MDB Group Limited

Pillar 3 disclosures report – Half-yearly report
30 June 2024

Section 1

Regulatory Pillar 3 Disclosures Report

Contents

1 Introduction

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

- Pillar 1 ('minimum capital requirements') provides a framework for measuring minimum capital requirements for the credit, market and operational risks faced by banks.
- Pillar 2 ('supervisory review') addresses the principles of the supervisory review process, emphasising the need for a qualitative approach to supervising banks. This requires banks to estimate their own capital through an Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) are subject to supervisory review from the Regulator, through the Supervisory Review and Evaluation process (SREP).
- Pillar 3 ('market discipline') requires banks to publish a range of qualitative and quantitative disclosures to the market aimed at providing further insight on the capital structure, capital adequacy and risk management practices.

Basis of preparation

These Disclosures have been prepared in accordance with the requirements in Article 433 of Part Eight of the EU Regulation 2019/876 of the European Parliament and of the Council of 20 May 2019 amending regulation (EU) No 575/2013 (Capital Requirements Regulation 2 – "CRR"). The frequency of Pillar 3 disclosures is determined by the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions.

This semi-annual Pillar 3 disclosures report provides the Pillar 3 disclosures which have a quarterly/semi-annual frequency assigned in line with the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions.

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

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

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

The Group is regulated under the Single Supervisory Mechanism ("SSM"). The SSM is the system of banking supervision in Europe, the main aim of which is to ensure the safety and soundness of the European banking system and to increase financial integration, stability and consistency of supervision. Under the SSM, the Group is regulated by a Joint Supervisory Team comprising the European Central Bank ("ECB"), the National Bank of Belgium and the Malta Financial Services Authority ("MFSA"). The Group is classified as an "Other Systemically Important Institution", and MeDirect Malta is considered a core domestic bank by the Central Bank of Malta.

MDB 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.

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 2024. However, additional information can be found in the Interim Report as of 30 June 2024, as well as in the MDB Group Annual Report 2023 and the MDB Group Pillar 3 Report 2023.

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 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 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.

The EBA published 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.

As required by the CRR and also through EBA guidelines, the Group is required to publish quarterly, semi-annual and annual Pillar 3 disclosures in line with the frequency as established within Regulation (EU) 2021/637. The MDB Group publishes these disclosures according to the frequency required for large and listed institutions. In line with Article 4 (146) CRR, the Group is defined as a large institution since 'it has been identified as an O-SII in accordance with Article 131(1) and (3) of Directive 2013/36/EU of the European Parliament and of the Council of June 2013 ("Capital Requirements Directive – "CRD")'.

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 2023. Disclosures required on a quarterly basis generally include comparative information for 31 March 2024.

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 metrics[1]

