

MDB Group Limited

Pillar 3 disclosures report – Half-yearly report
30 June 2023

Contents

1	INTRODUCTION	3
2	KEY METRICS	4
3	SCOPE OF APPLICATION OF THE REGULATORY FRAMEWORK	7
4	OWN FUNDS	8
4.1	Total available capital	8
4.1.1	<i>Common Equity Tier 1 capital – composition</i>	8
4.1.2	<i>Common Equity Tier 1 capital – terms and conditions</i>	8
4.1.3	<i>Tier 2 capital</i>	8
4.2	Own Funds – other disclosures	9
4.2.1	<i>Composition- of Own Funds</i>	9
5	CAPITAL REQUIREMENTS	14
6	LEVERAGE	19
7	CREDIT RISK AND CREDIT RISK MITIGATION (“CRM”)	22
7.1	Credit quality analysis	22
7.2	Impairment loss measurement guidelines	31
7.3	Credit Risk Mitigation (“CRM”)	32
7.3.1	<i>Capital allocation and capital buffers for credit risk</i>	33
7.3.2	<i>On and off balance sheet netting and set-off</i>	33
7.3.3	<i>Collateral and other credit enhancements</i>	33
8	COUNTERPARTY CREDIT RISK (“CCR”)	36
9	EXPOSURE TO SECURITISATION POSITIONS	40
10	LIQUIDITY	45
	PILLAR 3 DISCLOSURES – ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS	48

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 213800TC9PZRBHJW403.

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 Group Limited'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 2023. However, additional information can be found in the Interim Report as of 30 June 2023, as well as in the MDB Group Annual Report 2022 and the MDB Group Pillar 3 Report 2022.

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.

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 2022. Disclosures required on a quarterly basis generally include comparative information for 31 March 2023.

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>).

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 metrics¹

Amounts in €millions		a	b	c	d	e
		30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22
Available own funds						
1	Common Equity Tier 1 (CET1) capital	216	207	210	203	188
2	Tier 1 capital	216	207	210	203	188
3	Total capital	263	255	258	250	240
Risk-weighted exposure amounts						
4	Total risk exposure amount	1,333	1,364	1,381	1,291	1,385
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	16.2%	15.1%	15.2%	15.7%	13.6%
6	Tier 1 ratio (%)	16.2%	15.1%	15.2%	15.7%	13.6%
7	Total capital ratio (%)	19.8%	18.7%	18.7%	19.4%	17.3%
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%	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 (%)	0.58%	0.28%	0.22%	0.08%	0.05%
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 (%)	0.8%	0.8%	0.6%	0.6%	0.6%
11	Combined buffer requirement (%)	3.8%	3.5%	3.4%	3.2%	3.2%
EU 11a	Overall capital requirements (%)	14.8%	14.5%	14.4%	14.2%	14.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.9%	6.9%	6.9%	4.7%	5.3%
Leverage ratio						
13	Total exposure measure	4,719	4,704	4,452	4,354	4,279
14	Leverage ratio (%)	4.6%	4.4%	4.7%	4.7%	4.4%
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)	581	612	662	733	828
EU 16a	Cash outflows - Total weighted value	366	364	351	337	354
EU 16b	Cash inflows - Total weighted value	105	112	114	94	92
16	Total net cash outflows (adjusted value)	261	252	238	243	263
17	Liquidity coverage ratio (%) ²	222%	244%	283%	307%	315%
Net Stable Funding Ratio						
18	Total available stable funding	3,850	3,836	3,811	3,492	3,555
19	Total required stable funding	3,333	3,310	3,198	2,986	2,756
20	NSFR ratio (%)	116%	116%	119%	117%	129%

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 2023 was 215%.

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-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22
	Amounts in €millions					
	Available capital					
1	Common Equity Tier 1 (CET1) capital	216	207	210	203	188
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	216	207	208	201	186
3	Tier 1 capital	216	207	210	203	188
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	216	207	208	201	186
5	Total capital	263	255	258	250	240
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	263	255	257	248	238
	Risk-weighted assets					
7	Total risk-weighted assets	1,333	1,364	1,381	1,291	1,385
8	Total risk weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1,333	1,364	1,381	1,291	1,386
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.2%	15.1%	15.2%	15.7%	13.6%
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	16.2%	15.1%	15.0%	15.6%	13.4%
11	Tier 1 (as a percentage of risk exposure amount)	16.2%	15.1%	15.2%	15.7%	13.6%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.2%	15.1%	15.0%	15.6%	13.4%
13	Total capital (as a percentage of risk exposure amount)	19.8%	18.7%	18.7%	19.4%	17.3%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.8%	18.7%	18.6%	19.2%	17.2%
	Leverage ratio					
15	Leverage ratio total exposure measure (€millions)	4,719	4,704	4,452	4,354	4,279
16	Leverage ratio	4.6%	4.4%	4.7%	4.7%	4.4%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.6%	4.4%	4.7%	4.6%	4.3%

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:

- 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
- 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
- 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

Reconciliation of regulatory own funds to the balance sheet according to IFRS (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

Amounts in €millions		a & b		c
		Balance sheet as in published financial statements and under regulatory scope of consolidation		Reference
		As at 30 June 2023	As at 31 December 2022	
	Assets			
1	Balances with central banks and cash	371	150	
2	Derivative financial instruments	330	363	
3	Loans and advances to financial institutions	332	403	
4	Loans and advances to customers	2,568	2,389	
5	Investments - Securities portfolio	600	694	
6	Investments – Securitisation portfolio	605	574	
7	Property and equipment	7	8	
8	Intangible assets	14	14	D
9	Non-current assets classified as held for sale	2	2	
10	Current tax assets	-	1	
11	Deferred tax assets	18	18	E
12	Prepayments and accrued income	24	18	
13	Other assets	27	31	
14	Total assets	4,897	4,664	
	Liabilities			
1	Derivative financial instruments	4	5	
2	Amounts owed to financial institutions	652	545	
3	Amounts owed to customers	2,929	2,788	
4	Debt securities in issue	933	970	
5	Subordinated liabilities	65	65	F
6	Current tax liabilities	-	2	
7	Provisions for liabilities and other charges	1	1	
8	Accruals and deferred income	33	25	
9	Other liabilities	25	19	
10	Total liabilities	4,642	4,419	
	Shareholders' Equity³			
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	B
5	Other reserves	-1	-1	
6	Retained earnings	51	37	C
7	Total shareholders' equity	255	245	

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;
- other reserves; 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.

4.1.3 Tier 2 capital

Tier 2 capital consists of subordinated liabilities in issue, which rank after the claims of all depositors (including financial institutions) and all other creditors. As at 30 June 2023, 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 2023 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. The interim profits for the period ending 30 June 2023 have been included as part of Own Funds following regulatory approval.

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
		30 June 2023	31 December 2022	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<i>Amounts in €millions</i>				
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	69	69	A
2	Retained earnings	40	28	C
3	Accumulated other comprehensive income (and other reserves)	133	133	B
EU-3a	Funds for general banking risk	-	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	10	9	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	253	243	
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)	(11)	(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)	(14)	(14)	E
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	
EU-20c	of which: securitisation positions (negative amount)	-	-	
EU-20d	of which: free deliveries (negative amount)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38-(3) CRR are met) (negative amount)	-	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	-	

23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	
25	of which: deferred tax assets arising from temporary differences	-	-	
EU-25a	Losses for the current financial year (negative amount)	-	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	(13)	(10)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(38)	(34)	
29	Common Equity Tier 1 (CET1) capital	216	210	
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	11	11	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	37	38	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	Tier 2 (T2) capital before regulatory adjustments	48	49	
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	48	49	
59	Total capital (TC = T1 + T2)	263	258	
60	Total Risk exposure amount	1,333	1,381	
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital	16.2%	15.2%	
62	Tier 1 capital	16.2%	15.2%	
63	Total capital	19.8%	18.7%	
64	Institution CET1 overall capital requirements	10.0%	9.5%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical capital buffer requirement	0.58%	0.22%	
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	0.8%	0.6%	
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	10.0%	6.9%	
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)	4	2	
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, inclusive of interim profits following regulatory approval, were 16.2% and its total capital ratio was 19.8% as at 30 June 2023. The Group's total capital ratio as at 30 June 2023 was well above the Total SREP Capital Requirement benchmark of 11%.

The intangible assets in the above table, were in particular calculated 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.

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 2023.

Main features of capital instruments (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	EUR11.3 million	EUR0.8 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 2023 the subordinated bonds listed above had a remaining maturity of less 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 €5.6 million and amortisation in accordance with article 64 equivalent to €2.8 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	EUR22.8 million	EUR2.0 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-convertible
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 2023 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 €9.7 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 2023 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 ECAs 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 ECAs 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 Simplified Standardised approach (as defined in CRR II, Article 281).
- **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 2023	31 March 2023	30 June 2023
1	Credit risk (excluding CCR)	1,052	1,084	87
2	Of which the standardised approach	1,052	1,084	87
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	63	63	5
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	15	15	1
EU 8b	Of which credit valuation adjustment – CVA	25	25	2
9	Of which other CCR	39	38	3
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	110	109	9
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	110	109	9
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	108	108	9
EU 23a	Of which basic indicator approach	108	108	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)	10	11	1
29	Total	1,333	1,364	109

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.

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. Banks are allowed to partially use capital instruments that do not qualify as CET1, to meet the P2R. In fact 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 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 had originally 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 2023 and 2025 as shown below:

Year	2023	2024	2025
Appliable buffer rate	0.75%	0.875%	1.00%

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%.

The Group does not have any systemic risk buffer as at 30 June 2023. However, the Central Bank of Malta in collaboration with the Malta Financial Services Authority (MFSA) under the auspices of the Joint Financial Stability Board (JFSB) decided to set a Sectoral Systemic Risk Buffer (sSyRB) of 1.5% which is to be applied on the amount of risk-weighted assets held against domestic mortgages exposures to natural persons and secured by residential real estate (RRE). Exposures also include buy-to-let loans (for residential purposes) secured by RRE, granted to natural persons. The sSyRB addresses potential risks emanating from the increasing concentration of the Maltese banking sector's exposures to mortgage loans. The implementation of the sSyRB entails a phased-in approach, as depicted in table below.

% Rate of the sSyRB:	Implementation as at:
1%	End-September 2023
1.5%	End-March 2024

Geographical distribution of credit exposures (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 0.6% as at 30 June 2023. As at 30 June 2023, 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 2023.

EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer⁴

30 June 2023

30 June 2023									
	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	70	2	72	1	-	1	15	0.00%
	Australia	-	-	-	-	-	-	0.01%	1.00%
	Belgium	218	4	222	7	-	7	8.26%	0.00%
	Bulgaria	-	1	1	-	-	-	0.01%	1.50%
	Canada	-	2	2	-	-	-	0.02%	0.00%
	Czech Republic	-	1	1	-	-	-	0.02%	2.50%
	Denmark	5	3	8	-	-	1	0.09%	2.50%
	Finland	20	6	27	-	-	3	0.27%	0.00%
	France	145	119	265	5	2	83	7.50%	0.50%
	Germany	153	76	230	4	1	67	6.10%	0.75%
	Ireland	22	11	33	-	-	6	0.53%	0.00%
	Italy	23	27	50	2	-	29	2.60%	0.00%
	Jersey	12	-	12	1	-	12	1.09%	0.00%
	Luxembourg	67	41	108	5	1	74	6.72%	0.50%
	Malta	245	1	247	16	-	196	17.79%	0.00%
	Netherlands	1,863	77	1,940	22	1	286	25.99%	1.00%
	Norway	16	4	20	-	-	2	0.21%	2.50%
	Poland	15	-	15	-	-	2	0.14%	0.00%
	Portugal	1	2	2	-	-	1	0.05%	0.00%
	Estonia	-	-	-	-	-	-	0.00%	1.00%
	Singapore	-	1	1	-	-	-	0.01%	0.00%
	Slovenia	-	1	1	-	-	-	0.01%	0.00%
	Spain	33	30	62	1	-	23	2.08%	0.00%
	Sweden	45	21	66	3	-	39	3.58%	2.00%
	Switzerland	-	7	7	-	-	1	0.10%	0.00%
	United Kingdom	123	97	219	10	1	139	12.64%	1.00%
	United States	12	75	86	1	1	28	2.52%	0.00%
	Hong Kong	-	-	-	-	-	-	0.02%	1.00%
	Slovakia	28	-	28	-	-	3	0.25%	1.00%
020		3,118	609	3,727	79	9	88	1,100	100.00%

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 2022

31 December 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	70	2	72	1	-	1	15	1,37%	0.00%
	Australia	-	2	2	-	-	-	-	0.02%	0.00%
	Belgium	163	4	167	5	-	6	69	6.11%	0.00%
	Canada	-	1	1	-	-	-	-	0.01%	0.00%
	Czech Republic	-	-	-	-	-	-	-	0.01%	1.50%
	Denmark	5	5	10	-	-	-	1	0.11%	2.00%
	Finland	20	10	30	-	-	-	3	0.31%	0.00%
	France	183	109	293	7	2	8	103	9.14%	0.00%
	Germany	202	69	271	8	1	9	112	9.96%	0.00%
	Ireland	-	14	14	-	-	-	2	0.19%	0.00%
	Italy	51	13	64	3	-	4	46	4.11%	0.00%
	Jersey	11	-	11	1	-	1	11	0.98%	0.00%
	Lithuania	-	-	-	-	-	-	-	0.00%	0.00%
	Luxembourg	64	42	106	5	1	6	69	6.13%	0.50%
	Malta	221	1	221	15	-	15	186	16.47%	0.00%
	Netherlands	1,691	89	1,779	19	-	20	249	22.11%	0.00%
	Norway	16	2	19	-	-	-	2	0.19%	2.00%
	Poland	15	-	15	-	-	-	2	0.13%	0.00%
	Portugal	-	2	2	-	-	-	1	0.05%	0.00%
	Hong Kong	-	1	1	-	-	-	-	0.01%	1.00%
	Hungary	-	-	-	-	-	-	-	0.01%	0.00%
	Spain	26	25	52	1	-	2	21	1.90%	0.00%
	Sweden	46	27	72	3	-	3	41	3.61%	1.00%
	Switzerland	-	6	6	-	-	-	1	0.08%	0.00%
	United Kingdom	151	91	242	12	1	13	166	14.74%	1.00%
	United States	12	62	74	1	1	2	25	2.24%	0.00%
	Japan	-	-	-	-	-	-	-	0.00%	0.00%
020		2,947	576	3,523	82	8	90	1,128	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 buffer⁵

			As at 30 June 2023
			a
1	Total risk exposure amount (€millions)		1,333
2	Institution specific countercyclical buffer rate (%)		0.58%
3	Institution specific countercyclical buffer requirement (€millions)		8
			As at 31 December 2022
			a
1	Total risk exposure amount (€millions)		1,381
2	Institution specific countercyclical buffer rate (%)		0.22%
3	Institution specific countercyclical buffer requirement (€millions)		3

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 2023, 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

	<i>Amounts in €millions</i>	30 June 2023	31 December 2022
1	Total assets as per published financial statements	4,898	4,664
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)	(19)
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	44	53
9	Adjustment for securities financing transactions (SFTs)	30	20
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	110	114
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	(344)	(380)
13	Total exposure measure	4,719	4,452

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 2023.

