal to extract all the relevant monitoring data, such as underlying loans as well as information on defaults, in order to work out the risk weighting and consequently closely monitor for any changes. As part of the ICAAP process, the portfolio is stress tested with price haircuts and risk weights increasing as stress scenario would assume increased defaults in the underlying loan book. Risk appetite for investment in the senior tranches of CLOs managed by 3rd parties is expressed through a number of limits and indicators.

<u>Banking book securitisation exposures</u> *(Article 449 (j) CRR)*

The following tables provide an analysis of the securitisation exposures by looking through to the underlying exposures. It details the total non-trading book securitisation exposure split by exposure type that have been securitised in MeDirect's capacity as wither originator and finally positions which have been purchased through investment activities as investor. The exposures held by the Group all consist of tradition wholesale securitisation exposures. The originator columns contain the retained positions and show the current retention of our contribution to the originates amount. None of the traditional securitisation exposures include ABCP programmes.

**EU-SEC 1: Securitisation exposures in the non-trading book [11]**

| | | a | b | c | d | e | f | g | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 30 June 2022 | | Institution acts as originator | | | | | | | Institution acts as investor | | | |
| *Amounts in €millions* | | Traditional | | | | Synthetic | | Sub-total | Traditional | | Synthetic | Sub-total |
| | | STS | | Non-STS | | | of which SRT | | STS | Non-STS | | |
| **1** | **Total exposures** | - | - | 19 | 19 | - | - | 19 | - | 540 | - | 540 |
| 2 | Retail (total) | - | - | - | - | - | - | - | - | - | - | - |
| 3 | residential mortgage | - | - | - | - | - | - | - | - | - | - | - |
| 4 | credit card | - | - | - | - | - | - | - | - | - | - | - |
| 5 | other retail exposures | - | - | - | - | - | - | - | - | - | - | - |
| 6 | re-securitisation | - | - | - | - | - | - | - | - | - | - | - |
| 7 | Wholesale (total) | - | - | 19 | 19 | - | - | 19 | - | 540 | - | 540 |
| 8 | loans to corporates | - | - | 19 | 19 | - | - | 19 | - | 540 | - | 540 |
| 9 | commercial mortgage | - | - | - | - | - | - | - | - | - | - | - |
| 10 | lease and receivables | - | - | - | - | - | - | - | - | - | - | - |
| 11 | other wholesale | - | - | - | - | - | - | - | - | - | - | - |
| 12 | re-securitisation | - | - | 19 | 19 | - | - | 19 | - | 540 | - | 540 |

| | | a | b | c | d | e | f | g | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 December 2021 | | Institution acts as originator | | | | | | | Institution acts as investor | | | |
| *Amounts in €millions* | | Traditional | | | | Synthetic | | Sub-total | Traditional | | Synthetic | Sub-total |
| | | STS | | Non-STS | | | of which SRT | | STS | Non-STS | | |
| **1** | **Total exposures** | - | - | 20 | 20 | - | - | 20 | - | 489 | - | 489 |
| 2 | Retail (total) | - | - | - | - | - | - | - | - | - | - | - |
| 3 | residential mortgage | - | - | - | - | - | - | - | - | - | - | - |
| 4 | credit card | - | - | - | - | - | - | - | - | - | - | - |
| 5 | other retail exposures | - | - | - | - | - | - | - | - | - | - | - |
| 6 | re-securitisation | - | - | - | - | - | - | - | - | - | - | - |
| 7 | Wholesale (total) | - | - | 20 | 20 | - | - | 20 | - | 489 | - | 489 |
| 8 | loans to corporates | - | - | 20 | 20 | - | - | 20 | - | 489 | - | 489 |
| 9 | commercial mortgage | - | - | - | - | - | - | - | - | - | - | - |
| 10 | lease and receivables | - | - | - | - | - | - | - | - | - | - | - |
| 11 | other wholesale | - | - | - | - | - | - | - | - | - | - | - |
| 12 | re-securitisation | - | - | - | - | - | - | - | - | - | - | - |

<u>Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor</u> *(Article 449 (k) (i) CRR)*

The following table presents the retained or purchased non-trading book securitisations where the Group acts as originator or as sponsor. Firstly, it provides the exposure values broken down by risk-weight bands. Additionally, it presents the exposure values, risk weighted exposure amounts and capital requirements for securitisation positions provided separately for each RWA calculation approach. All just mentioned values are broken down by traditional and synthetic transactions, securitisation and re-securitisation, as well as by retail or wholesale. The exposures held by the Group all consist of tradition wholesale securitisation exposures.