		a	b	c	d	e
	Amounts in €millions	**30-Jun-24**	**31-Mar-24**	**31-Dec-23**	**30-Sep-23**	**30-Jun-23**
	Available own funds					
1	Common Equity Tier 1 (CET1) capital	218	215	210	211	216
2	Tier 1 capital	218	215	210	211	216
3	Total capital	264	259	255	260	263
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1,315	1,267	1,257	1,321	1,333
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.6%	17.0%	16.7%	16.0%	16.2%
6	Tier 1 ratio (%)	16.6%	17.0%	16.7%	16.0%	16.2%
7	Total capital ratio (%)	20.1%	20.4%	20.3%	19.7%	19.8%
	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 (%)	3.2%	3.2%	3%	3%	3%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.8%	1.8%	1.7%	1.7%	1.7%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.4%	2.4%	2.3%	2.3%	2.3%
EU 7d	Total SREP own funds requirements (%)	11.2%	11.2%	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 (%)	0.98%	0.64%	0.60%	0.69%	0.58%
EU 9a	Systemic risk buffer (%)	0.04%	0.04%	0.03%	0.02%	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 (%)	0.88%	0.9%	0.8%	0.8%	0.8%
11	Combined buffer requirement (%)	4.4%	4.1%	3.9%	4.0%	3.8%
EU 11a	Overall capital requirements (%)	15.6%	15.3%	14.9%	15.0%	14.8%
12	CET1 available after meeting the total SREP own funds requirements (%)	8,2%	8.6%	8.5%	7.8%	7.9%
	Leverage ratio					
13	Total exposure measure	4,899	4,766	4,790	4,804	4,719
14	Leverage ratio (%)	4.5%	4.5%	4.4%	4.4%	4.6%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	722	670	640	582	581
EU 16a	Cash outflows - Total weighted value	406	384	378	371	366
EU 16b	Cash inflows - Total weighted value	54	63	76	107	105
16	Total net cash outflows (adjusted value)	352	321	302	264	261
17	Liquidity coverage ratio (%)[2]	206%	210%	213%	222%	222%
	Net Stable Funding Ratio					
18	Total available stable funding	4,359	4,257	4,152	3,958	3,850
19	Total required stable funding	3,325	3,294	3,299	3,360	3,333
20	NSFR ratio (%)	131%	129%	126%	118%	116%

[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 2024 was 221%.

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

As laid down in Regulation (EU) 2017/2395 and amended by Regulation (EU) 2020/873, the Group has opted to apply the transitional arrangements laid down in the same regulation to mitigate the impact of the introduction of IFRS 9 on own funds, including paragraph 4 of article 473a. Thus, during the transitional period ending 31 December 2024, the Group will be adding back a proportion of:

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

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

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

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

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

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

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

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

3 Scope of application of the regulatory framework

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

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

		a & b		c
		Balance sheet as in published financial statements and under regulatory scope of consolidation		Reference
	Amounts in €millions	As at 30 June 2024	As at 31 December 2023	
	Assets			
1	Balances with central banks and cash	227	265	
2	Derivative financial instruments	219	208	
3	Loans and advances to financial institutions	364	353	
4	Loans and advances to customers	2,811	2,746	
5	Investments - Securities portfolio	739	706	
6	Investments – Securitisation portfolio	632	605	
7	Property and equipment	5	6	
8	Intangible assets	16	16	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	32	28	
13	Other assets	35	31	
14	**Total assets**	**5,100**	**4,984**	
	Liabilities			
1	Derivative financial instruments	8	25	
2	Amounts owed to financial institutions	294	373	
3	Amounts owed to customers	3,486	3,281	
4	Debt securities in issue	911	911	
5	Subordinated liabilities	66	65	F
6	Current tax liabilities	-	1	
7	Provisions for liabilities and other charges	-	-	
8	Accruals and deferred income	53	48	
9	Other liabilities	26	21	
10	**Total liabilities**	**4,845**	**4,727**	
	Shareholders' Equity[3]			
1	Called up issued share capital	56	56	A
2	Share premium	14	14	A
3	Shareholders' contributions	136	136	B
4	Other reserves	-1	-1	
5	Retained earnings	51	52	C
6	**Total shareholders' equity**	**256**	**257**	

[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; and
- other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

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 2024, 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.

4.2.1 Composition- of Own Funds

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

MDB Group Limited is the primary provider of equity capital to its subsidiaries. These investments are substantially funded through the issuance of equity, shareholder's contribution and by profit retention. As part of its capital management process, MDB Group Limited seeks to maintain a balance between the composition of its capital and its investment in subsidiaries.