EU LR2 - LRCom: Leverage ratio common disclosure

Amounts in €millions		CRR leverage ratio exposures	
		a	b
		30 June 2023	31 December 2022
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	4,539	4,252
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)	(73)	(80)
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)	(25)	(22)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	4,440	4,150
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	-	-
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	461	508
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	48	54
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	(392)	(428)
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
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	117	134
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	21	33
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	30	20
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	52	54
19	Off-balance sheet exposures at gross notional amount	385	379
20	(Adjustments for conversion to credit equivalent amounts)	(275)	(265)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	110	114
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	216	210
24	Total exposure measure	4,719	4,452
25	Leverage ratio (%)	4.6%	4.7%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.6%	4.7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.6%	4.7%
26	Regulatory minimum leverage ratio requirement (%)	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	21	10
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	21	33
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)	4,719	4,429
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)	4,719	4,429

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)	4.6%	4.7%
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)	4.6%	4.7%

The following table provides a split of the on-balance sheet exposures as at 30 June 2023 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
		30 June 2023	31 December 2022
EU-1	Amounts in €millions Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	4,517	4,226
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	4,517	4,226
EU-4	Covered bonds	398	401
EU-5	Exposures treated as sovereigns	542	366
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	-	29
EU-7	Institutions	359	408
EU-8	Secured by mortgages of immovable properties	1,890	1,653
EU-9	Retail exposures	166	161
EU-10	Corporates	418	494
EU-11	Exposures in default	50	53
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	694	661

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 2023 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 2023		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	512	512	-	-	-	-
010	Loans and advances	2,970	2,917	53	57	-	57
020	Central banks	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-
040	Credit institutions	188	188	-	-	-	-
050	Other financial corporations	170	157	13	34	-	34
060	Non-financial corporations	392	362	31	22	-	22
070	Of which SMEs	90	78	12	16	-	16
080	Households	2,219	2,210	9	2	-	2
090	Debt securities	1,212	1,212	-	-	-	-
100	Central banks	-	-	-	-	-	-
110	General governments	127	127	-	-	-	-
120	Credit institutions	475	475	-	-	-	-
130	Other financial corporations	610	609	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-
150	Off-balance-sheet exposures	429	408	20	1	-	1
160	Central banks	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-
180	Credit institutions	31	31	-	-	-	-
190	Other financial corporations	51	51	-	-	-	-
200	Non-financial corporations	125	104	20	1	-	1
210	Households	222	222	-	-	-	-
220	Total	5,123	5,050	73	58	-	58

As at 30 June 2023

	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
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
<i>Amounts in €millions</i>									
005 Cash balances at central banks and other demand deposits	2	2	-	-	-	-	-	-	-
010 Loans and advances	6	5	2	6	-	6	-	2,355	17
020 <i>Central banks</i>	-	-	-	-	-	-	-	-	-
030 <i>General governments</i>	-	-	-	-	-	-	-	-	-
040 <i>Credit institutions</i>	-	-	-	-	-	-	-	-	-
050 <i>Other financial corporations</i>	2	1	1	4	-	4	-	20	-
060 <i>Non-financial corporations</i>	3	2	1	1	-	1	-	117	15
070 <i>Of which SMEs</i>	-	-	-	-	-	-	-	117	15
080 <i>Households</i>	1	1	-	-	-	-	-	2,218	1
090 Debt securities	-	-	-	-	-	-	-	-	-
100 <i>Central banks</i>	-	-	-	-	-	-	-	-	-
110 <i>General governments</i>	-	-	-	-	-	-	-	-	-
120 <i>Credit institutions</i>	-	-	-	-	-	-	-	-	-
130 <i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-
140 <i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-
150 Off-balance-sheet exposures	-	-	-	-	-	-	-	-	-
160 <i>Central banks</i>	-	-	-	-	-	-	-	-	-
170 <i>General governments</i>	-	-	-	-	-	-	-	-	-
180 <i>Credit institutions</i>	-	-	-	-	-	-	-	-	-
190 <i>Other financial corporations</i>	-	-	-	-	-	-	-	-	-
200 <i>Non-financial corporations</i>	-	-	-	-	-	-	-	-	-
210 <i>Households</i>	-	-	-	-	-	-	-	-	-
220 Total	8	7	2	6	-	6	-	2,355	17

As at 31 December 2022

	a	b	c	d	e	f
	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	
<i>Amounts in €millions</i>						
005 Cash balances at central banks and other demand deposits	297	297	-	-	-	-
010 Loans and advances	2,879	2,782	97	60	-	60
020 <i>Central banks</i>	-	-	-	-	-	-
030 <i>General governments</i>	-	-	-	-	-	-
040 <i>Credit institutions</i>	254	254	-	-	-	-
050 <i>Other financial corporations</i>	219	195	24	34	-	34
060 <i>Non-financial corporations</i>	394	329	65	26	-	26
070 <i>Of which SMEs</i>	91	80	11	16	-	16
080 <i>Households</i>	2,012	2,004	8	-	-	-
090 Debt securities	1,267	1,254	13	-	-	-
100 <i>Central banks</i>	-	-	-	-	-	-
110 <i>General governments</i>	172	172	-	-	-	-
120 <i>Credit institutions</i>	507	507	-	-	-	-
130 <i>Other financial corporations</i>	576	575	-	-	-	-
140 <i>Non-financial corporations</i>	12	-	12	-	-	-
150 Off-balance-sheet exposures	356	350	6	5	-	5
160 <i>Central banks</i>	-	-	-	-	-	-
170 <i>General governments</i>	-	-	-	-	-	-
180 <i>Credit institutions</i>	-	-	-	-	-	-
190 <i>Other financial corporations</i>	84	84	-	-	-	-
200 <i>Non-financial corporations</i>	91	85	6	5	-	5
210 <i>Households</i>	180	180	-	-	-	-
220 Total	4,799	4,683	116	65	-	65

As at 31 December 2022

	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
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
<i>Amounts in €millions</i>									
005 Cash balances at central banks and other demand deposits	2	2	-	-	-	-	-	-	-
010 Loans and advances	9	6	3	7	-	7	-	2,135	15
020 Central banks	-	-	-	-	-	-	-	-	-
030 General governments	-	-	-	-	-	-	-	-	-
040 Credit institutions	-	-	-	-	-	-	-	-	-
050 Other financial corporations	3	2	1	5	-	5	-	21	-
060 Non-financial corporations	5	3	2	2	-	2	-	103	15
070 Of which SMEs	-	-	-	-	-	-	-	103	15
080 Households	-	-	-	-	-	-	-	2,011	-
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	-	-	-	-	-	-	-	-	-
160 Central banks	-	-	-	-	-	-	-	-	-
170 General governments	-	-	-	-	-	-	-	-	-
180 Credit institutions	-	-	-	-	-	-	-	-	-
190 Other financial corporations	-	-	-	-	-	-	-	-	-
200 Non-financial corporations	-	-	-	-	-	-	-	-	-
210 Households	-	-	-	-	-	-	-	-	-
220 Total	11	8	3	7	-	7	-	2,135	15

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 2023:

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
As at 30 June 2023		Net exposure value ⁶					
	Amounts in €millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
010	Loans and advances	189	91	435	2,301	-	3,015
020	Debt securities	-	151	991	70	-	1,212
030	Total	189	242	1,426	2,370	-	4,227

		a	b	c	d	e	f
As at 31 December 2022		Net exposure value					
	Amounts in €millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
010	Loans and advances	227	108	480	2,109	-	2,924
020	Debt securities	-	185	993	89	-	1,267
030	Total	227	293	1,473	2,198	-	4,191

⁶ 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.

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 *

30 June 2023		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	4,239	57	56	3,969	12		-
020	Germany	259	15	15	259	4		-
030	France	146	-	-	146	-		-
040	Malta	214	16	16	214	1		-
050	Ireland	600	-	-	600	-		-
060	Netherlands	2,206	18	18	2,165	2		-
070	Other countries	814	7	6	585	4		-
080	Off-balance-sheet exposures	430	1	1	376		1	
090	Malta	110	-	-	110		-	
100	Belgium	53	-	-	-		-	
110	United Kingdom	61	-	-	61		-	
120	Netherlands	159	-	-	159		-	
130	Austria	18	-	-	18		-	
140	Other countries	28	1	1	28		-	
150	Total	4,669	58	57	4,345	12	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 2023 MDB Group has a gross NPL ratio lower than 5%.

31 December 2022		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	4,207	60	60	4,058	16		-
020	Germany	327	15	15	327	6		-
030	France	207	-	-	207	1		-
040	Malta	203	16	16	203	-		-
050	Ireland	567	-	-	567	-		-
060	Netherlands	2,109	18	18	2,093	1		-
070	Other countries	794	11	11	661	8		-
080	Off-balance-sheet exposures	361	5	5	417		1	
090	Malta	90	-	-	200		-	
100	Belgium	53	-	-	-		-	
110	United Kingdom	18	-	-	18		-	
120	Netherlands	117	-	-	117		-	
130	Austria	18	-	-	18		-	
140	Other countries	65	5	5	64		1	
150	Total	4,568	65	65	4,475	16	1	-

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 2023		a	b	c	d	e	f
		Gross carrying amount			Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing	Of which defaulted			
	<i>Amounts in €millions</i>						
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	-	-	-	-	-	-
030	Manufacturing	62	5	5	62	1	-
040	Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050	Water supply	-	-	-	-	-	-
060	Construction	40	1	1	40	-	-
070	Wholesale and retail trade	38	-	-	38	1	-
080	Transport and storage	9	-	-	9	-	-
090	Accommodation and food service activities	23	-	-	23	1	-
100	Information and communication	41	-	-	41	1	-
110	Professional, scientific and technical activities	68	-	-	68	-	-
120	Financial and insurance activities	-	-	-	-	-	-
130	Real estate activities	102	15	15	102	-	-
140	Administrative and support service activities	-	-	-	-	-	-
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	32	-	-	32	-	-
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Others	-	-	-	-	-	-
200	Total	414	22	21	414	4	-

31 December 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			
					Of which defaulted		
Amounts in €millions							
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	-	-	-	-	-	-
030	Manufacturing	46	-	-	46	-	-
040	Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050	Water supply	-	-	-	-	-	-
060	Construction	32	1	1	32	-	-
070	Wholesale and retail trade	21	-	-	21	-	-
080	Transport and storage	9	-	-	9	-	-
090	Accommodation and food service activities	19	-	-	19	1	-
100	Information and communication	49	-	-	49	1	-
110	Professional, scientific and technical activities	84	-	-	84	1	-
120	Financial and insurance activities	-	-	-	-	-	-
130	Real estate activities	94	15	15	94	-	-
140	Administrative and support service activities	40	10	10	40	2	-
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	25	-	-	25	-	-
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Others	-	-	-	-	-	-
200	Total	420	26	25	420	6	-

* 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 2023 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

30 June 2023		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 defaulted	Of which impaired
Amounts in €millions									
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	46	39	38	39	2	2	22	16
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	13	18	18	18	1	1	-	-
060	Non-financial corporations	28	21	20	21	1	1	16	15
070	Households	6	-	-	-	-	-	6	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	4	1	1	1	-	-	-	-
100	Total	50	40	39	39	2	2	22	16

31 December 2022		A	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Of which defaulted	Of which impaired								
Amounts in €millions									
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	82	27	26	26	3	2	21	15
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	32	1	1	1	1	-	-	-
060	Non-financial corporations	45	25	24	25	2	2	16	15
070	Households	4	-	-	-	-	-	5	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	6	5	5	5	-	-	-	-
100	Total	88	32	31	31	3	2	21	15

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

EU-CQ2: Quality of forbearance

30 June 2023 Amounts in €millions		a
		Gross carrying amount of forbore exposures
010	Loans and advances that have been forbore more than twice	-
020	Non-performing forbore loans and advances that failed to meet the non-performing exit criteria	-

31 December 2022 Amounts in €millions		a
		Gross carrying amount of forbore exposures
010	Loans and advances that have been forbore more than twice	-
020	Non-performing forbore 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 2023, in line with the EBA Guidelines on disclosure of non-performing and forbore exposures.

EU CQ6: Collateral valuation – loans and advances

30 June 2023 Amounts in €millions		a	b	c	d	E
		Loans and advances				
		Performing		Non-performing		
				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	3,026	2,970	9	57	39
020	Of which secured	2,373	2,356	9	16	-
030	Of which secured with immovable property	2,372	2,355	9	16	-
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	557	550		8	-
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	1,396	1,395		-	-
060	Of which instruments with LTV higher than 100%	129	128		-	-
070	Accumulated impairment for secured assets	1	1	-	-	-
080	Collateral					
090	Of which value capped at the value of exposure	2,372	2,355	9	17	-
100	Of which immovable property	2,371	2,354	9	17	-
110	Of which value above the cap	456	428	-	28	1
120	Of which immovable property	356	327	1	29	1
130	Financial guarantees received	973	972	4	1	-
140	Accumulated partial write-off	3	-	-	3	

	f	g	h	i	j	k	l
	Loans and advances						
	Non-performing						
	Past due > 90 days						
	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	
Amounts in €millions							
010 Gross carrying amount	17	1	-	5	-	-	11
020 Of which secured	16	-	-	4	-	-	11
030 Of which secured with immovable property	16	-	-	4	-	-	11
040 Of which instruments with LTV higher than 60% and lower or equal to 80%	8						
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	-	-	-	-	-	-	-
080 Collateral							
090 Of which value capped at the value of exposure	16	-	-	4	-	-	11
100 Of which immovable property	16	-	-	4	-	-	11
110 Of which value above the cap	27	-	7	13	-	-	7
120 Of which immovable property	27	-	7	13	-	-	7
130 Financial guarantees received	-	-	-	-	-	-	-
140 Accumulated partial write-off	3	3	-	-	-	-	-

31 December 2022

	a	b	c	d	e
	Loans and advances				
	Performing		Non-performing		
			Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days
Amounts in €millions					
010 Gross carrying amount	2,939	2,879	8	60	44
020 Of which secured	2,151	2,135	8	15	-
030 Of which secured with immovable property	2,150	2,135	8	15	-
040 Of which instruments with LTV higher than 60% and lower or equal to 80%	480	473		7	-
050 Of which instruments with LTV higher than 80% and lower or equal to 100%	1,310	1,310		-	-
060 Of which instruments with LTV higher than 100%	116	116		-	-
070 Accumulated impairment for secured assets	1	1	-	-	-
080 Collateral					
090 Of which value capped at the value of exposure	2,150	2,135	8	15	-
100 Of which immovable property	2,149	2,134	8	15	-
110 Of which value above the cap	277	249	-	28	1
120 Of which immovable property	277	249	-	28	1
130 Financial guarantees received	949	949	5	-	-
140 Accumulated partial write-off	19	-	-	19	19

		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	16	-	1	4	-	-	11
020	Of which secured	15	-	1	3	-	-	11
030	Of which secured with immovable property	15	-	1	3	-	-	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	-	-	-	-	-	-	-
080	Collateral							
090	Of which value capped at the value of exposure	15	-	1	3	-	-	11
100	Of which immovable property	15	-	1	3	-	-	11
110	Of which value above the cap	28	7	3	10	-	-	8
120	Of which immovable property	28	7	3	10	-	-	8
130	Financial guarantees received	-	-	-	-	-	-	-
140	Accumulated partial write-off	-	-	-	-	-	-	-

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

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, Belgian 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 unlikelihood 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 Securities 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.

Changes in stock of non-performing loans and advances (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 2023	Period from 1 January to 31 December 2022
	a	a
	Gross carrying amount	Gross carrying amount
010 Initial stock of non-performing loans and advances	60	162
020 Inflows to non-performing portfolios	4	23
030 Outflows from non-performing portfolios	(6)	(125)
040 Outflows due to write-offs	-	-
050 Outflow due to other situations	(6)	(125)
060 Final stock of non-performing loans and advances	57	60

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. The majority of Group's International Corporate Lending loans are not secured by any type of collateral, and the amount of collateral received is immaterial in terms of the total exposure of the Group.

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.