[11] Columns h – k in relation to "Institution acts as sponsor" are not included as not applicable.

The regulatory calculation approach of the securitisation framework applied by the Group being the SEC-SA approach. Under SEC-SA (Articles 261 and 282 CRR) the capital requirement ration for the pool of securitised assets needs to be calculated as if they were not securitised and as if they were on the Group's book.

**EU-SEC 3: Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator [12]**

| | | a | b | c | d | e | h | l | EU-p |
|---|---|---|---|---|---|---|---|---|---|
| 30 June 2022<br>*Amounts in €millions* | | 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** | - | **19** | **20** | **2** |
| 2 | Traditional transactions | - | - | - | 19 | - | 19 | 20 | 2 |
| 3 | Securitisation | - | - | - | 19 | - | 19 | 20 | 2 |
| 4 | Retail | - | - | - | - | - | - | - | - |
| 5 | Of which STS | - | - | - | - | - | - | - | - |
| 6 | Wholesale | - | - | - | 19 | - | 19 | 20 | 2 |
| 7 | Of which STS | - | - | - | - | - | - | - | - |
| 8 | Re-securitisation | - | - | - | - | - | - | - | - |
| 9 | Synthetic transactions | - | - | - | - | - | - | - | - |
| 10 | Securitisation | - | - | - | - | - | - | - | - |
| 11 | Retail underlying | - | - | - | - | - | - | - | - |
| 12 | Wholesale | - | - | - | - | - | - | - | - |
| 13 | Re-securitisation | - | - | - | - | - | - | - | - |

| | | a | b | c | d | E | h | l | EU-p |
|---|---|---|---|---|---|---|---|---|---|
| 31 December 2021<br>*Amounts in €millions* | | 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** | - | - | - | **20** | - | **20** | **20** | **2** |
| 2 | Traditional transactions | - | - | - | 20 | - | 20 | 20 | 2 |
| 3 | Securitisation | - | - | - | 20 | - | 20 | 20 | 2 |
| 4 | Retail | - | - | - | - | - | - | - | - |
| 5 | Of which STS | - | - | - | - | - | - | - | - |
| 6 | Wholesale | - | - | - | 20 | - | 20 | 20 | 2 |
| 7 | Of which STS | - | - | - | - | - | - | - | - |
| 8 | Re-securitisation | - | - | - | - | - | - | - | - |
| 9 | Synthetic transactions | - | - | - | - | - | - | - | - |
| 10 | Securitisation | - | - | - | - | - | - | - | - |
| 11 | Retail underlying | - | - | - | - | - | - | - | - |
| 12 | Wholesale | - | - | - | - | - | - | - | - |
| 13 | Re-securitisation | - | - | - | - | - | - | - | - |

[12] Columns in relation to SEC-IRBA, SEC ERBA and 1250% RW/deductions approach were not included as not applicable.

*<u>Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor</u> (Article 449 (k) (ii) CRR)*

The following table presents the purchased non-trading book securitisations, where the group acts as investor i.e. wherever the Group is not acting as originator or sponsor. Firstly it provide the exposure values broken down by risk-weight bands. Additionally, it presents the exposure values, risk weighted exposure amounts and capital requirements for securitisation positions provided separately for each RWA calculation approach. All just mentioned values are broken down by traditional and synthetic transactions, securitisation and re-securitisation, as well as by retail or wholesale. The exposures held by the Group all consist of tradition wholesale securitisation exposures.