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

EU CC1 – Composition of regulatory own funds

		A		b
	Amounts in €millions	**30 June 2024**	**31 December 2023**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	69	69	A
2	Retained earnings	52	40	C
3	Accumulated other comprehensive income (and other reserves)	134	134	B
EU-3a	Funds for general banking risk	-	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	12	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**255**	**255**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-	-	
8	Intangible assets (net of related tax liability) (negative amount)	(10)	(12)	D
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(10)	(13)	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)	(1)	-	
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	(14)	(19)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(37)	(45)	
29	**Common Equity Tier 1 (CET1) capital**	**218**	**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)**	**218**	**210**	
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	35	34	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**46**	**44**	
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**	**46**	**44**	
59	**Total capital (TC = T1 + T2)**	**264**	**255**	
60	**Total Risk exposure amount**	**1,315**	**1,257**	
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital	16.6%	16.7%	
62	Tier 1 capital	16.6%	16.7%	
63	Total capital	20.1%	20.3%	
64	Institution CET1 overall capital requirements	10.7%	10.0%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical capital buffer requirement	0.98%	0.60%	
67	of which: systemic risk buffer requirement	0.0%	0.03%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.9%	0.8%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.8%	1.7%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	8.2%	8.5%	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	7	5	
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	-	-	

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 although this adjustment was not material. .*

The Group’s total capital ratio as at 30 June 2024 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 is subject to 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).

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	EUR9.1 million	EUR0.7 million
9	Nominal amount of instrument	EUR55.7 million	EUR13.8 million	EUR18.7 million	EUR1.4 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 Regulation (EU) No 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 2024 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 amortisation in accordance with article 64 equivalent to €6.8 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	EUR23.1 million	EUR2.0 million	EUR11 million
9	Nominal amount of instrument	EUR32.2 million	EUR2.9 million	EUR11 million
EU-9a	Issue price	EUR1,000 per EUR Bond	GBP1,000 per GBP Bond	99.052% of face amount
EU-9b	Redemption price	EUR1,000 per EUR Bond	GBP1,000 per GBP Bond	100% of face amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	5 November 2019 (Note 1)	5 November 2019 (Note 1)	10 February 2021 (Note 3)
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	5 November 2029	5 November 2029	10 February 2031
14	Issuer call subject to prior supervisory approval	N/A (Note 2)	N/A (Note 2)	N/A (Note 4)
15	Optional call date, contingent call dates, and redemption amount	N/A (Note 2)	N/A (Note 2)	N/A (Note 4)
16	Subsequent call dates, if applicable	N/A (Note 2)	N/A (Note 2)	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4% per annum	4% per annum	9.75% per annum
19	Existence of a dividend stopper	No	No	No
EU20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-covertible
30	Write-down features	No	No	No
35	Position in subordination hierarchy in liquidation	Subordinated to senior creditors and depositors	Subordinated to senior creditors and depositors	Subordinated to senior creditors and depositors
36	Non-compliant transitioned features	No	No	No

Note (1): The subordinated loan capital in Tier 2 capital represents the subordinated unsecured bonds of MeDirect Bank (Malta) plc. They are included as part of Tier II Capital as they fully qualify for the provisions listed under Regulation (EU) No 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 2024 the subordinated bonds listed above had a remaining maturity of more than 5 years and had all been fully paid up.
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 Regulation (EU) No 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 2024 the subordinated notes listed above had a remaining maturity of more than 5 years and had all been fully paid up.
Note (4): MDB Group Limited may, in its sole discretion but subject to the conditions set out under "Conditions to Early Redemption, Substitution, Variation and Purchase" section in the Information Memorandum and upon notice to the Holders, elect to redeem all (but not some only), of the Notes on the Reset Date or any Interest Payment Date thereafter at their principal.

5 Capital requirements

Capital requirements represent the amount of capital resources that a bank must hold as required by the regulator. In line with CRR, the Group is placing much of its emphasis and monitoring on Common Equity Tier 1 capital.

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

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

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

- Counterparty credit risk –The Group reported the CCR calculations under the 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 2024	**31 March 2024**	**30 June 2024**
1	Credit risk (excluding CCR)	1,058	1,013	85
2	Of which the standardised approach	1,058	1.013	85
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	14	13	1
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	14	13	1
EU 8b	Of which credit valuation adjustment – CVA	-	-	-
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	111	109	9
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	111	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	132	132	11
EU 23a	Of which basic indicator approach	132	132	11
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)	18	14	1
29	**Total**	**1,315**	**1,267**	**105**

<u>Capital buffers</u>

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, 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 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.