The Group does mortgage lending in the Netherlands under the NHG and Build mortgage criteria under the standardised approach to credit risk.

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

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 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).

Lastly, the Group purchases, through a partnership with Allianz, acting as lender of record (LOR), Belgian residential mortgage loans receivables. These mortgage loans and its related activities are regulated by local regulatory bodies (including the FSMA and the Belgian National Bank). The loans are originated following strict guidelines & acceptance criteria, including those related to loan-to-value and debt service-to-income ratios, in-line with the best practices of professional responsible lenders.

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.

In relation to the Dutch NHG mortgages receivables portfolio, collateral is considered as part of the credit decision process by the LoR, but not in the pricing, as the pricing is based on the NHG guarantee. In the event of a default of Dutch and Belgian mortgages, the LoR may utilise the collateral as a source of repayment. Collateral has a significant financial effect in mitigating exposure to credit risk. The Group follows Articles 123 to 125 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.

EU CQ7: Collateral obtained by taking possession and execution processes

No collateral was obtained by taking possession of tangible assets.

EU CR5 – Standardised approach⁷

30 June 2023

30 June 2023

		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	1,901	-	-	-	-	-	-	-	4	1,904	1,904
2	Regional governments or local authorities	94	-	-	-	-	-	-	-	-	94	94
3	Public sector entities	6	-	-	-	-	-	-	-	-	6	6
4	Multilateral development Banks	40	-	-	-	-	-	-	-	-	40	40
5	International organisations	11	-	-	-	-	-	-	-	-	11	11
6	Institutions	-	-	262	-	-	-	-	-	-	262	10
7	Corporates	-	-	-	-	-	-	464	-	-	464	464
8	Retail exposures	-	-	-	-	-	139	-	-	-	139	139
9	Exposures secured by mortgages on immovable property	-	-	-	393	30	-	65	-	-	487	487
10	Exposures in default	-	-	-	-	-	-	20	29	-	49	49
11	Items associated with particular high risk	-	-	-	-	-	-	-	51	-	51	51
12	Covered bonds	-	396	2	-	-	-	-	-	-	398	-
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	10	-	-	-	-	-	26	-	-	36	36
17	Total	2,062	396	264	393	30	139	574	80	4	3,942	3,292

⁷ 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.

31 December 2022

Risk weight

Amounts in €millions		Risk weight									Of which unrated	
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Total	
		a	d	e	f	g	i	j	k	l	q	q
Exposure classes												
1	Central governments or central banks	1,566	-	-	-	-	-	-	-	2	1,568	1,568
2	Regional governments or local authorities	94	-	-	-	-	-	-	-	-	94	94
3	Public sector entities	65	-	-	-	-	-	-	-	-	65	65
4	Multilateral development Banks	40	-	-	-	-	-	-	-	-	40	40
5	International organisations	25	-	-	-	-	-	-	-	-	25	25
6	Institutions	-	-	311	-	-	-	1	-	-	312	24
7	Corporates	-	-	-	-	-	-	553	-	-	553	553
8	Retail exposures	-	-	-	-	-	126	-	-	-	126	126
9	Exposures secured by mortgages on immovable property	-	-	-	290	31	-	46	-	-	367	367
10	Exposures in default	-	-	-	-	-	-	14	40	-	55	55
11	Items associated with particular high risk	-	-	-	-	-	-	-	49	-	49	49
12	Covered bonds	-	399	2	-	-	-	-	-	-	401	-
13	Exposures to institutions and corporates with a short term credit assessment	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposure	-	-	-	-	-	-	5	-	-	5	5
16	Other items	5	-	-	-	-	-	25	-	-	30	30
17	Total	1,795	399	313	290	31	126	646	89	2	3,691	3,002

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 2023, the Group reported the CCR calculations using the Simplified SA-CCR Method (as defined in CRR II, Article 281).

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 Securities 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 derivative 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 2023		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	52	-	-	-	-	-	-	-	-	-	-	52
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	52	-	-	-	-	-	-	-	-	-	-	52

31 December 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%	00%	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	33	-	-	-	-	-	-	-	-	-	-	33
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	33	-	-	-	-	-	-	-	-	-	-	33

CCR exposures after credit risk mitigation (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 2023		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	-	-	-	-	-	52	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	-	-	-	-	-	52	-	-

31 December 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	-	-	-	-	-	33	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	-	-	-	-	-	33	-	-

CCR exposures to central counterparties (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 2023 and 31 December 2022, MeDirect mainly reports exposures to qualifying central counterparties (QCCP) as defined in Article 4 (88) CRR.

EU CCR8 – Exposures to CCPs

30 June 2023 Amounts in €millions		a	b
		Exposure value	RWEA
1	Exposures to QCCPs (total)		15
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	395	8
3	(i) OTC derivatives	395	8
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	48	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 2022 Amounts in €millions		a	b
		Exposure value	RWEA
1	Exposures to QCCPs (total)		16
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	430	9
3	(i) OTC derivatives	430	9
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	73	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 tranching, 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. 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 Investments 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 Securities 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.

Banking book securitisation exposures (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 ⁸

30 June 2023 Amounts in €millions		a	b	c	d	e	f	g	h	i	m	n	o	
		Institution acts as originator							Institution acts as investor					
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total		
		STS		Non-STS		of which SRT			STS	Non-STS				
1	Total exposures	-	-	17	17	-	-	17	-	-	592	-	592	
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	
7	Wholesale (total)	-	-	17	17	-	-	17	-	-	592	-	592	
8	loans to corporates	-	-	17	17	-	-	17	-	-	592	-	592	
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	

31 December 2022 Amounts in €millions		a	b	c	d	e	f	g	h	i	m	n	o	
		Institution acts as originator							Institution acts as investor					
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total		
		STS		Non-STS		of which SRT			STS	Non-STS				
1	Total exposures	-	-	19	19	-	-	19	-	-	557	-	557	
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	
7	Wholesale (total)	-	-	19	19	-	-	19	-	-	557	-	557	
8	loans to corporates	-	-	19	19	-	-	19	-	-	557	-	557	
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor (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.

⁸ 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 ratio 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 originator⁹

30 June 2023
Amounts in €millions

		a	b	c	d	e	h	i	EU-p
		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	-	-	-	17	-	17	20	2
2	Traditional transactions	-	-	-	17	-	17	20	2
3	Securitisation	-	-	-	17	-	17	20	2
4	Retail	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	17	-	17	20	2
7	Of which STS	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

31 December 2022
Amounts in €millions

		a	b	c	d	e	h	i	EU-p
		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	-	-	-	-	-	-	-	-

⁹ Columns in relation to SEC-IRBA, SEC ERBA and 1250% RW/deductions approach were not included as not applicable.

Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor (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 ¹⁰

		a	b	c	d	e	h	i	EU-p
		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 <125 0% RW	1250 % RW/ deduction s	SEC-SA	SEC-SA	SEC-SA
30 June 2023	1	Total exposures	592	-	-	-	592	89	7
	2	Traditional securitisation	592	-	-	-	592	89	7
	3	Of which securitisation	592	-	-	-	592	89	7
	4	Of which retail underlying	-	-	-	-	-	-	-
	5	Of which wholesale	592	-	-	-	592	89	7
	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	i	EU-p
		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 <125 0% RW	1250 % RW/ dedu ction s	SEC-SA	SEC-SA	SEC-SA
31 December 2022	1	Total exposures	557	-	-	-	557	84	7
	2	Traditional securitisation	557	-	-	-	557	84	7
	3	Of which securitisation	557	-	-	-	557	84	7
	4	Of which retail underlying	-	-	-	-	-	-	-
	5	Of which wholesale	557	-	-	-	557	84	7
	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	-	-	-	-	-	-	-

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,

¹⁰ Columns in relation to SEC-IRBA, SEC ERBA and 1250% RW/deductions approach were not included as not applicable.

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

		a	b	c
30 June 2023		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	17	-	-
2	Retail (total)	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	17	-	-
8	loans to corporates	17	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

		a	b	c
31 December 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	-	-	-

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)			
	Quarter ending on:	30 June 2023	31 March 2023	31 December 2022	30 September 2022	30 June 2023	31 March 2023	31 December 2022	30 September 2022
EU 1a	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
EU 1b									
1	Total high-quality liquid assets (HQLA)					562	612	662	733
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,517	2,532	2,571	2,594	188	187	188	186
3	Stable deposits	4	4	4	3	-	-	-	-
4	Less stable deposits	1,865	1,856	1,864	1,848	188	187	188	186
5	Unsecured wholesale funding	137	135	135	136	51	51	52	55
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	137	135	135	136	51	51	52	55
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					22	16	3	2
10	Additional requirements	263	275	286	301	85	86	86	82
11	Outflows related to derivative exposures and other collateral requirements	45	41	36	29	45	41	36	29
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	218	234	250	272	40	45	50	52
14	Other contractual funding obligations	33	31	29	17	27	25	23	12
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					372	364	351	337
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	14	11	4	3	14	11	4	3
18	Inflows from fully performing exposures	81	80	88	68	74	73	81	62
19	Other cash inflows	36	31	32	33	33	29	29	29
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	130	122	124	103	121	112	114	94
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	130	122	124	103	121	112	114	94
TOTAL ADJUSTED BUFFER									
EU-21	LIQUIDITY BUFFER					562	612	662	733
22	TOTAL NET CASH OUTFLOWS					252	252	238	243
23	LIQUIDITY COVERAGE RATIO					225%	244%	283%	307%

As at 30 June 2023 and 31 December 2022, 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 2023 calculated in accordance with the CRR 2 stood at 116%, well in 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 2023		Unweighted value by residual maturity at 31 December 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	178	-	-	99	278
2	Own funds	178	-	-	99	278
3	Other capital instruments	-	-	-	-	-
4	Retail deposits	-	2,228	99	229	2,437
5	Stable deposits	-	2,176	95	218	2,375
6	Less stable deposits	-	52	4	11	62
7	Wholesale funding:	-	636	133	934	1,134
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	636	133	934	1,134
10	Interdependent liabilities	-	-	-	-	-
11	Other liabilities:	4	47	-	2	2
12	NSFR derivative liabilities	4	-	-	-	-
13	All other liabilities and capital instruments not included in the above categories	-	47	-	2	2
14	Total available stable funding (ASF)					3,850
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)	-	-	-	-	207
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:	-	109	25	3,050	2,616
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	-	21	-	-	-
-19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	-	61	-	-	-
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	-	2	-	-	-
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:	-	24	25	1,951	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	23	23	1,803	1,537
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	-	-	-	605	514
25	Interdependent assets	-	-	-	-	-
26	Other assets:	-	631	2	35	503
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	-	278	-	-	278
30	NSFR derivative liabilities before deduction of variation margin posted	-	4	-	-	-
31	All other assets not included in the above categories	-	350	2	26	218
32	Off-balance sheet items	-	140	-	-	7
33	Total RSF					3,333
34	Net Stable Funding Ratio (%)					115.5%

		a	b	c	d	e
As at 31 December 2022		Unweighted value by residual maturity at 31 December 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	282	-	-	-	282
2	Own funds	282	-	-	-	282
3	Other capital instruments		-	-	-	-
4	Retail deposits		2,141	94	220	2,340
5	Stable deposits		2,083	90	213	2,277
6	Less stable deposits		57	4	7	63
7	Wholesale funding:		415	189	971	1,187
8	Operational deposits		-	-	-	-
9	Other wholesale funding		415	189	971	1,187
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	6	39	-	2	2
12	NSFR derivative liabilities	6				
13	All other liabilities and capital instruments not included in the above categories		39	-	2	2
14	Total available stable funding (ASF)					3,811
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					193
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:		225	48	2,663	2,391
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		33	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		103	-	2	12
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		56	27	458	431
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:		21	21	1,629	1,454
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		20	20	1,499	1,332
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		12	-	574	494
25	Interdependent assets		-	-	-	-
26	Other assets:	-	705	17	56	603
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		353	-	-	353
30	NSFR derivative liabilities before deduction of variation margin posted		6	-	-	-
31	All other assets not included in the above categories		347	17	48	243
32	Off-balance sheet items		220	-	-	11
33	Total RSF					3,198
34	Net Stable Funding Ratio (%)					119.2%

MDB Group Limited

**Pillar 3 disclosures report – Environmental, Social and
Governance Risks**

30 June 2023

Contents

1. GENERAL OVERVIEW	3
2. QUALITATIVE INFORMATION ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS	7
2.1. QUALITATIVE INFORMATION ON ENVIRONMENTAL RISKS	7
2.1.1. Business strategy and processes	7
2.1.2. Governance	9
2.1.3. Risk management	9
2.2. QUALITATIVE INFORMATION ON SOCIAL RISKS	12
2.2.1. Business strategy and processes	12
2.2.2. Governance	14
2.2.3. Risk management	15
2.3. QUALITATIVE INFORMATION ON GOVERNANCE RISKS	17
2.3.1. Business strategy and processes	17
2.3.2. Governance	17
2.3.3. Risk management	18
3. QUANTITATIVE INFORMATION ON TRANSITION RISK AND PHYSICAL RISK RELATED TO CLIMATE CHANGE	19
TABLE 1. BANKING BOOK- CLIMATE CHANGE TRANSITION RISK: CREDIT QUALITY OF EXPOSURES BY SECTOR, EMISSIONS AND RESIDUAL MATURITY [TEMPLATE 1]	19
TABLE 2. BANKING BOOK - CLIMATE CHANGE TRANSITION RISK: LOANS COLLATERALISED BY IMMOVABLE PROPERTY - ENERGY EFFICIENCY OF THE COLLATERAL [TEMPLATE 2]	22
TABLE 3. BANKING BOOK - CLIMATE CHANGE TRANSITION RISK: EXPOSURES TO TOP 20 CARBON-INTENSIVE FIRMS GLOBALLY [TEMPLATE 4]	23
TABLE 4. BANKING BOOK - CLIMATE CHANGE PHYSICAL RISK: EXPOSURES SUBJECT TO PHYSICAL RISK [TEMPLATE 5]	24
TABLE 5. OTHER CLIMATE CHANGE MITIGATING ACTIONS THAT ARE NOT COVERED IN TAXONOMY [TEMPLATE 10]	27

1. General overview

MeDirect Group is required to disclose information on environmental, social and governance risks (“ESG risk”) under Article 449a of CRR. On 30 November 2022, the European Commission adopted Implementing Regulation 2022/2453 amending the technical standards set forth in Implementing Regulation (EU) 2021/637 as regards the disclosure of ESG risks. This regulation adds additional disclosure requirements related to ESG risk.

The MeDirect Group Sustainability Risk Policy defines ESG risk as environmental, social or governance events or conditions that, if they occur, could result in an actual or a potential material negative effect on the value of an investment as defined in the SFDR Regulation which would directly or indirectly affect the value of the organisation.

ESG risk factors include the following:

- Environmental: climate change risks/opportunities, air pollution, ecosystem change, unsustainable practices, environmental remediation, carbon emissions, resource depletion, energy inefficiency, water pollution, increased water scarcity, harm to biodiversity, deforestation, poor waste management practices, rising sea levels/coastal flooding and wildfires/bushfires.
- Social: human rights violations, unethical and illegal working conditions, modern slavery/forced labour, breaches of employee rights/labour rights, child labour, discrimination, social cohesion and stability, product safety, restrictions on or abuse of consumers’ rights, restricted access to clean water, reliable food supply, and/or sanitary living environment, and infringements on the rights of local communities/indigenous populations.
- Governance: lack of diversity at board or governing body level, inadequate external or internal audit, transparency and integrity concerning remuneration, tax and bribery and corruption, lack of appropriate board oversight, lack of scrutiny of executive pay, poor safeguards on personal data / IT security (of employees and/or customers), discriminatory employment practices, inadequate protection for whistle-blowers, workplace harassment, discrimination and bullying, and health and safety concerns for the workforce.