**EU-SEC 4: Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as an investor [13]**

| | | a | b | c | d | e | h | l | EU-p |
|---|---|---|---|---|---|---|---|---|---|
| 30 June 2022 | | Exposure values (by RW bands/deductions) | | | | | Exposure values (by regulatory approach) | RWEA (by regulatory approach) | Capital charge after cap |
| *Amounts in €millions* | | ≤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 | 540 | - | - | - | - | 540 | 81 | 6 |
| 2 | Traditional securitisation | 540 | - | - | - | - | 540 | 81 | 6 |
| 3 | Of which securitisation | 540 | - | - | - | - | 540 | 81 | 6 |
| 4 | Of which retail underlying | - | - | - | - | - | - | - | - |
| 5 | Of which wholesale | 540 | - | - | - | - | 540 | 81 | 6 |
| 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 | - | - | - | - | - | - | - | - |

| | | a | b | c | d | e | h | l | EU-p |
|---|---|---|---|---|---|---|---|---|---|
| 31 December 2021 | | Exposure values (by RW bands/deductions) | | | | | Exposure values (by regulatory approach) | RWEA (by regulatory approach) | Capital charge after cap |
| *Amounts in €millions* | | ≤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 | 489 | - | - | - | - | 489 | 73 | 6 |
| 2 | Traditional securitisation | 489 | - | - | - | - | 489 | 73 | 6 |
| 3 | Of which securitisation | 489 | - | - | - | - | 489 | 73 | 6 |
| 4 | Of which retail underlying | - | - | - | - | - | - | - | - |
| 5 | Of which wholesale | 489 | - | - | - | - | 489 | 73 | 6 |
| 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 | - | - | - | - | - | - | - | - |

[13] Columns in relation to SEC-IRBA, SEC ERBA and 1250% RW/deductions approach were not included as not applicable.

*Exposures securitised by the institution – exposures in default and specific credit risk adjustments* (Article 449 (l) CRR)

The table below presents the outstanding nominal amounts where the Group acts as originator and the related specific credit risk adjustments in accordance with Article 110 CRR. None of the exposures have been classified as defaulted according to Article 178 CRR. The amounts are broken down by the exposure type of the securitised exposures. The outstanding nominal amounts shown correspond to the share of the Group's contribution to the securitised assets,

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

| | | a | b | c |
|---|---|---|---|---|
| 30 June 2022 | | 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 €millions | | Of which exposures in default | |
| **1** | **Total exposures** | **19** | **-** | **-** |
| 2 | Retail (total) | - | - | - |
| 3 | residential mortgage | - | - | - |
| 4 | credit card | - | - | - |
| 5 | other retail exposures | - | - | - |
| 6 | re-securitisation | - | - | - |
| 7 | Wholesale (total) | 19 | - | - |
| 8 | loans to corporates | 19 | - | - |
| 9 | commercial mortgage | - | - | - |
| 10 | lease and receivables | - | - | - |
| 11 | other wholesale | - | - | - |
| 12 | re-securitisation | - | - | - |

| | | a | b | c |
|---|---|---|---|---|
| 31 December 2021 | | 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 €millions | | Of which exposures in default | |
| **1** | **Total exposures** | **20** | **-** | **-** |
| 2 | Retail (total) | - | - | - |
| 3 | residential mortgage | - | - | - |
| 4 | credit card | - | - | - |
| 5 | other retail exposures | - | - | - |
| 6 | re-securitisation | - | - | - |
| 7 | Wholesale (total) | 20 | - | - |
| 8 | loans to corporates | 20 | - | - |
| 9 | commercial mortgage | - | - | - |
| 10 | lease and receivables | - | - | - |
| 11 | other wholesale | - | - | - |
| 12 | re-securitisation | - | - | - |

## 10 Liquidity

The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day stress scenario. The ratio is defined as the amount of High Quality Liquid Assets ("HQLA") that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both contractual and modelled exposures, in a stress scenario.

This requirement has been implemented into European law, via the Commission Delegated Regulation (EU) 2015/61, adopted in October 2014, Compliance with the LCR was required in the EU from 1 October 2015.

All items in the Group's LCR calculation have been included in the EU LIQ1 table.