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 1% as at 30 June 2024. As at 30 June 2024, Norway and Denmark had set a countercyclical buffer rate of 2.5%, Sweden, Great Britain and Netherlands at 2%, Czech Republic at 1.75%, Slovakia at 1.5%, France at 1%, Germany at 0.75% and Luxembourg and Belgium at 0.5%.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.

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

	30 June 2024	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	98	2	100	1	-	1	10	0.92%	0.00%
	Australia	-	-	-	-	-	-	-	0.00%	0.00%
	Belgium	282	5	287	9	-	9	115	10.37&	0.50%
	Bulgaria	-	1	1	0	-	-	-	0.01%	2.00%
	Canada	-	2	2	0	-	-	-	0.02%	0.00%
	Czech Republic	-	1	1	0	-	-	-	0.02%	1.75%
	Denmark	5	3	8	0	-	-	1	0.08%	2.50%
	Finland	20	5	26	0	-	-	3	0.26%	0.00%
	France	145	125	270	5	2	7	84	7.61%	1.00%
	Germany	161	76	237	5	1	6	79	7.17%	0.75%
	Ireland	-	10	10	-	-	-	2	0.14%	1.50%
	Israel	-	-	-	-	-	-	-	0.00%	0.00%
	Italy	34	27	61	2	-	2	25	2.24%	0.00%
	Jersey	-	-	-	-	-	-	-	0.00%	0,00%
	Lithuania	-	-	-	-	-	-	-	0.00%	1.00%
	Luxembourg	58	42	100	5	1	5	65	5.89%	0,50%
	Malta	295	-	296	19	-	19	242	21.93%	0.00%
	Netherlands	2,082	77	2,160	26	1	27	343	31.04%	2.00%
	Norway	36	3	39	-	-	-	4	0.36%	2.50%
	Poland	15	-	15	-	-	-	2	0.14%	0.00%
	Portugal	1	2	2	-	-	-	-	0.05%	0.00%
	Hong Kong	-	-	-	-	-	-	-	0.01%	1.00%
	Hungary	-	-	-	-	-	-	-	0.00%	0.00%
	Slovenia	-	-	-	-	-	-	-	0.00%	0.50%
	Spain	33	28	61	1	-	2	23	2.06%	0.00%
	Sweden	39	23	62	2	-	3	34	3.05%	2.00%
	Switzerland	-	6	6	-	-	-	1	0.09%	0.00%
	United Kingdom	33	92	125	2	1	3	40	3.65%	2.00%
	United States	14	78	92	1	1	2	28	2.58%	0.00%
	Japan	-	1	1	-	-	-	-	0.01%	0.00%
	Singapore	-	-	-	-	-	-	-	0.00%	0.00%
	Estonia	-	-	-	-	-	-	-	0.00%	1.50%
	Slovakia	31	-	31	-	-	-	3	0.28%	1.50%
020		**3,383**	**611**	**3,994**	**80**	**9**	**88**	**1,104**	**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 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	99	3	102	1	-	1	18	1.73%	0.00%
	Australia	-	-	-	-	-	-	-	0.00%	0.00%
	Belgium	254	5	259	8	-	8	104	9.90%	0.00%
	Bulgaria	-	1	1	-	-	-	-	0.01%	2.00%
	Canada	-	1	1	-	-	-	-	0.01%	0.00%
	Czech Republic	-	1	1	-	-	-	-	0.02%	2.00%
	Denmark	5	3	8	-	-	-	1	0.09%	2.50%
	Finland	20	6	27	-	-	-	3	0.28%	0.00%
	France	146	117	263	5	2	7	82	7.79%	0.50%
	Germany	149	76	225	4	1	5	65	6.15%	0.75%
	Ireland	-	10	10	-	-	-	2	0.15%	1.00%
	Israel	-	-	-	-	-	-	-	0.01%	0.00%
	Italy	34	28	62	2	-	2	25	2.42%	0.00%
	Jersey	-	-	-	-	-	-	-	0.00%	0.00%
	Lithuania	-	-	-	-	-	-	-	0.00%	1.00%
	Luxembourg	58	40	97	5	1	5	64	6.12%	0.50%
	Malta	274	1	276	18	-	18	224	21.29%	0.00%
	Netherlands	2,052	78	2,129	24	1	25	311	29.56%	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%
	Hong Kong	-	-	-	-	-	-	-	0.02%	1.00%
	Hungary	-	-	-	-	-	-	-	-	0.00%
	Slovenia	-	-	-	-	-	-	-	0.00%	0.50%
	Spain	33	31	64	1	-	2	23	2.20%	0.00%
	Sweden	40	22	61	2	-	3	34	3.25%	2.00%
	Switzerland	-	7	7	-	-	-	1	0.10%	0.00%
	United Kingdom	43	94	137	3	1	5	59	5.61%	2.00%
	United States	11	79	91	1	1	2	27	2.61%	0.00%
	Japan	-	1	1	-	-	-	-	0.01%	0.00%
	Singapore	-	1	1	-	-	-	-	0.01%	0.00%
	Estonia	-	-	-	-	-	-	-	0.00%	1.50%
	Slovakia	28	-	28	-	-	-	3	0.27%	1.50%
020		**3,278**	**610**	**3,888**	**75**	**9**	**84**	**1,052**	**100%**	