These environmental, social, and governance factors should be properly managed within the organisation as they might have negative consequences on the Group and its counterparties, including clients, suppliers or business partners, affecting its or their financial or market position in the short, medium- or long-term.

Sustainability risks can be either stand-alone risks or have an impact on other risks. Sustainability risks may contribute to other financial and non-financial risk categories, such as credit risk, operational risk, liquidity risk, counterparty risk or market risk. The table below describes some examples.

Table: Mapping CER/ESG risks with traditional risk categories (transmission channels)

Risk Categories	Potential effects of CER/ESG Risks
Credit Risk	<p>CER/ESG-related credit risks can reduce the ability of business and retail clients to cover their obligations. Such risks can include, amongst others, physical weather events, need for capital expenditure as a result of new ESG/CER regulations, adverse effects on reputation resulting from participation in controversial or CER sensitive sectors of human rights violations.</p> <p>Such risks can also lead to deterioration of collateral values (e.g. stranded assets, property damage due to physical weather events).</p> <p>CER/ESG risk can result in credit losses, increase of probability of default (PD) and loss given default (LGD), stability of loan-to-value ratios and reduction in income.</p>
Market Risk	<p>CER/ESG-related market risk can cause repricing of assets and affect valuation of equities (e.g., companies with unsustainable business models or operating in controversial/CER sensitive sectors or violating human rights, stranded assets, physical risk events), fixed income products (e.g., increased sovereign risk and reduction of access to capital markets for companies facing CER/ESG risks), commodities and derivatives, in each case resulting in adverse changes in the value of securities , interest rates, FX and credit spread volatility.</p> <p>CER/ESG-related market risk can adversely affect the value of the Group’s financial assets its income.</p>

Liquidity Risk	<p>CER/ESG-related liquidity risk can affect the profitability of clients or counterparties, potentially resulting in reduced deposits from such clients or counterparties.</p> <p>Physical weather events or natural disasters may cause a sudden increase in demand for liquidity, raising the cost of liquidity for the Group. CER/ESG-related liquidity risk can affect the Group's funding base through outflows or liquidity limited availability of funding and increased cost of funding due to changing client sentiment, reputational risk or impact of physical weather events.</p> <p>Sudden revaluation of securities may lower the value of the Group's high quality liquid assets, affecting liquidity buffers.</p> <p>ESG ratings downgrades may discourage investors and increase financing costs and refinancing risk.</p>
Operational Risk	<p>CER/ESG-related operational risk can result in damage to operational centres (e.g., as a result of floods), client service delivery disruption (e.g., as a result of lack of energy supplies) and business continuity risk (e.g., as a result of weather events or liquidity/reputational risk as a result of changing market sentiment).</p> <p>CER/ESG-related operational risk can lead to higher energy, water and insurance prices impacting the Group's operational costs.</p> <p>Not complying with the guidelines, norms, and regulations related to ESG/CER transformation may result in regulatory actions and client or counterparty litigation.</p>
Reputational Risk	<p>CER/ESG-related reputational risk may arise from the materialisation of the above risks, impacting the reputation of the Group and the perceptions of clients, regulators, stakeholders, market participants and rating agencies.</p>

NOTE: CER refers to climate and environment-related risks

MeDirect Group has incorporated CER/ESG criteria into its main business processes including credit, wealth, procurement, remuneration and governance processes, as summarised in the Risk Sustainability Policy, with the aim of managing sustainability risks and raising ESG/CER awareness in the organisation and its counterparties.

As part of the incorporation of sustainability criteria into its main business processes, the Group considers:

- 1) Risk identification and assessment of materiality;
- 2) Risk measurement, monitoring and mitigation;
- 3) Risk integration into its procedures and policies;
- 4) Scenario analysis and stress testing; and
- 5) Risk metrics, targets, and integration in its risk appetite framework.

Wherever possible the Group applies a double materiality principle while analysing sustainability risk by taking into account the following factors in the short-, medium-, and long-term:

- 1) the impact of CER/ESG factors on the Group's operations, financial results, capital and strategic development; and
- 2) the impact of the Group's activities on society and the environment.

The Group continuously integrates CER/ESG risks and criteria in its risk framework by regularly updating relevant internal policies and procedures and implementing dedicated ESG Strategy establishing sustainability risk management processes in the corporate framework and defining main short-, medium- and long-term objectives and commitments.

The Group Board of Directors is ultimately responsible for approving and overseeing the implementation of the Group's strategic objectives, principal policies and procedures, including its ESG Strategy and CER/ESG risk management framework. The Board of Directors has general oversight of the ESG strategy and agenda that incorporates CER/ESG risk procedures and commitments into the Group's risk management framework. Moreover, the Board reviews and approves the Group's Non-Financial report, together with the Group Annual Report & Financial Statements, ensuring that all material ESG -related topics are covered and disclosed.

The Group Board structure enables the Group to coordinate its CER/ESG policies and procedures in order to ensure consistency on matters affecting the entire Group, such as emerging sustainability risks. By setting the ESG agenda at the parent level, the Group Board ensures a common ESG strategic framework which can be deployed and implemented across the Group.

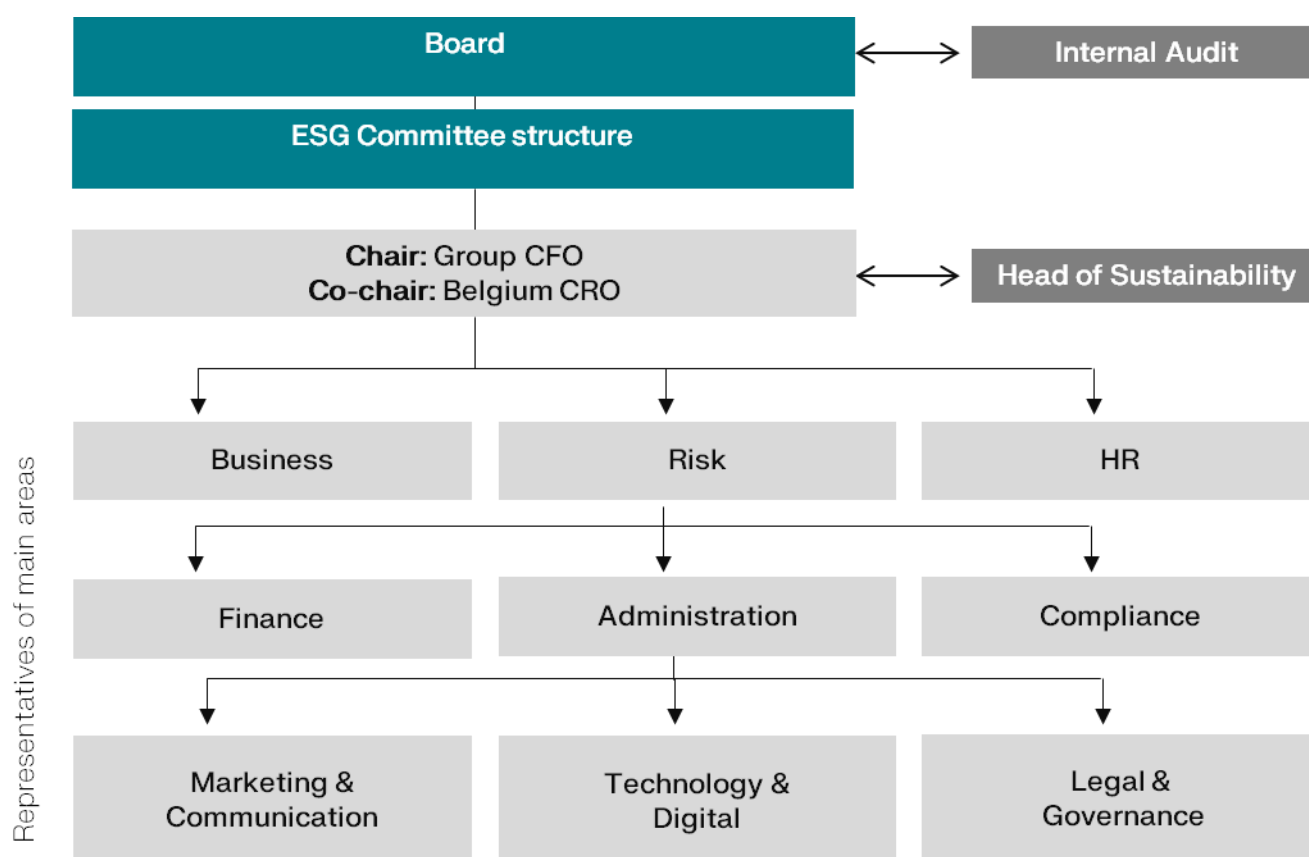
The Group ESG Committee has the overall responsibility for CER/ESG risk matters and oversees MeDirect ESG strategy and agenda implementation whilst providing advice and support to the Board of Directors on CER/ESG-related

matters. The Committee includes key managers of the Group representing the main areas critical to the effective management of ESG and CER risks. The Group Chief Financial Officer is the Committee Chair, and the MeDirect Belgium Chief Risk Officer is the Committee Co-Chair. The Committee can invite any other internal or external parties to attend the Committee on an *ad hoc* basis to provide advice and/or information.

The Internal Audit function is a permanent invitee to the Committee as an observer in order to maintain its independent status. The Committee meets at least quarterly and reviews the status of the CER/ESG agenda implementation.

The Group Head of Sustainability is the primary coordination point driving the ESG strategy and agenda, engaging with the MeDirect Boards and interacting with the Group's business, support and control functions. Moreover, the Head of Sustainability is a member of the Prior Notice Unit ("PNU"). The PNU is responsible for assessing new products as part of the new products and services approval and review process. Relevant departments assess the risks related to their areas of expertise.

Chart. MeDirect Group ESG Committee



The Group integrates CER/ESG principles across all three lines of defence by updating business procedures and policies, the Risk Management Framework, Compliance Monitoring plans and the Internal Audit plans as described in MeDirect Group Sustainability Risk Policy.

Business functions are the first line of defence and are responsible for identifying, assessing and managing sustainability risks within their specific operations and for incorporating the management of such risks in the various stages of their business processes. Business functions are expected to apply the Group's procedures and policies related to sustainability risks in their day-to-day business operations.

Risk functions are the second line of defence and are responsible for developing and tracking a dashboard of relevant CER and ESG risk indicators within the existing risk reporting frameworks of the Group. Second line of defence functions ensure continuous enhancement of such indicators over time to ensure effective sustainability risk management across the entire Group. Risk functions are expected to integrate CER and ESG risks (both financial and

non-financial) in their risk identification process, including the setting of risk appetite limits and tolerance thresholds. By doing so, the Group aims to analyse comprehensively the ways in which CER and ESG risk may affect different areas of the Group. Moreover, risk functions review and update on an annual basis the Group CER Materiality Assessment that analyses the sensitivity of the Group's businesses to physical and transition risks using a forward-looking approach. As part of their oversight and compliance roles under this Policy, the Chief Risk Officers of MeDirect Malta and MeDirect Belgium are required to monitor and evaluate sustainability risks, set risk appetite and tolerance thresholds and establish a sustainability risk-specific risk management framework and procedures.

Additionally, the Compliance functions prepare a Compliance Monitoring plan, which is approved by the Board Risk and Compliance Committee, taking into account ESG and CER risks, as appropriate. The Compliance function operates independently from the business units but advises and assists business units and other internal functions to ensure that operations are in line with policies, procedures and regulations.

The Internal Audit function (IAF) is the third line of defence and executes a (risk and priority based) multi-year audit plan across the Group. In addition to a periodic review of internal control elements which encompass specific business segments and support processes, the IAF also covers the activities and performance of independent control functions (such as Risk Management and Compliance), ongoing projects and relevant third-party outsourcing and other intra-group business arrangements. In this context, the IAF (when relevant) embeds ESG/CER as a specific attention point in the audit scope and approach taken for specific business activity, support process and control function reviews. This to, as the multi-year audit plan progresses, incrementally provide assurance that ESG/CER policies and procedures are adhered to and that related residual risks are appropriately addressed. Subsequent internal audit report observations and conclusions are made available to the Group Head of Sustainability who, in turn, facilitates discussion or disclosure on the level of the ESG Committee, Boards of Directors, and relevant Management Committees. This focused information complements the control and monitoring reporting provided by the first and second lines of defence.

The Group ESG Strategy - On the path to sustainability for 2022-2024/25 - is based on the following four pillars:

1. Governance
2. Employees
3. Environment
4. Society

This strategy was approved by the Group Board and ESG Committee. For each strategic pillar, several specific sustainability-driven objectives were identified, each objective translating into a firm commitment on the part of the Group. As part of its pursuit of sustainability objectives, MeDirect endeavours to make ESG factors a key component of its decision-making processes and internal organisation. The Group implements its ESG Strategy through a wide range of measures such as strengthening its corporate governance framework, including ESG, in its main business processes, applying climate-risk resilience initiatives, with regular interactions with stakeholders.

The ESG Strategy highlights a number of key objectives to be attained:

Under the governance pillar, the Group is committed to:

- adhering to sound corporate values and best business practices;
- conducting its business in a responsible way and with a focus on longer-term sustainable growth; and
- adopting an institutional approach to ESG by integrating ESG factors into its corporate governance framework.

With respect to employees, the Group is committed to:

- provide and foster an attractive and productive working environment;
- promote diversity, equality and inclusion in the workplace; and
- support employees in their professional development.

With respect to the environment, the Group is committed to:

- shifting to a less carbon intensive business model;
- offering its clients greener and/or more sustainable financial products; and
- transitioning to a more climate-risk resilient business model.

Under the society pillar, the Group recognises the importance of:

- engaging with its stakeholders and the wider community;
- encouraging greater social inclusion; and
- fostering the development of society and its support.

MeDirect monitors evolving ESG trends and performs a materiality assessment to determine the relevance of individual non-financial topics across ESG in accordance with the market and its stakeholders' expectations. The results of the materiality assessment guide the Group's sustainability agenda and the selection of topics reported in its Non-Financial Report. The report follows the Global Reporting Initiative standard and applies the concept of double materiality (i.e., considering the potential impacts of the Group on ESG matters and the potential financial impacts of ESG risks on the Group).

Starting in 2022, the Group has incorporated into its Remuneration Policy sustainability objectives in determining variable remuneration, and the Group has defined ESG/CER performance objectives for all senior managers to motivate them to participate actively in the ESG/CER transformation and to support ESG strategy implementation, as described in the 2022 Non-Financial report and Remuneration Report presented in the main section of the MeDirect Group Annual Report and Financial Statements. Sustainability objectives are employee-specific and are designed to discourage excessive risk-taking in relation to sustainability risks.

For further details related to ESG/CER qualitative information please refer to section 2 - Qualitative information on environmental, social and governance risks - of this report and the 2022 MeDirect Group Non-Financial Report, ESG Strategy and Sustainability Risk Policy.

2. Qualitative information on environmental, social and governance risks

2.1. Qualitative information on environmental risks

2.1.1. Business strategy and processes

Financial institutions might be exposed to climate and environment-related risks associated with their physical operations, business portfolios and counterparties that may affect their financial standing and reputation. Moreover, the business activity of financial institutions can have an impact on the climate and the environment.

MeDirect monitors this risk and works on mitigating it. In its ESG strategy, MeDirect is committed to reduce or limit the impact of its business operations on the environment. The Group is actively working to support the transition to a low-carbon business and is aiming to achieve climate targets. The Group follows international initiatives such as the Paris Climate Accords, the European Green Deal and Non-financial Reporting regulations and guidelines.