*Quantitative information on LCR (Article 451a CRR)*

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**

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | *Amounts in €millions* | Total unweighted value (average) | | | | Total weighted value (average) | | | |
| EU 1a | Quarter ending on: | 30 June 2022 | 31 March 2022 | 31 December 2021 | 30 September 2021 | 30 June 2022 | 31 March 2022 | 31 December 2021 | 30 September 2021 |
| EU 1b | Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| | | | | | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | | | | | 828 | 798 | 815 | 791 |
| CASH – OUTFLOWS | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 2,584 | 2,541 | 2,481 | 2,427 | 181 | 173 | 163 | 153 |
| 3 | *Stable deposits* | 3 | 2 | 2 | 1 | - | - | - | - |
| 4 | *Less stable deposits* | 1,795 | 1,714 | 1,616 | 1,524 | 181 | 172 | 163 | 153 |
| 5 | Unsecured wholesale funding | 186 | 187 | 182 | 170 | 76 | 76 | 73 | 65 |
| 6 | *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | - | - | - | - | - | - | - | - |
| 7 | *Non-operational deposits (all counterparties)* | 186 | 187 | *182* | *170* | *76* | 76 | *73* | *65* |
| 8 | *Unsecured debt* | - | - | - | - | - | - | - | - |
| 9 | *Secured wholesale funding* | | | | | 2 | 10 | 13 | 16 |
| 10 | Additional requirements | 312 | 329 | 356 | 377 | 80 | 75 | 76 | 74 |
| 11 | *Outflows related to derivative exposures and other collateral requirements* | 32 | 30 | *28* | *28* | *32* | 30 | *28* | *28* |
| 12 | *Outflows related to loss of funding on debt products* | - | - | - | - | - | - | - | - |
| 13 | *Credit and liquidity facilities* | 280 | 299 | *327* | *349* | *48* | 46 | *48* | *45* |
| 14 | Other contractual funding obligations | 22 | 20 | 20 | 19 | 16 | 15 | 14 | 14 |
| 15 | Other contingent funding obligations | - | - | - | - | - | - | - | - |
| 16 | TOTAL CASH OUTFLOWS | | | | | 354 | 348 | 340 | 322 |
| CASH – INFLOWS | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | 8 | 8 | 15 | 17 | 8 | 6 | 9 | 8 |
| 18 | Inflows from fully performing exposures | 73 | 94 | 95 | 102 | 69 | 91 | 92 | 98 |
| 19 | Other cash inflows | 19 | 25 | 25 | 26 | 15 | 20 | 20 | 21 |
| 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 | 100 | 127 | 135 | 145 | 92 | 116 | 121 | 128 |
| EU-20a | *Fully exempt inflows* | - | - | - | - | - | - | - | - |
| EU-20b | *Inflows subject to 90% cap* | - | - | - | - | - | - | - | - |
| EU-20c | *Inflows subject to 75% cap* | 100 | 127 | *135* | *145* | *92* | 116 | *121* | *128* |
| TOTAL ADJUSTED BUFFER | | | | | | | | | |
| EU-21 | LIQUIDITY BUFFER | | | | | 828 | 798 | 815 | 791 |
| 22 | TOTAL NET CASH OUTFLOWS | | | | | 263 | 232 | 219 | 194 |
| 23 | LIQUIDITY COVERAGE RATIO | | | | | 325% | 344% | 372% | 408% |

As at 30 June 2022 and 31 December 2021, the Group's LCR was well above both the regulatory minimum and the risk appetite set by the Group.

*The Net Stable Funding Ratio*

The NSFR requires banks to maintain a stable funding profile in relation to their on- and off- balance sheet activities. The ratio is defined as the amount of Available Stable Funding (the portion of capital and liquidities expected to be a stable source of funding), relative to the amount of Required Stable Funding (a function of the liquidity characteristics of various assets held).

The following table provides an analysis of the data points used in the calculation of net stable funding ratio. The NSFR as of 30 June 2022 calculated in accordance with the CRR 2 stands at 129%, or €800 million of excess over regulatory minimum of 100%.