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

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

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

		As at 30 June 2024
		a
1	Total risk exposure amount (€millions)	1,315
2	Institution specific countercyclical buffer rate (%)	0.98%
3	Institution specific countercyclical buffer requirement (€millions)	13

		As at 31 December 2023
		a
1	Total risk exposure amount (€millions)	1,257
2	Institution specific countercyclical buffer rate (%)	0.60%
3	Institution specific countercyclical buffer requirement (€millions)	8

[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 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, 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 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, determined in accordance with the requirements stipulated by Implementing Regulation (EU) 2016/200.

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

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

	Amounts in €millions	**30 June 2024**	**31 December 2023**
1	Total assets as per published financial statements	5,100	4,984
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	-	-
9	Adjustment for securities financing transactions (SFTs)	6	16
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	69	64
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	(257)	(255)
13	**Total exposure measure**	**4,899**	**4,790**

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.

EU LR2 - LRCom: Leverage ratio common disclosure

	Amounts in €millions	CRR leverage ratio exposures	
		a	b
		30 June 2024	31 December 2023
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	4,845	4,736
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(21)	(26)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**4,823**	**4,710**
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	305	290
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	41	50
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)	(346)	(341)
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**	**-**	**-**
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	6	16
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**	**6**	**16**
19	Off-balance sheet exposures at gross notional amount	287	251
20	(Adjustments for conversion to credit equivalent amounts)	(218)	(187)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**69**	**64**
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**	218	210
24	**Total exposure measure**	**4,899**	**4,790**
25	Leverage ratio (%)	**4.5%**	**4.4%**
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.5%	4.4%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.5%	4.4%
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	-	31
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	-	-
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)	4,899	4,821

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)	4,899	4,821
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)	4.5%	4.4%
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)	4.5%	4.4%

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

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

		CRR leverage ratio exposures	
		a	**a**
	Amounts in €millions	**30 June 2024**	**31 December 2023**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**4,851**	**4,752**
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	4,851	4,752
EU-4	Covered bonds	468	441
EU-5	Exposures treated as sovereigns	474	504
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	-	-
EU-7	Institutions	427	410
EU-8	Secured by mortgages of immovable properties	2,243	2,154
EU-9	Retail exposures	172	182
EU-10	Corporates	288	304
EU-11	Exposures in default	23	36
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	755	721