The Group defined in its ESG Strategy 2024/2025 (pillar 3) its short-medium-long term commitments related to its direct and indirect environmental impact:

1. Direct Impact

- Measure its own carbon emissions by 2024 (1-3Y)
- Reduce its own carbon emissions by 5% vs. 2022 by 2026 (3-5Y)
- Achieve carbon neutral operation by 2032 (5-10Y)
- Achieve a climate neutral Group (own and corporate clients emissions) by 2050

2. Indirect impact

- Exclusion list of environmentally sensitive sectors for which no financing will be provided
- Maximum 6% of Group assets relate to sectors highly contributing to climate change by 2024/25 (based on direct borrower NACE codes)
- Minimum 5% share of eco-friendly home loan new sales in Malta and Belgium by 2024/2025

- Minimum 45% share of green mutual fund and ETFs offered by MeDirect Group by 2024/2025
- Minimum 10% share of fixed income Treasury assets invested in green bonds
- Measure financed portfolio carbon emissions by 2024 (1-3Y)

The Group plans to integrate climate risks further into its risk management framework and business processes to develop a more resilient business model (e.g., materiality assessment, lending process, stress tests and models, business continuity and reputation) as defined in pillar 3 of its ESG Strategy. In line with its ESG Strategy, by 2024/2025 the Group is committed to achieve the following targets:

- Continue monitoring CER KPIs and undertake mitigating actions where necessary
- Start screening MeDirect large corporate credit portfolio to identify EU taxonomy aligned/eligible assets

The Group did not define any absolute targets related to EU taxonomy aligned/eligible assets, as the current disclosure of its corporate clients does not permit such measurement. Most of its corporate clients do not report under the Non-Financial Reporting Directive.

In 2022, MeDirect conducted an initial CER materiality assessment to analyse the main CER factors that may affect the Group.

The materiality assessment concluded that the Group's exposure to CER is limited, nonetheless, the Group will continue to monitor and reassess the evolution of CER regularly and update its assessments at least on an annual basis. As a result of the assessment, the Group has defined a list of KPIs to measure, monitor and report CER faced by the Group and its core portfolios on a quarterly basis. KPIs include:

- Mortgage Portfolio Flood Risk – % of Netherlands/Belgium mortgage portfolio exposure in higher flood risk areas
- Mortgage Portfolio Sea Hazard Risk– % of Netherlands/Belgium mortgage portfolio exposure in higher sea hazard risk areas
- Corporate Lending Portfolios - Concentration Risk in High CER Sectors
- Mortgage Portfolio - Concentration Risk in EPC Ratings
- Green Lending – Absolute Value of the Group green lending
- Wealth Platform – Number of green Investment Funds Distributed by MeDirect
- Treasury Portfolio - Value of Green Bond Investments

The Group has integrated CER in its Risk Management Framework in order to track current and emerging CER to be able to analyse their impact on MeDirect Group.

The Group's customer engagement approach aims to facilitate the achievement of MeDirect's ESG Strategy targets, meet regulatory requirements and mitigate CER as a result of better understanding of the environmental profile of the Group's counterparties. The Group relies on the information it obtains from ongoing dialogue between its relationship managers and clients, as well as the public disclosures of its clients.

MeDirect has implemented in its business procedures an ESG questionnaire used during loan origination for Maltese corporate clients and for post-transaction analysis for the international corporate lending portfolio. MeDirect requires its clients to share information on the client's approach to ESG (e.g., ESG/CSR/Sustainability policy, strategy and principles, non-financial reporting and sustainability risks, including environmental risk). CER/ESG factors are also analysed during annual corporate portfolio reviews and screening. Most of the Group's corporate clients are small to medium-sized unlisted companies from the EU, and therefore, are not subject to non-financial reporting requirements on ESG matters, without official strategies to mitigate and reduce environmental risks.

In the procurement processes, whenever applicable and possible given its business profile and model, the Group requires its suppliers and any of its vendors to meet MeDirect's standards in the area of environmental awareness, amongst other things. The Group conducts pre-qualification checks related to environmental aspects on vendors where the expected value of the proposed contract equals or exceeds €1 million to evaluate CER/ESG factors.

During the due diligence process related to potential third-party outsourcing providers, pre-contractual assessments are carried out to evaluate whether the service provider has in place ethical standards and codes of conduct, including environmental matters.

2.1.2. Governance

CER management was integrated in the Group's corporate governance framework as described in Section 1. "General overview" of this report. The framework covers the involvement of the Boards, ESG Committee and three lines of defence in relation to CER oversight.

The Board approves the Group risk policies and the ESG Strategy that incorporate CER procedures and commitments. The Board also oversees their implementation. Moreover, the Board validates the CER Materiality Assessment that analyses the sensitivity of the Group's business to physical and transition risks using a forward-looking approach. The Group's risk policies and CER Materiality Assessment are reviewed and updated on an annual basis, while ESG Strategy is a medium-term horizon plan with a number of long-term objectives.

The Group's ESG Committee has overall responsibility for CER risk matters and oversees the MeDirect ESG strategy and agenda implementation, including CER matters. The existing ESG strategy was approved by the Committee, taking into account climate and environment-related elements in the Pillar 3 "Environment" of the strategy.

The Risk Management Framework and Group Sustainability Risk Policy allocate responsibilities related to CER across the three lines of defence.

Business functions are responsible for identifying, assessing and managing CER within their respective operational areas, incorporating those risks in the various stages of their business processes and applying internal requirements in their day-to-day business operations.

Risk functions are responsible for developing and tracking a dashboard of relevant CER principles within the existing risk reporting frameworks of the Group and updating on an annual basis the Group CER Materiality Assessment. The Compliance function prepares an annual compliance plan that may consider CER if appropriate and assists the business units and other internal functions to ensure that operations are in line with regulations.

The Internal Audit function are responsible for periodically executed audit reviews (global or targeted) providing assurance on the integration and proper implementation of CER principles across the governance, internal control, operational and business processes of the Group.

The Board receives regular ESG/CER updates from the Group Head of Sustainability during the routine Board meetings about the progress of the implementation of ESG objectives, including CER.

The ESG Committee receives regular ESG/CER updates on ESG/CER agenda implementation, including ESG Strategy and CER materiality assessments during quarterly meetings.

In this context, the Risk function provides to the Board quarterly Risk Management reports, including CER KPI monitoring. Breaches of risk appetite are escalated to the Board Risk and Compliance Committee and the Board, in line with the escalation process outlined in the Group Risk Appetite Framework. The Internal Audit function reports into the Audit Committee and when relevant directly to the Board.

The Group defined in its Sustainability Risk Policy the main transmission channels of sustainability risks that should be taken into account by business units and the principles to be followed in designing business and decision making processes, as described in Section 1. General Overview of this report.

As described in Section 1. General Overview of this report, the Group has incorporated into its Remuneration Policy sustainability objectives in determining variable remuneration, and the Group has defined ESG/CER performance objectives for all senior managers.

2.1.3. Risk management

MeDirect defines sustainability risks, including climate and environment-related risks, in its Group Sustainability Risk Policy as described in Section 1. General overview of this report. Special attention is paid to the physical and transition risks linked to climate change as such risks might affect the sustainability of the Group and its counterparties if these are not properly monitored and managed.

Section 1. General Overview of this report describes the main transition channels between sustainability risks including CER and traditional risk categories. The influence of CER on credit, market, liquidity/funding, operational and reputational risk may depend on the severity of climate and environment-related changes, regulatory actions and evolving market sentiment and should be taken into account by the Group functions.

The Group integrates CER factors into its risk framework by updating its internal regulations, implementing dedicated ESG Strategy objectives and commitments and incorporating CER factors into its daily operations.

During this process, the Group took into consideration the rules defined in Section 1. General Overview of this report with the aim of identifying the counterparties and transactions that might cause exposure to environmental issues, and mitigating their impact.

The Group has updated a number of policies and procedures, in particular its Risk Management Framework, credit frameworks, risk appetite statements, lending guidelines and the Stress Testing Framework to ensure that CER risks are properly identified, measured, monitored and mitigated.

During this process, the Group took into account its business profile and strategic direction as well as regulatory requirements as stipulated in the European Central Bank Guide to climate-related and environmental risks, United Nations Sustainable Development Goals principles, Task Force on Climate-related Financial Disclosure recommendations, Taxonomy, SFRD and MIFID II, among other regulations. Group CER policies and the ESG Strategy were approved by the Board or relevant Committees in line with the Group's Policy Standards.

Moreover, the Group incorporates CER principles in its principal business processes, as outlined in the Risk Sustainability Policy, with the aim of managing CER risks and raising CER awareness within the organisation and amongst its clients and counterparties.

The Group's sustainability policy and CER materiality assessment are reviewed and updated on an annual basis. The Group's materiality assessment assesses the impact of CER in the short- (1-3Y), medium- (3-10Y) and long-term (>10Y). Most of the objectives defined in the Group's ESG Strategy are short- to medium-term (to 2025), but some of the environmental commitments are longer-term (to 2050).

As describe in Section 2.1.2. Governance, the three lines of defence are responsible for identifying, assessing and managing CER risks across the organisation, applying relevant requirements and controlling actions.

MeDirect restricts and/or prohibits the establishment of a banking relationship with certain types of clients operating in ESG- sensitive geographic locations or industries as described in the Group's Client Acceptance Policy.

In the corporate loan origination process, the Group implemented an exclusion list specifying the activities that the Group will not finance as a result of potentially negative effects on the environment, including greenhouse gas emissions, biodiversity loss and water scarcity.

The Group has also committed in its ESG Strategy that direct exposure to sectors contributing significantly to climate change that might have potentially negative impact on the environment will not exceed 6% of the Group's assets by 2024/25. Moreover, as part of its ESG Strategy, MeDirect has committed to start measuring its financed portfolio emissions (Scope 3) within the next three years.

The Group does not have direct exposure to coal mining, electricity, gas, steam, air conditioning supply and water supply due to its low risk appetite in those sectors.

The Group evaluates environmental factors in its corporate lending process using sectoral heatmaps. The Risk Appetite Statement applies some non-prescriptive quantitative risk appetite thresholds, depending on underlying sector risk (no appetite, reduced appetite, within appetite).

In addition, MeDirect has adopted an ESG questionnaire used during loan origination for Maltese corporate clients and for post-transaction analysis for the international syndicated lending portfolio. The questionnaire has been designed to assess the ESG profile of the client and ESG risks related to the financing, including environmental risks.

The questionnaire requires clients of the Group to share information relating to, amongst other things, the client's approach to ESG (e.g. ESG/CSR/Sustainability policy, strategy, principles, non-financial reporting, and sustainability risks, including enviromental risks). CER/ESG factors are also analysed during annual corporate portfolio reviews and screening.

Reputational and litigation risks that may arise from the business activity of MeDirect linked to CER (impact on climate/environment) is limited to indirect impact through the business activity of its clients. This risk may arise from environmentally sensitive activities of the Group's corporate clients. MeDirect's credit procedures require tracking of news flow (including CER) relating to prospective corporate borrowers using external data providers information (e.g., Debtwire, Bloomberg, Google alerts). During the annual review process, credit analysts also review publicly available information on the covered portfolio e.g., management accounts and annual reports, ESG reports, press releases and websites. The ESG Questionnaire for corporate clients includes questions on litigation and reputational client risks.

MeDirect applies in the Risk Appetite Framework for Dutch professional residential Buy-To-Let mortgages risk appetite thresholds (% of the outstanding loan balances) linked to high flood risk regions and to yearly energy efficiency of the mortgaged properties.

MeDirect Belgium's Risk Appetite Statement includes green and red flags relating to yearly energy efficiency of the properties and provides flexibility on loan-to-value ("LTV") levels if the proceeds of the mortgage are spent on improving energy efficiency of the mortgaged building.

In its retail lending process, MeDirect has launched eco-friendly residential home loans in Malta and Belgium to promote energy-efficient homes, which support decarbonisation of buildings in an effort to reduce global warming. The Group also requests an EPC certificate from its retail borrowers.

The Group also measures and monitors the range of green products offered to its clients in the Wealth Management Investment business and has implemented a green filter for Maltese investments. Moreover, the Group has started to integrate the sustainability preferences of its clients into the suitability assessments carried out prior to the provision of financial advisory and portfolio management services in order to match the sustainability preferences of its clients with appropriate products.

The Group actively invests in green bonds and has committed to have invested 10% of its Treasury portfolio into green bonds by 2024/2025, in line with the ESG Strategy.

The Group has integrated adverse climate-related and environmental events into business continuity and incident management procedures, including relevant communication plans in the occurrence of an event of adverse physical and transition risks.

The Group incorporates ESG/CER principles in its procurement process as described in Section 2.1.1. Business strategy and processes of this report.

The Group analyses its corporate lending portfolio from a CER perspective and collects from corporate clients the CER data required for current and future regulatory reporting (e.g., client information required under the Non-Financial Reporting Directive (NFRD), Taxonomy eligible or aligned business activities and customers' financed emissions). Available client information is limited as most of the Group's corporate clients do not meet NFRD reporting criteria as they are private, small-to-medium sized and unlisted enterprises.

The Group requires EPC certificates from its retail clients for home loans collateralised with property, but the availability of the data on energy efficiency certificates is limited as there are not specific regulations or requirements on a local level. In addition to the limited available client disclosure, publicly available statistics also do not include necessary data to calculate proxy information required to estimate client data.

Since 2022, the Group has conducted CER materiality assessments of its business analysing the main CER risks that may affect its strategy, business model, asset portfolios, funding sources, treasury assets and hedging strategies, wealth management services and operating centres.

The assessment includes on and off-balance sheet assets and contingencies and covers physical risks (Floods/Fluvial, Sea Level Risk, Drought/Extreme Heat, Forest Fire/Wildfire, Biodiversity Loss, Water Stress) and transition risks (Policy/Regulations, Stranded Asset Risk, Market Sentiment, Technology Change), including high-level impact horizons (short-, medium- and long-term). The Group uses climate heatmaps, research and maps to evaluate these risks. The assessment is conducted using a proportional and risk-based approach, applying available sources and data.

The materiality assessment is led by the Risk function in collaboration with the various business units and is presented to the ESG Committee and the Group Board.

The 2023 materiality assessment concluded that the overall strategic Group exposure to CER risk is limited given the

Group's business profile and its strategy, but the Group will continue to monitor and reassess the evolution of its CER risks regularly and update its assessments accordingly.

The assessment indicated that the Group's exposure to CER risk derives primarily from credit risk (deterioration of collateral value, deterioration of credit profiles of borrowers), retail funding primarily as a result of reputational risk (deposit outflows), wholesale funding primarily as a result counterparty/country risk and deterioration of collateral value, wealth management services as a result of deteriorating market sentiment (fund classes) and operational centres as a result of operational risk (higher energy requirements, physical risk of destruction or business failure). Notwithstanding these risks, the Group has assessed its residual risk as low, particularly in the short- to medium-term.

The assessment indicates that based on its current CER/ESG risk profile, no additional capital or liquidity buffer is required to cover potential impact of CER risk.

Moreover, CER risk has been also assessed from both the normative and economic perspectives of the internal capital adequacy assessment process (ICAAP), which assesses its impact on P&L, capital requirements and solvency (PD, LGD). The Group has incorporated climate-related scenarios into its stress testing processes, which encompass both physical and transition risks over various time horizons.

During 2023, the capital stress test scenarios have been updated to include transition risk triggered by new CER regulations that impose the requirement on homeowners with energy-inefficient properties to renovate their houses. This results in an impact on capital and capital ratios, and climate change **risk** leading to significant physical operational impact on Maltese operation for three days.

The Group continues to evolve its stress testing processes to be able to conduct adequate and plausible Climate Risk Stress Tests that will allow the Group to make informed decisions. The CER stress tests are conducted on the annual basis by the Group.