**EU LIQ2: Net Stable Funding Ratio** (In accordance with Article 41 a(3) CRR)

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| As at 30 June 2022 | | Unweighted value by residual maturity at 30 June 2022 | | | | Weighted value |
| *Amounts in €millions* | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **Available stable funding (ASF) Items** | | | | | | |
| 1 | Capital items and instruments | 258 | - | - | - | 258 |
| *2* | *Own funds* | 258 | - | - | - | 258 |
| *3* | *Other capital instruments* | | - | - | - | - |
| 4 | Retail deposits | | 2,264 | 65 | 246 | 2,430 |
| *5* | *Stable deposits* | | 1,694 | 58 | 238 | 1,903 |
| *6* | *Less stable deposits* | | 570 | 7 | 8 | 527 |
| 7 | Wholesale funding: | | 468 | 175 | 630 | 864 |
| *8* | *Operational deposits* | | - | - | - | - |
| *9* | *Other wholesale funding* | | 468 | 175 | 630 | 864 |
| 10 | Interdependent liabilities | | - | - | - | - |
| 11 | Other liabilities: | 5 | 35 | - | 3 | 3 |
| *12* | *NSFR derivative liabilities* | 5 | | | | |
| *13* | *All other liabilities and capital instruments not included in the above categories* | | 35 | - | 3 | 3 |
| **14** | **Total available stable funding (ASF)** | | | | | 3,555 |
| **Required stable funding (RSF) Items** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | 152 |
| 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: | | 116 | 49 | 2,537 | 2,157 |
| 18 | *Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut* | | 34 | - | - | - |
| 19 | *Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions* | | 28 | - | - | 5 |
| 20 | *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:* | | 34 | 30 | 512 | 461 |
| 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 | 19 | 1,467 | 1,211 |
| 23 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 18 | 18 | 1,346 | 1,093 |
| 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* | | - | - | 557 | 480 |
| 25 | Interdependent assets | | -- | - | - | - |
| 26 | Other assets: | - | 485 | - | 105 | 434 |
| *27* | *Physical traded commodities* | | | | - | - |
| *28* | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | | - | - | 8 | -7 |
| *29* | *NSFR derivative assets* | | 173 | | | 173 |
| *30* | *NSFR derivative liabilities before deduction of variation margin posted* | | 5 | 5 | 5 | - |
| *31* | *All other assets not included in the above categories* | | 307 | - | 96 | 254 |
| 32 | Off-balance sheet items | | 259 | - | - | 13 |
| **33** | **Total RSF** | | | | | 2,756 |
| **34** | **Net Stable Funding Ratio (%)** | | | | | 129% |

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| As at 31 December 2021 | | Unweighted value by residual maturity at 31 December 2021 | | | | Weighted value |
| *Amounts in €millions* | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **Available stable funding (ASF) Items** | | | | | | |
| 1 | Capital items and instruments | 230 | - | - | 48 | 278 |
| *2* | *Own funds* | *230* | - | - | *48* | *278* |
| *3* | *Other capital instruments* | | - | - | - | - |
| 4 | Retail deposits | | 2,215 | 94 | 278 | 2,445 |
| *5* | *Stable deposits* | | *1,690* | *89* | *265* | *1,955* |
| *6* | *Less stable deposits* | | *525* | *4* | *14* | *491* |
| 7 | Wholesale funding: | | 545 | 80 | 674 | 853 |
| *8* | *Operational deposits* | | - | - | - | - |
| *9* | *Other wholesale funding* | | *545* | *80* | *674* | *853* |
| 10 | Interdependent liabilities | | - | - | - | - |
| 11 | Other liabilities: | 1, | 38 | - | 5 | 5 |
| *12* | *NSFR derivative liabilities* | *1,* | | | | |
| *13* | *All other liabilities and capital instruments not included in the above categories* | | *38* | - | *5* | *5* |
| **14** | **Total available stable funding (ASF)** | | | | | **3,582** |
| **Required stable funding (RSF) Items** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | 153 |
| 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: | | 147 | 44 | 2,600 | 2,227 |
| 18 | *Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut* | | *31* | - | - | - |
| 19 | *Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions* | | *91* | - | - | *11* |
| 20 | *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:* | | *4* | *23* | *498* | *441* |
| 21 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | *2* | *1* | *55* | *27* |
| 22 | *Performing residential mortgages, of which:* | | *22* | *21* | *1,595* | *1,322* |
| 23 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | *21* | *20* | *1,465* | *1,208* |
| 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* | | - | - | *507* | *453* |
| 25 | Interdependent assets | | - | - | - | - |
| 26 | Other assets: | - | 227 | - | 155 | 288 |
| *27* | *Physical traded commodities* | | | | - | - |
| *28* | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | | - | - | *8* | *7* |
| *29* | *NSFR derivative assets* | | *37* | - | - | *37* |
| *30* | *NSFR derivative liabilities before deduction of variation margin posted* | | *1* | - | - | - |
| *31* | *All other assets not included in the above categories* | | *188* | - | *147* | *243* |
| 32 | Off-balance sheet items | | 289 | - | - | 14 |
| **33** | **Total RSF** | | | | | **2,683** |
| **34** | **Net Stable Funding Ratio (%)** | | | | | **133.5%** |