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 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 2024	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	475	475	-	-	-	-
010	Loans and advances	**3,101**	**3,042**	**59**	**60**	**-**	**60**
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-
040	*Credit institutions*	*65*	*65*	-	-	-	-
050	*Other financial corporations*	*245*	*225*	*20*	*31*	-	*31*
060	*Non-financial corporations*	*296*	*272*	*24*	*28*	-	*28*
070	*Of which SMEs*	*108*	*105*	*3*	*18*	-	*18*
080	*Households*	*2,496*	*2,481*	*14*	*1*	-	*1*
090	Debt securities	**1,382**	**1,381**	**-**	**-**	**-**	**-**
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*229*	*229*	-	-	-	-
120	*Credit institutions*	*515*	*515*	-	-	-	-
130	*Other financial corporations*	*638*	*637*	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-
150	Off-balance-sheet exposures	**268**	**265**	**3**	**1**	**-**	**1**
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-
180	*Credit institutions*	*8*	*8*	-	-	-	-
190	*Other financial corporations*	*23*	*23*	-	-	-	-
200	*Non-financial corporations*	*110*	*107*	*3*	*1*	-	-
210	*Households*	*127*	*127*	-	-	-	-
220	**Total**	5,227	5,165	62	61	-	61

		g	h	I	j	k	l	m	n	o
	As at 30 June 2024	**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**						**Accumulated partial write-off**	**Collateral and financial guarantees received**	
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Amounts in €millions		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	**(2)**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	Loans and advances	**(4)**	**(3)**	**(2)**	**(12)**	**-**	**(12)**	**-**	**2,704**	**17**
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-		-	-	-	-
050	*Other financial corporations*	*(2)*	*(1)*	*(1)*	*(11)*	-	*(11)*	-	*24*	-
060	*Non-financial corporations*	*(2)*	*(1)*	*(1)*	*(1)*	-	*(1)*	-	*187*	*16*
070	*Of which SMEs*	-	-	-	-	-	-	-	*187*	*16*
080	*Households*	*(1)*	*(1)*	-	-	-	-	-	*2,493*	*1*
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**	**(7)**	**(5)**	**(2)**	**12**	**-**	**(12)**	**-**	**2,704**	**17**

		a	b	c	d	e	f
	As at 31 December 2023	**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	563	563	-	-	-	-
010	Loans and advances	**2,933**	**2,887**	**45**	**76**	**-**	**76**
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-
040	*Credit institutions*	54	54	-	-	-	-
050	*Other financial corporations*	189	189	-	50	-	50
060	*Non-financial corporations*	286	255	31	25	-	25
070	*Of which SMEs*	106	97	10	17	-	17
080	*Households*	2,404	2,390	14	1	-	1
090	Debt securities	**1,322**	**1,321**	**-**	**-**	**-**	**-**
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	224	224	-	-	-	-
120	*Credit institutions*	487	487	-	-	-	-
130	*Other financial corporations*	611	610	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-
150	Off-balance-sheet exposures	**231**	**231**	**-**	**1**	**-**	**1**
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-
180	*Credit institutions*	-	-	-	-	-	-
190	*Other financial corporations*	25	25	-	-	-	-
200	*Non-financial corporations*	82	82	-	1	-	1
210	*Households*	124	124	-	-	-	-
220	**Total**	**5,049**	**5,003**	**45**	**78**	**-**	**78**

	As at 31 December 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
	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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	Loans and advances	**(5)**	**(4)**	**(1)**	**(10)**	**-**	**(10)**	**-**	**2,583**	**17**
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	(2)	(2)	-	(8)	-	(8)	-	17	-
060	*Non-financial corporations*	(2)	(1)	(1)	(1)	-	(1)	-	163	16
070	*Of which SMEs*	-	-	-	-	-	-	-	163	16
080	*Households*	(1)	(1)	-	-	-	-	-	2,403	1
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**	(5)	(4)	(1)	(10)	-	(10)	-	2,583	17