In 2022, the Group participated in the ECB Climate thematic review, including ECB CER stress tests and questionnaires required to meet supervisory requirements and implemented ECB Climate thematic review action plan to address regulatory expectations and shortcomings.

2.2. Qualitative information on social risks

2.2.1. Business strategy and processes

The Group's employees, counterparties and society in general are an important element of the ESG Strategy, as confirmed by the double materiality assessment conducted during the preparation of the Non-Financial Report.

As indicated in Section 1. General overview describing the main pillars of the ESG Strategy, the Group will continue focusing on the following key elements :

Employees:

- Continued creation of a unique corporate culture and an attractive workplace with high employee satisfaction
- Continuation of promotion of diversity, equality and inclusion as core principles guiding MeDirect's multi-cultural organisation
- Professional development of its employees will closely follow the changing business environment and will remain an important element of its business strategy

Society:

- Active engagement in local communities by participating in volunteer and charitable activities
- Support of social inclusion through education, accessible banking and cooperation, raising public awareness and building a sustainable society
- Play an important role in developing and supporting society by offering innovative financial solutions, safe banking and social support schemes

The Group's employees are its most important assets. Helping employees to develop and ensuring attractive working conditions is crucial to the achievement of the Group's business goals and to increase employee satisfaction.

MeDirect is also aware of its role in society and will therefore continue to engage in community initiatives that promote inclusion, development and support future prosperity. Moreover, the Group will contribute to the economic and social development of the countries in which it operates through its financial activity, delivery of digital solutions, participation in governmental support schemes and being a recognised employer and taxpayer.

The Group defined in its ESG Strategy 2024/2025 (pillar 2: Employees and pillar 4: Society) a list of its medium-term commitments related to its employees and society as follows:

Employees:

- Further improvement of employee job satisfaction, with a minimum target of 80% by 2025
- All top management having specific and relevant ESG/CER objectives
- Maintain Board gender diversity with a minimum 20% representation of the under-represented gender
- Ensure Leadership gender diversity with the goal of achieving a minimum 40% representation of the under-represented gender by 2025
- Maintain a gender-neutral recruitment process
- Ensure gender diversity in the succession programme for managerial positions with the goal of achieving a minimum 40% representation of the under-represented gender by 2025
- Increase number of training/development hours per employee by 25% by 2025

Society:

- Increase the number of Group-sponsored volunteer events to two person days annually by 2025
- Increase attendance at Group-sponsored volunteer events to a minimum of 75 employees by 2025
- Minimum five volunteer initiatives per year, focused on community, environment and other areas
- Maintain regular participation in charitable donations and sponsor
- Minimum five CSR initiatives conducted each year
- Quarterly training for seniors to eliminate financial/digital illiteracy
- Regular training/events for students (programme to be launched)
- Revamping of current Internship programme and implementation of a graduate programme
- Maintain high exposure to social support schemes with a goal of 50% of Group lending

Moreover, the Group committed in its ESG Strategy 2024/2025 (Pillar 1 Governance) to achieve the following targets with regard to its counterparties:

- Maintain the policy of not onboarding clients from controversial industries and geographical locations (in line with the Group's Customer Acceptance Policy)
- Incorporate appropriate human rights clauses in new contracts with suppliers and corporate lending clients by 2025
- Ensure that a minimum of 50% of key suppliers (representing approximately 90% of Group expenditures) have ESG verification by 2024/25 (determined using questionnaires, vendors' statements and other techniques)
- Ensure that close to 100% of corporate lending clients have ESG/CER verification by 2024/25 (determined using questionnaires, review of annual reports, corporate websites and media news flow where available and other methods)

The Group's Sustainability Risk Policy summarises the standards followed by the Group when onboarding/engaging with its clients, suppliers and business partners. The procedures followed by the Group are documented in various policies and procedures namely, the Group Client Acceptance Policy, Risk Appetite Statements, Business procedures, Codes of Conduct and Ethics, Reputational Risk Management Policy, Procurement Policy and Group Outsourcing Framework.

MeDirect restricts and/or prohibits the establishment of a banking relationships with the clients from sanctioned countries or controversial industries or industries applying questionable business practices, such as businesses involved in forced/harmful child labour activities, production or trade in weapons and munitions or spare parts for war-related vehicles or adult entertainment. Moreover, some socially sensitive activities might require enhanced due diligence to be carried out by the bank. Onboarding of new clients or continuation of existing relationships with clients is evaluated based on several assessment criteria, including the direct or indirect reputational risk associated with the potential/existing client.

In its corporate lending business procedures, the Group has adopted sectoral ESG maps including social risk. In

addition, the Group incorporated ESG questionnaires requiring its clients to share information including, among other things, the client's approach to ESG and sustainability risks (including social aspects such as impact on society, employee-related issues and respect for human rights). ESG factors are also analysed during annual corporate portfolio reviews and screening where data is publicly available. Most of the Group's corporate clients are small- to medium-sized unlisted companies from EU jurisdictions, which are not subject to non-financial reporting requirements on ESG matters and often do not have ESG strategies.

In the procurement process, whenever applicable and possible given its business profile and model, the Group requires its suppliers and any of its contractors to meet MeDirect's standards, including the existence of appropriate codes of conduct addressing issues such as human rights, social responsibility, labour practices and work environment. In addition, the Group conducts pre-qualification checks in relation to ethical practices and CER/ESG factors on vendors where the expected expenditure equals or exceeds €1 million.

During the due diligence process related to potential third-party outsourcing providers, pre-contractual assessments are carried out to evaluate whether the service provider has in place ethical standards and codes of conduct, including ethical, social responsibility, child labour prohibition considerations.

2.2.2. Governance

Social risk management was integrated in MeDirect corporate governance framework as described in Section 1. "General overview" of this report. The Board, the ESG Committee and the three lines of defence oversee this risk.

The Board approves the main risk policies and the ESG Strategy that incorporates ESG risk procedures and commitments, including social risk, and oversees its implementation. Internal policies and procedures address the Group's exposure to social risk in relation to its employees, clients, suppliers and business partners as described in Section 2.2.3 Risk management. In addition, the Group monitors the exposure of its counterparties to social risks as described in Section 2.2.1. Business strategy and processes.

The Board receives regular ESG updates a by the Group Head of Sustainability as a standing agenda item in Board meetings, including updates on the management of social risk.

The ESG Committee receives quarterly updates on the implementation of the ESG agenda, including social aspects.

Business units and internal control functions provide periodic updates to the appropriate Committees on social risk issues. Updates might include information about management of employee and counterparty relations, complaints, data protection and security, violations of ethical standards or labour rights, employees' development, and remuneration. A summary of the key metrics is included in the annual Group Non-Financial Report.

The Group Remuneration Policy establishes a framework for defining roles, measuring performance, and adjusting compensation to take into account risk management. The Group's Remuneration Policy is designed to align with the Group's business strategy, risk tolerance, objectives, values and long-term interests, including social matters such as employees, client and supplier relations, regulatory or community affairs matters and compliance with codes of conduct and other internal policies and procedures.

The Group Remuneration Policy provides for fixed and variable components of employee remuneration, which are applied in a gender-neutral manner. Fixed remuneration consists of non-discretionary payments tied to the specific role and organisational responsibilities and benefits which do not depend on performance. Fixed remuneration may depend on professional qualifications, expertise and experience required for the position, role, complexity of responsibilities in the position, responsibility for team management, impact of the position on the results of the Group and other factors.

The Group determines variable compensation of its employees based on individual performance in relation to agreed qualitative and quantitative objectives established in line with the Group's strategy and its performance. Objectives depending on the role in the organisation might include social aspects. Moreover, the Group has established ESG/CER performance objectives for all senior managers as described in Section 1. General overview of this report.

2.2.3. Risk management

MeDirect defines sustainability risks to include social risk in its Group Sustainability Risk Policy. Special attention is paid to human rights violations, ethical approaches to business, controversial sectors, employee rights and working conditions including diversity, equality and discrimination, health and safety, data protection and information security.

The Section 1. General overview of this report describes the main transition channels between sustainability risks (including social risk) and traditional risk categories. The influence of social risks on credit, market, liquidity/funding, operational or reputational risk may depend on the severity of non-compliance with regulations, market standards or stakeholders' expectations, regulatory actions, the severity of human rights violations or impact on employees and counterparties.

As described in Section 2.2.2. Governance, the three lines of defence are responsible for identifying, assessing and managing social risk across the organisation in accordance with relevant policies and procedures.

The Group integrates social factors into its risk framework by updating its policies and procedures, implementing dedicated ESG Strategy objectives and commitments, and incorporating them into its daily operations.

During this process, the Group has aimed to identify areas in which it might be exposed to potential social issues and to mitigate the impact of such issues.

The Group has implemented policies and procedures to manage risk related to its employees by defining staff relationships and a labour standards framework while developing an organisational culture which supports internationally recognised human rights, as set forth in the Group Code of Conduct and Ethics, Diversity Policy, Discrimination and Harassment Policy, Whistleblowing Policy, Relationship at Work Policy, Recruitment Policy, Succession Policy, Conflict of Interest Policy, Reputation Risk Management Policy, Anti-Fraud Policy and Anti-Bribery and Corruption Policy. Moreover, Pillar 2 - Employees of the ESG Strategy establishes the primary objectives in this area:

- Attractive workplace
- Diversity, equality and inclusion
- Professional development

The Group also implemented policies and procedures related to counterparty management, including in respect of clients, suppliers and business partners, outlining the Group's approach to relationship management, product and service delivery, human rights protection and sponsorships. Such policies and procedures include the Group Code of Conduct and Ethics, Clients Acceptance Policy, Business guidelines, Risk Appetite Statements, Anti-Money Laundering and Countering of Terrorism Policy, Reputation Risk Management Policy, Procurement Policy and the Group Outsourcing framework.

Moreover, Pillar 4 - Society of the ESG Strategy establishes primary objectives in respect of society:

- Community engagement
- Social inclusion
- Societal development and support

During this process, the Group considered its business profile and strategic direction as well as regulatory requirements, including, among others:

- Universal Declaration of Human Rights of the United Nations, International Labour Organisation's Declaration of Fundamental Principles and Rights at Work, the United Nations Sustainable Development Goals, Guidelines on Internal Governance
- EBA Guidelines on sound remuneration policies (EBA/GL/2021/04), ESMA Guidelines on certain aspects of the MiFID II remuneration requirements
- Fifth Money Laundering Directive, Criminal Codes
- GRI Standards

The Group mitigates social risk related to its clients, suppliers and business partners by excluding certain industries or geographic locations, conducting due diligence in respect of counterparties, including (ESG) questionnaires, and adopting sectoral heatmaps taking into account social risk and reputational risk alerts as described in Section 2.2.1.

Business strategy and processes. The Group conducts due diligence related to Bribery and Corruption risk when establishing and maintaining relationships with clients or third parties.

All Group employees are required to identify, manage and mitigate reputational risks that may affect the Group's reputation resulting from business activities undertaken by MeDirect and its counterparties. The following table presents examples of such risks:

Misconduct	Weak Governance	Operational Failings	External events
<ul style="list-style-type: none"> • Illegal or fraudulent activities by individuals • Employee behaviour and conduct • Misuse of client information • Doing business in an unethical manner 	<ul style="list-style-type: none"> • Breach of regulatory requirements, including labour law and employee practices • Business activities that contradict brand core values • Inappropriate controls and internal governance of key decisions and processes 	<ul style="list-style-type: none"> • Poor customer relations • Non-performance of core infrastructure and controls • Business disruption and inadequate continuity plans 	<ul style="list-style-type: none"> • Incorrect or unfounded rumours • Negative public remarks by politicians/public institutions • Industry, market or jurisdictional contagion risk

In order to analyse employees and customer satisfaction, MeDirect conducts periodic surveys.

The Group Code of Conduct and Ethics sets forth principles to be applied by the Group in relation to human rights, customer protection and product responsibility.

The Group applies a zero-tolerance policy to any kind of human rights abuses, including (but not limited to) any form of harassment, discrimination, child labour, forced labour or slavery and inhumane or degrading treatment.

Since the conduct of the Group's suppliers could adversely affect the Group's reputation and standing in the market, the Group has extended this approach to its business relationships and whenever applicable and possible the Group requires its suppliers and any of its contractors to meet MeDirect's standards in the following areas: code of conduct including human rights, environmental awareness, social responsibility, labour practices and work environment.

The Group designs products that are easy to understand and simple to use and aims to ensure that any charges are transparent, fair and reasonable. The Group also aims to provide its clients with all necessary information to enable them to understand the Group's products and services as well as related costs.

MeDirect aims to treat its clients fairly and transparently. Staff members may not take unfair advantage of its clients or counterparties through manipulation, concealment, misinterpretation of material facts, unfair dealings and practices or abuse of confidential information.

The Group is aware of its responsibility to protect the health and safety of employees and visitors to its premises. The Group's Occupational Health and Safety policy sets out the basic rules relating to the safety and health of employees and visitors to its premises, in line with applicable environmental and occupational health and safety laws and regulations.

Client complaints are an extremely important source of information to the Group, and staff members are required to ensure that all complaints are handled in line with the Group Complaints Handling Policy. Internal procedures and policies regarding complaints require staff members to inform its customers in a transparent way about procedures for filing complaints as well as terms and conditions and time limits applicable to complaint handling. The procedures describe how complaints are recorded, acknowledged and resolved.

The Group also protects the confidentiality of client information and ensures that such information is used only for the purpose for which it was collected and is not misused. The Group has a Data Protection Policy, prepared in accordance with the EU General Data Protection Regulation and consistent with other applicable national data protection legislation. In addition, the Information and Communication Technology ("ICT") and Security Risk Management Framework documents MeDirect's approach to monitoring and mitigating ICT risks.

Each year, the Group prepares a plan for voluntary and charitable activities and for sponsorships with the aim of actively engaging in local community initiatives. In accordance with the Group's Anti-Bribery and Corruption policy and procedures, the Group ensures that payments for sponsorships and donations are not used for purposes of bribery.

Due diligence is performed on sponsorship and donation recipients, with consideration given to potential affiliation with public officials.

The policies are reviewed and updated on an annual basis. The ESG Strategy objectives relating to social matters focus on the short- to medium-term (to 2025).

Most policies have escalation procedures to be applied in the event of identification of breaches or potential breaches of the relevant policies.

2.3. Qualitative information on governance risks

2.3.1. Business strategy and processes

High corporate governance standards, an ethical approach to business, and compliance with relevant regulations are important elements of responsible and sustainable organisations.

The Group defined in its ESG Strategy 2024/2025 (pillar 1) its commitments related to the Governance as follows:

- Shaping the MeDirect corporate culture and inspiring its employees to encourage an approach to business based on solid values
- Continuing to develop a responsible and sustainable business with the aim of building a trusted and distinctive brand
- Continuing to integrate ESG factors in the Group's corporate governance framework and to enhance its sustainability ratings

The Group also defined in its ESG Strategy 2024/2025 (pillar 1) a list of its commitments as follows:

- Enhance MeDirect sustainability rating by 2024/25
- Minimum one ESG training per year
- ESG/CER integrated into annual compliance plans and the multi-year internal audit cycle
- Minimum of three independent members in the Board
- Maintain a high NPS (customer recommendation factor) score with a minimum score of 30 by 2024/25

MeDirect also committed to conducting ESG verification of its counterparties as follows.:

- ESG verification of at least 50% of key suppliers by 2024/25 (by means of questionnaires, vendors' statements and other methods)
- ESG/CER verification of close to 100% corporate lending clients by 2024/25 (determined using questionnaires, review of annual reports, corporate websites, media news flow, where available and other methods)

2.3.2. Governance

Governance risk can be associated with the governance framework of the Group or its counterparties, including its clients, suppliers and business partners.

MeDirect has integrated governance risk management into its corporate governance framework as described in Section 1. General overview of this report. The Board, ESG Committee and three lines of defence oversee and manage this risk.

The Board approves main risk policies and the ESG Strategy that outline MeDirect's corporate governance framework as described in Section 2.3.3. Risk Management of this report. In addition, the Board approves the Group Non-financial report that describes key sustainability commitments, policies and rules for the Group.

In its business guidelines, the Group incorporates requirements related to its counterparties' exposure to ESG risk as described in the previous sections (including ESG questionnaires).

2.3.3. Risk management

MeDirect defines sustainability risks, including governance risk, in its Group Sustainability Risk Policy. Special attention is paid to corporate governance, internal policies and procedures, compliance with law and market standards, strategy and risk management, personal data / IT security and transparency,

The influence of the governance risks on credit, market, liquidity/funding, operational and reputational risk may depend on the severity of non-compliance with regulations, market standards or stakeholders' expectations, regulatory actions or the severity of the impact of governance risk on the organisation or its counterparties.

As described in Section 2.3.2. Governance, the three lines of defence are responsible for identifying, assessing and managing governance risk across the organisation, in accordance with relevant policies and procedures.

The Group integrates governance factors into its risk framework as it updates its policies and procedures, implements its dedicated ESG Strategy objectives and commitments and incorporates governance considerations into its daily operations.

The Group has implemented policies to manage MeDirect governance risk including the Group Corporate Governance Framework, Diversity Policy, Whistleblowing Policy, Conflict of Interest Policy, Reputation Risk Management Policy, Anti-fraud Policy and Anti-Money Laundering, Countering of Terrorism Policy. Moreover, Pillar 1 Governance of the ESG Strategy sets forth the Group's primary objectives in this area, including:

- Sound corporate values
- Responsible and sustainable business
- Institutional approach to ESG

During the credit process in relation to corporate lending clients, the Group considers counterpartys' corporate governance risk. In Malta lending, the Group uses sectoral heatmaps (including governance risk factors) and ESG questionnaires. In international syndicated lending, the Group reviews ESG ratings with the aim of identifying governance issues and reviews ESG questionnaires. During the KYC process, the organisational and management structure of the borrower is verified.

MeDirect requires its clients to provide information describing the client's approach to ESG (e.g., to provide its ESG/CSR/Sustainability policy, strategy and principles), non-financial reporting and sustainability risks, including governance risk. ESG factors related to corporate lending clients are also analysed during annual corporate portfolio reviews and screening.

Most of the Group's corporate clients are small or medium-size non listed companies from EU, not subject to non-financial reporting requirements on ESG matters, and without official ESG strategies.

3. Quantitative information on transition risk and physical risk related to climate change

MeDirect has started to disclose quantitative information on transition risk and physical risk related to climate change from 2022 Group Pillar III Report in line with Pillar 3 ESG implementing technical standards and instructions on prudential disclosures on ESG risks defined by the EBA for this purpose as presented in the tables 1 to 5 below. The ESG information disclosed in this Pillar 3 reporting is not necessarily aligned with MeDirect Group's Non-Financial Report as it follows EBA detail guidelines. The disclosure perimeter includes exposures in the banking book, including loans and advances, debt securities and equity instruments not held-for-trading and not held-for-sale.

The Group applies transition periods for some tables and data as required by EBA regulations as follows:

Template 1 - Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity - column C to be reported in 2023 Group Pillar III Report, column I/J/K - to be reported in the H1 2024 Group Pillar III Report

Template 3 - Banking book - Climate change transition risk: Alignment metrics- to be reported in the H1 2024 Group Pillar III Report

Template 6 - Summary of GAR KPIs - to be reported in the 2023 Group Pillar III Report

Template 7 - Mitigating actions: Assets for the calculation of GAR - to be reported in the 2023 Group Pillar III Report

Template 8 - GAR (%) - to be reported in 2023 Group Pillar III Report

Template 9 - Mitigating actions: BTAR- to be reported in the H1 2024 Group Pillar III Report

Table 1. Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity [Template 1]

The objective of this template is to present (i) exposures to non-financial companies that are more susceptible to transition risk associated with the shift toward a low-emission and climate-resilient economy, which operate in sectors that contribute significantly to climate change (NACE codes: A, B, C, D, E, F, G, H, I, L) and (ii) exposures to non-financial companies operating in sectors other than those that contribute significantly to climate change (NACE codes: K, J, M-U).

NACE code classification is based on the principal activity of the relevant company and in the case of holding companies, the NACE code of the operating company and its underlying business activity. Approximately 46% of the Group's corporate lending exposure at the end of June 2023 is classified as activities of the holding companies, most of which are included in the Group's international syndicated corporate lending portfolio. These clients are principally large international groups operating in various sectors and markets.

The table provides the gross carrying amount of loans and advances, debt securities and equity instruments as well as information on the credit quality of the exposures provided to non-financial corporates, other than those included in the held-for-trading or held-for-sale portfolios, classified by NACE economic sector. The Group corporate exposure is concentrated in an international syndicated loans and Maltese corporate loans.

Exposure to NACE sectors less than 100 ths EUR was rounded-up to zero.

MeDirect analysed its syndicated corporate lending portfolio, Maltese corporate lending portfolio and Dutch professional Buy-To-Let mortgage portfolio, including loans, advances and bonds. These portfolios represent approximately 14% of the Group's assets.

MeDirect is aware that financing environmentally sensitive sectors could have an impact on the environment and MeDirect's reputation and financial standing. MeDirect therefore decided to limit its direct exposure to sectors highly contributing to climate change and decided not to finance sectors that might be associated with potentially negative effects on the environment.

The Group is cognisant of the fact that certain potential corporate borrowers are active in sectors that may be associated with adverse effects on the environment, including greenhouse gas emissions, biodiversity loss and water scarcity.

Moreover, the Group does not currently have direct exposure to coal mining, electricity, gas, steam, air conditioning supply and water supply in view of its low-risk appetite in these sectors.

ESG disclosure in Pillar 3 follows the implementing technical standards on prudential disclosures on ESG risks defined by the EBA.

The Group will start disclosing the information relating to environmentally sustainable exposures and the GHG financed emissions (as defined in the Pillar 3 ESG implementing technical standards), starting in the 2023 Pillar III Report and the H1 2024 Pillar III Report, respectively. The Group started to analyse its clients' non-financial disclosure including whether:

- The client is obliged to publish Non-Financial report under the EU Non-Financial Reporting Directive
- The client discloses in its non-financial report information regarding Taxonomy-eligible and Taxonomy-aligned activities (turnover, capital expenditure, operating expenditure), GHG emissions (Scope 1, Scope 2, Scope 3) or in any other reports

Moreover, the Group has analysed publicly available data on GHG emissions to be potentially used as a proxy measure where company-specific information is unavailable. Most of the Group's corporate clients are private small- and medium-sized unlisted with little ESG-related publicly available information.

Table 1. IH 2023 Reporting Year

Sectors	Gross carrying amount (Mln EUR)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excl. from EU Paris-aligned Benchmarks ¹	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
Exposures towards sectors that highly contribute to climate change*	396	0	34	21	-5	-1	-2	336	19	42	0	3
A - Agriculture, forestry and fishing	0.2	0	0	0	0	0	0	0.2	0	0		2
B - Mining and quarrying	0.0	0	0	0	0	0	0	0	0	0		
C - Manufacturing	123	0	0	5	-2.2	0	-1.4	123	0	0		2
C.17 - Manufacture of pulp, paper and paperboard	10	0	0	0	-0.1	0	0	10	0	0		2
C.20 - Production of chemicals	14	0	0	0	-0.1	0	0	14	0	0		0
C.21 - Manufacture of pharmaceutical preparations	21	0	0	0	-0.2	0	0	21	0	0		3
C.22 - Manufacture of rubber products	17	0	0	0	-0.8	0	-0.8	17	0	0		0
C.23 - Manufacture of other non-metallic mineral products	8	0	0	0	-0.1	0	0	8	0	0		3
C.25 - Manufacture of fabricated metal products, except machinery and equipment	8	0	0	0	0.0	0	0	8	0	0		2
C.27 - Manufacture of electrical equipment	5	0	0	5	-0.6	0	-0.6	5	0	0		2
C.28 - Manufacture of machinery and equipment n.e.c.	19	0	0	0	-0.1	0	0	19	0	0		3
C.32 - Other manufacturing	21	0	0	0	-0.2	0	0	21	0	0		3
D - Electricity, gas, steam and air conditioning supply	0.02	0	0	0	0	0	0	0.02	0	0		1
D35.1 - Electric power generation, transmission and distribution	0.02	0	0	0	0	0	0	0.02	0	0		1
E - Water supply, sewerage, waste management and remediation activities	0	0	0	0	0	0	0	0	0	0		
F - Construction	64	0	2	1	-0.2	0	0	56	8	0		2
F.41 - Construction of buildings	34	0	2	1	0	0	0	26	8	0		0
F.42 - Civil engineering	26	0	0	0	-0.2	0	0	26	0	0		1
F.43 - Specialised construction activities	3	0	0	0	0	0	0	3	0	0		2
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	63	0	13	0	-1.2	-0.5	-0.1	63	0	0		3
H - Transportation and storage	9	0	0	0	0.0	0	0	9	0	0		1
H52 - Warehousing and support activities for transportation	9	0	0	0	0.0	0	0	9	0	0		1
I - Accommodation and food service activities	36	0	18	0	-1.0	-1.0	0	23	3	10		5
L - Real estate activities	102	0	1	15	0.0	0	0	62	7	32		6
Exposures towards sectors other than those that highly contribute to climate change*	219	0	5	1	-6	0	-4	213	4	2		2
K - Financial and insurance activities	45	0	0	0	-0.3	0	0	42	1	2		2
Exposures to other sectors (NACE codes J, M - U)	174	0	5	1	-5	0	-4	171	3	0		2
TOTAL	615	0	39	22	-10	-1.50	-6	548	23	44		3

Out of which Buy to let loans (BTL) offered to corporate clients (legal entities) to finance purchase of residential immovable property

L - Real estate activities	28	0	0	0	0	0	0	0	0	28	0	15
Exposures towards sectors that highly contribute to climate change excluding BTL	368	0	34	21	-5	-1	-2	336	19	14	0	2

2022 Reporting Year

Sectors	Gross carrying amount (Mln EUR)				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
		Of which exposures towards companies excl. from EU Paris-aligned Benchmarks ¹	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures					
Exposures towards sectors that highly contribute to climate change*	430	0	34	48	-7	-2	-2	328	75	28	0	4
A - Agriculture, forestry and fishing	0.3	0	0	0	0	0	0	0.3	0	0		3
B - Mining and quarrying	0.0	0	0	0	0	0	0	0	0	0		
C - Manufacturing	152	0	0	29	-3.2	0	-2.0	105	47	0		3
C.17 - Manufacture of pulp, paper and paperboard	10	0	0	0	-0.2	0	0	10	0	0		4
C.20 - Production of chemicals	24	0	0	0	-0.1	0	0	24	0	0		2
C.21 - Manufacture of pharmaceutical preparations	35	0	0	0	-0.3	0	0	23	12	0		4
C.22 - Manufacture of rubber products	17	0	0	17	-0.9	0	-0.9	17	0	0		1
C.23 - Manufacture of other non-metallic mineral products	8	0	0	0	-0.1	0	0	0	8	0		6
C.25 - Manufacture of fabricated metal products, except machinery and equipment	8	0	0	0	-0.1	0	0	8	0	0		3
C.27 - Manufacture of electrical equipment	11	0	0	12	-1.2	0	-1.2	11	0	0		3
C.28 - Manufacture of machinery and equipment n.e.c.	19	0	0	0	-0.1	0	0	9	10	0		4
C.32 - Other manufacturing	21	0	0	0	-0.3	0	0	4	17	0		5
D - Electricity, gas, steam and air conditioning supply	0.02	0	0	0	0	0	0	0.02	0	0		2
D35.1 - Electric power generation, transmission and distribution	0.02	0	0	0	0	0	0	0.02	0	0		2
E - Water supply, sewerage, waste management and remediation activities	0	0	0	0	0	0	0	0	0	0		
F - Construction	65	0	0	1	-0.2	0	0	56	9	0		3
F.41 - Construction of buildings	30	0	0	1	0	0	0	21	9	0		4
F.42 - Civil engineering	25	0	0	0	-0.2	0	0	25	0	0		3
F.43 - Specialised construction activities	10	0	0	0	0	0	0	10	0	0		1
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	73	0	12	3	-1.8	-0.9	-0.1	65	8	0		3
H - Transportation and storage	9	0	0	0	-0.1	0	0	9	0	0		4
H.52 - Warehousing and support activities for transportation	9	0	0	0	-0.1	0	0	9	0	0		4
I - Accommodation and food service activities	44	0	22	0	-1.4	-1.3	0	31	4	10		5
L - Real estate activities	86	0	0	15	-0.2	0	0	62	7	18		4
Exposures towards sectors other than those that highly contribute to climate change*	241	0	13	15	-7	0	-4	191	50	0		3
K - Financial and insurance activities	49	0	0	0	-0.3	0	0	36	13	0		3
Exposures to other sectors (NACE codes J, M - U)	192	0	13	15	-6	0	-4	155	37	0		3
TOTAL	671	0	47	63	-13	-2	-6	519	125	28		3

Out of which Buy to let loans (BTL) offered to corporate clients (legal entities) to finance purchase of residential immovable property

L - Real estate activities	12	0	0	0	0	0	0	0	0	12	0	15
Exposures towards sectors that highly contribute to climate change excluding BTL	418	0	34	48	-7	-2	-2	328	75	16	0	3

¹In accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation

NOTE: NACE code classification is based on the principal activity of the counterparty (direct exposure) and in case of holding companies the NACE code of the obligor receiving the funding and its underlying business activity (indirect exposure). NACE exposure of corporate lending includes allocation of the activities of holding companies (K.64.2) based on the underlying business activity prepared using expert approach following Pillar 3 implementing technical standards on prudential disclosures on ESG risks. The table was updated based on verified and revisited in 2023 by respective units' clients' NACE classification.

The template also requires the identification of exposures to borrowers that are excluded from the EU Paris-aligned Benchmarks as specified in Article 12.1, points (d) to (g) and Article 12.2 of Commission Delegated Regulation (EU) 2020/18185 Climate Benchmark Standards Regulation. The assessment was conducted internally by the corporate lending departments based on an expert review of the portfolio of non-financial corporations, determined based on the following criteria:

- companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
- companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO₂ e/kWh.
- companies that are found or estimated to significantly harm one or more of the Group's environmental objectives

MeDirect did not identify any exposure to undertakings meeting the above criteria.

Table 2. Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral [Template 2]

The objective of this template is to present the energy efficiency of the loans collateralised by commercial and residential immovable property and of repossessed real estate collateral, in relation to their energy consumption as expressed in kWh/m² and/or their energy performance certificate (EPC) labels.

Following the implementation of EU Energy Performance of Buildings Directive (2010/31/EU) and the EU Energy Efficiency Directive (2012/27/ EU), in order to promote the energy efficiency of buildings, EPC certificates are compulsory for the sale and rental of immovable property in the Eurozone. However, application of the directive is not standardised. EPC certificates are defined as certificates recognised by a Member State or by a legal person designated by it, which indicates the energy performance of a building or building unit, calculated according to a methodology adopted in accordance with the Energy Performance of Buildings Directive.

The Group does not always has access to this certificate, especially for the corporate loans collateralised by properties that were not subject to sale or rental agreements or transactions (sales/rentals) that were not subject to the obligation of providing an EPC because they were entered into prior to the date of entry into force of the directive.

In compiling the table, the Group used following assumptions:

- Malta mortgage portfolio – due to the lack of an official EPC label classification in Malta, the EPC label was assigned using Belgian classifications (Brussels Region) and yearly energy requirements from the EPC certificate. Usually, information is available in the EPC Certificate in relation to the level of energy efficiency, even though an EPC label is not available.
- Netherlands mortgage portfolio – due to lack of official yearly energy requirements from EPC certificates, the brackets for the level of energy efficiency were assigned using EPC label based on official Netherlands EPC label classifications; the level of energy efficiency us not available based on EPC Certificates but is usually available using the EPC label
- Belgian mortgage portfolio – due to lack of EPC label data, the EPC label was assigned using Belgian EPC classifications (Flanders Region) and yearly energy requirements from the EPC certificate. Brackets for the level of energy efficiency were assigned using yearly energy requirements set forth in the EPC certificates. Usually, information is available in the EPC Certificate in relation to the level of energy efficiency, even though an EPC label is not available.

Gross carrying amount of loan was allocated to the collateral using the weighted value of the collateral.

Table 2.
IH 2023 Reporting Year

Counterparty sector	Total gross carrying amount amount (in MEUR)																
	Level of energy efficiency (EP score in kWh/m² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label or EPC score of collateral		
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated			
Total EU area	2,372	61	569	872	350	152	42	312	284	659	283	197	189	122	326		
Of which Loans collateralised by commercial immovable property	62	0	0	0	0	0	0	0	0	0	0	0	0	0	62		
Of which Loans collateralised by residential immovable property	2,310	61	569	872	350	152	42	312	284	659	283	197	189	122	264		
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	2,372	9	493	826	310	122	0	26	68	68	49	33	44	0	326		
Total non-EU area	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Of which Loans collateralised by commercial immovable property																	
Of which Loans collateralised by residential immovable property																	
Of which Collateral obtained by taking possession: residential and commercial immovable properties																	
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated																	

2022 Reporting Year

Counterparty sector	Total gross carrying amount amount (in MEUR)														
	Level of energy efficiency (EP score in kWh/m ² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label or EPC score of collateral
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500		A	B	C	D	E	F	G	
Total EU area	2,150	42	514	821	317	135	26	274	250	617	252	178	166	117	295
Of which Loans collateralised by commercial immovable property	73	0	0	0	0	0	0	0	0	0	0	0	0	0	73
Of which Loans collateralised by residential immovable property	2,077	42	514	821	317	135	26	274	250	617	252	178	166	117	222
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated	2,150	0	459	794	297	117	0	17	48	47	28	20	27	0	295
Total non-EU area	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which Loans collateralised by commercial immovable property															
Of which Loans collateralised by residential immovable property															
Of which Collateral obtained by taking possession: residential and commercial immovable properties															
Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated															

NOTE: Table includes in the line related to loans collateralised by property the Malta mortgages, Belgian mortgage receivables, Dutch NHG mortgage receivables, Dutch Buy-To-Let mortgage portfolio and domestic corporate loans. The row "of which Level energy efficiency estimated" includes the sum of estimated level of energy efficiency brackets based on eg. EPC label or estimated EPC label based on eg. the level of energy efficiency from the EPC certificate and loans collateralised with properties without estimated EPC label or level of energy efficiency from the EPC certificate. The table was updated based on verified and revisited data.

Table 3. Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms globally [Template 4]

The objective of this template is to present aggregate exposure to the 20 most carbon-intensive companies in the world. The exposure should include loans and advances, debt securities and equity instruments included in the banking book but excluding financial assets held for trading and held for sale assets.

The Group will start disclosing the information relating to environmentally sustainable exposures starting in the 2023 Pillar III Report following Pillar 3 ESG implementing technical standards.

The assessment conducted by MeDirect was based on publicly available list of companies with GHG emissions. disclosed in the in "Carbon Majors Database (CMD) Report" in July 2017. The list was prepared based on 1988-2015 years cumulative emissions.

EBA instructions present some examples of data sources to identify the top carbon-emitting companies, among others CMD.

The Group did not identify in any of its portfolio's exposure to any of the top 20 carbon intensive firms.

Table 3.

	Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Weighted average maturity	Number of top 20 polluting firms included
Total exposure to top 20 carbon-intensive firms in the world	0	0%	n/a	0

IH 2023 and 2022 Reporting Year

Table 4. Banking book - Climate change physical risk: Exposures subject to physical risk [Template 5]

The objective of this template is to present the exposures subject to acute and chronic physical risk, including exposures by business sector, exposures collateralised by immovable property or repossessed real estate collateral and exposures by the location of the activity of the borrower or of the collateral.

Physical risks are defined as risks which arise from the physical effects of climate change events. They can be categorised as:

- Acute - hazards that may cause sudden damage to properties, disruption of supply chains, depreciation of assets or result in operational downtime and lost manufacturing for fixed assets.
- Chronic - hazards relating to gradual changes in weather and climate and having a possible impact on economic output and productivity.

In order to assess the physical risk of its portfolio, MeDirect reviewed its mortgage portfolios collateralised with the properties in Malta, Belgium and the Netherlands, which together represent approximately 46% of the Group's assets, at the end of June 2023 using European Climate Risk Typology ("ECRT") and EU EBA Climate Risk Stress Tests mapping of countries and regions taking into account following CERs scenarios:

Acute:

- Flooding Risk
- Forest Fire / Wildfire Risk
- Drought Risk
- Extreme Heat Risk

Chronic:

- Flooding / Sea level Risk
- Landslide Risk

Each scenario includes mapping of the locations to the risk from minor/low to very high. Allocation is based on Eurostat's nomenclature of territorial units for statistics for EU countries, and/or postal code. Some of the scenarios apply a very long-term horizon.

The template 5 requires determination of which exposures are sensitive to the impact of physical risk, but the guidance of the EBA do not set forth the scenarios, metrics or thresholds based on which this determination should be made. The Group has applied a conservative approach and assumed that exposures classified as high or very high, in at least one CER scenario are sensitive to impact from climate change physical events as presented in the tables below.

The Group has divided mortgage collateral into residential and commercial properties, taking into account the maturity dates, degree of sensitivity (long-term and sudden events related to climate change) and stage baskets with an indication of cumulative loss of value.

The Group analysed the Netherlands, Belgium and Malta geographical regions under the above scenarios.

Table 4. Exposures subject to physical risk – summary table

IH 2023 Reporting Year

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)											
		of which exposures sensitive to impact from climate change physical events											
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	0.2	0	0	0	0	0	0	0	0	0	0	0	0
B - Mining and quarrying	0.0	0	0	0	0	0	0	0	0	0	0	0	0
C - Manufacturing	123	0	0	0	0	0	0	0	0	0	0	0	0
D - Electricity, gas, steam and air conditioning supply	0.0	0	0	0	0	0	0	0	0	0	0	0	0
E - Water supply, sewerage, waste management and remediation activities	0.0	0	0	0	0	0	0	0	0	0	0	0	0
F - Construction	64	0	0	0	0	0	0	0	0	0	0	0	0
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	63	0	0	0	0	0	0	0	0	0	0	0	0
H - Transportation and storage	9	0	0	0	0	0	0	0	0	0	0	0	0
L - Real estate activities	102	0	0	0	0	0	0	0	0	0	0	0	0
Loans collateralised by residential immovable property	2,310	1	1	19	465	26	392	94	0	3	0.33	-0.20	-0.06
Loans collateralised by commercial immovable property	62	0	0	0	0		0	0	0	0	0	0	0
Repossessed collaterals	0	0	0	0	0	0	0	0	0	0	0	0	0

2022 Reporting Year

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)											
		of which exposures sensitive to impact from climate change physical events											
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	0.3	0	0	0	0	0	0	0	0	0	0	0	0
B - Mining and quarrying	0	0	0	0	0	0	0	0	0	0	0	0	0
C - Manufacturing	152	0	0	0	0	0	0	0	0	0	0	0	0
D - Electricity, gas, steam and air conditioning supply	0	0	0	0	0	0	0	0	0	0	0	0	0
E - Water supply, sewerage, waste management and remediation activities	0	0	0	0	0	0	0	0	0	0	0	0	0
F - Construction	65	0	0	0	0	0	0	0	0	0	0	0	0
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	73	0	0	0	0	0	0	0	0	0	0	0	0
H - Transportation and storage	9	0	0	0	0	0	0	0	0	0	0	0	0
L - Real estate activities	86	0	0	0	0	0	0	0	0	0	0	0	0
Loans collateralised by residential immovable property	2,077	0	0	12	423	27	352	84	0	2.1	0	-0.07	-0.02
Loans collateralised by commercial immovable property	73	0	0	0	0	0	0	0	0	0	0	0	0
Repossessed collaterals	0	0	0	0	0	0	0	0	0	0	0	0	0

NOTE: Table includes in the line related to loans collateralised with property the Malta mortgages, Belgian mortgage receivables, Belgian Buy-To-Let mortgage portfolio Dutch NHG mortgage receivables, Dutch Buy-To-Let mortgage portfolio and domestic corporate loans. NACE exposure of corporate lending includes allocation of the activities of holding companies (K.64) based on the underlying business activity prepared using expert approach following Pillar 3 implementing technical standards on prudential disclosures on ESG risks (indirect exposure). Exposure to NACE sectors less than 100 ths EUR was rounded-up to zero. The table was updated based on verified and revisited data.

Table 4.1. Exposures subject to physical risk – Netherland market

IH 2023 Reporting Year

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)											
		of which exposures sensitive to impact from climate change physical events											
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity						of which Stage 2 exposures	Of which non-performing exposures
Loans collateralised by residential immovable property	1,931	1	1	9	406	27	337	78	0	2	0	-0.06	-0.03
Loans collateralised by commercial immovable property	0.3	0	0	0	0	0	0	1	0	0	0	0	0
Repossessed collaterals	0	0	0	0	0	0	0	0	0	0	0	0	0

2022 Reporting Year

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
												<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years
Loans collateralised by residential immovable property	1,821	0.4	0.2	6.6	386.2	27	319	74	0.0	1.60	0.00	-0.03	-0.01	0.00
Loans collateralised by commercial immovable property	0.0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reposessed colaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0

NOTE: Table includes Dutch NHG mortgage receivables and Dutch Buy-To-Let mortgage portfolio

For Dutch NHG mortgage receivables loans were collateralised with residential properties and for Buy-To-Let mortgages, loans were collateralised with residential and commercial properties, although majority were residential. Buy-To-Let mortgages are usually collateralised by more than one property and the estimation of exposure to physical risk was based on collateral level. Regions where collateral is located in the Dutch mortgage portfolio were not exposed to high or very high extreme heat, drought or landslide hazard scenarios, while in the Dutch Buy-To-Let portfolio collateral properties were not exposed to high or very high flood, extreme heat, drought, fire or landslide hazard scenarios.

Table 4.2. Exposures subject to physical risk – Belgium market

IH 2023 Reporting Year

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change	of which exposures sensitive to impact both from chronic and acute climate	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
												<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years
Loans collateralised by residential immovable property	229	0	0	9	59	24	55	15	0	1.45	0.33	-0.15	-0.03	-0.03
Loans collateralised by commercial immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reposessed collaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0

2022 Reporting Year

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
												<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years
Loans collateralised by residential immovable property	132	0	0	5	37	22	33	9	0	0.54	0.00	-0.03	0.00	0.00
Loans collateralised by commercial immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reposessed colaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0

NOTE: Table includes Belgian mortgage receivables portfolio

In the Belgium mortgage portfolio, loans were collateralised only by residential properties. The mortgages are collateralised by more than one property and the estimation of physical risk was based on collateral level. Regions where collateral is located in the Belgian mortgage portfolio were not exposed to high or very high flood, extreme heat, drought, fire or landslide hazard scenarios.

Table 4.3. Exposures subject to physical risk – Malta market

IH 2023 Reporting Year

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
												of which Stage 2 exposures	Of which non-performing exposures	
<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity										
Loans collateralised by residential immovable property	150	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans collateralised by commercial immovable property	61	0	0	0	0	0	0	0	0	0	0	0	0	0
Reposessed colaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0

2022 Reporting Year

Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
												<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years
Loans collateralised by residential immovable property	123	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans collateralised by commercial immovable property	73	0	0	0	0	0	0	0	0	0	0	0	0	0
Reposessed colaterals	0	0	0	0	0	0	0	0	0	0	0	0	0	0

NOTE: Table includes Malta retail mortgage portfolio and corporate loans collateralised with residential and commercial properties

Regions in the Malta loans collateralised with property were not exposed to any of high or very high hazard scenarios.

For the corporate lending portfolios, as indicated in the CER materiality assessment conducted by the Group, the exposure to physical risk is low to moderate.

The international syndicated corporate lending portfolio accounts for approximately 9.1% of the Group's assets and operates under a clearly defined mandate to invest through minority participations in European syndicated loans in specific sectors and jurisdictions. The portfolio is invested primarily in Western / Northern European exposures and excludes sectors with material exposure to physical risks (e.g., agriculture, mining, resource extraction, power generation and real estate). The resulting geographical and sector profile of the portfolio is assessed as carrying a low level of physical risk exposure.

The Malta corporate lending portfolio is relatively small (approximately 26% of the Group's assets) and concentrated, with 77% of exposure in the real-estate and construction sectors. Malta exposure to physical risk scenarios is limited, primarily consisting of exposures with very low to moderate physical risk.

ESG disclosure in Pillar 3 follows the implementing technical standards on prudential disclosures of ESG risks as defined by the EBA.

Table 5. Other climate change mitigating actions that are not covered in Taxonomy [Template 10]

The objective of this template is to present exposures, including loans and bonds, that are not in line with EU Regulation 2020/852 but provide support to clients in the transformation process contributing to the mitigation of physical and transition-based risks arising from climate change.

In 2022, MeDirect launched eco-friendly residential home loans in Malta (April 2022) and Belgium (December 2022) to promote energy-efficient homes which contribute to the decarbonisation of buildings in an effort to reduce global warming. Clients with a green EPC certificate (equivalent to a certain level of annual energy requirements in Kwh) can apply for green home loans with preferential terms through the MeDirect's Green Home Loan product in Malta and Allianz MeHomeLoans Green Loan product in Belgium.

The Group is not active in green, sustainability-linked or transitional project financing or bond issuance for its clients but currently focuses its asset origination on mortgages.

The Maltese corporate lending market is relatively small, and the availability of green projects in the fields of renewable energy (solar, wind and hydro power), clean transportation, green buildings or data centres, development and implementation of products or technology that reduce the use of energy or sustainable management of natural resources and land use, as well as social projects in the areas of healthcare and affordable housing projects is limited.

In addition, the Group has been actively investing in green or covered bonds in its Treasury banking portfolio certified according to a potential EU Green Bond Standard.

Table 5.

IH 2023 and 2022 Reporting Year

Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	IH'2023: 85 2022: 70	Yes	No	Investing in green bonds or covered bonds by within banking/treasury book
	Non-financial corporations	0			
	Of which Loans collateralised by commercial immovable property	0			
	Households	0			
	Of which Loans collateralised by residential immovable property	0			
	Of which building renovation loans	0			
	Other counterparties	0			
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	0			
	Non-financial corporations	0			
	Of which Loans collateralised by commercial immovable property	0			
	Households	IH'2023: 1.2 2022: 0.317	Yes	Yes	Eco-friendly residential home loans
	Of which Loans collateralised by residential immovable property	IH'2023: 1.2 2022: 0.317	Yes	Yes	Eco-friendly residential home loans
	Of which building renovation loans	0			