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:

EU CR1-A: Maturity of exposures

As at 30 June 2024		a	b	c	d	e	f
		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

As at 31 December 2023		a	b	c	d	e	f
		Net exposure value					
	Amounts in €millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
010	Loans and advances	73	32	366	2,523	-	2,994
020	Debt securities	-	180	920	222	-	1,322
030	**Total**	**73**	**212**	**1,286**	**2,745**	**-**	**4,316**

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 2024		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***	**4,544**		**60**		**17**		**-**
020	*Malta*	*272*		*18*		*1*		-
030	*Belgium*	*368*		*-*		*-*		-
040	*Germany*	*379*		*16*		*10*		-
050	*Netherlands*	*2,321*		*10*		*2*		-
060	*Ireland*	*596*		*-*		*-*		-
070	*Other countries*	*610*		*16*		*4*		-
080	***Off-balance-sheet exposures***	**269**		**-**			**-**	
090	*Malta*	*142*		-			-	
100	*Belgium*	*17*		-			-	
110	*Netherlands*	*78*		-			-	
120	*Austria*	*-*		-			-	
130	*USA*	*15*		-			-	
140	*Other countries*	*16*		-			-	
150	Total	**4,813**		**60**		**17**	**-**	**-**

[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.

31 December 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	**4,332**		**76**		**14**		**-**
020 Malta	242		18		2		-
030 Belgium	314		-		-		-
040 Germany	319		16		7		-
050 Netherlands	2,246		22		2		-
060 Ireland	601		-		-		-
070 Other countries	*610*		20		3		-
080 Off-balance-sheet exposures	**243**		**1**			**-**	
090 Malta	102		-			-	
100 Belgium	20		-			-	
110 Netherlands	85		-			-	
120 Austria	18		-			-	
130 Sweden	9		-			-	
140 Other countries	9		1			-	
150 Total	**4,576**		**77**		**14**	**-**	**-**

Disclosure of columns b and d of template EU CQ4 is not required as at 30 June 2024 and 31 December 2023 given that the NPL ratio was lower than 5% throughout 2023 and 2024.

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 2024	a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
	Amounts in €millions			Of which defaulted			
010	Agriculture, forestry and fishing	-		-		-	-
020	Mining and quarrying	-		-		-	-
030	Manufacturing	45		10		1	-
040	Electricity, gas, steam and air conditioning supply	-		-		-	-
050	Water supply	-		-		-	-
060	Construction	49		2		-	-
070	Wholesale and retail trade	19		-		-	-
080	Transport and storage	-		-		-	-
090	Accommodation and food service activities	23		-		1	
100	Information and communication	-		-		-	-
110	Professional, scientific and technical activities	2		-		-	-
120	Financial and insurance activities	-		-		-	-
130	Real estate activities	153		15		-	
140	Administrative and support service activities	-		-		-	-
150	Public administration and defence, compulsory social security	-		-		-	-
160	Education	-		-		-	-
170	Human health services and social work activities	-		-		-	-
180	Arts, entertainment and recreation	33		-		-	-
190	Others	-		-		-	-
200	**Total**	**324**		**28**		**3**	**-**

	31 December 2023	a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
	Amounts in €millions			Of which defaulted			
010	Agriculture, forestry and fishing	-		-		-	-
020	Mining and quarrying	-		-		-	-
030	Manufacturing	30		-		-	-
040	Electricity, gas, steam and air conditioning supply	-		-		-	-
050	Water supply	-		-		-	-
060	Construction	53		3		-	-
070	Wholesale and retail trade	32		-		-	-
080	Transport and storage	-		-		-	-
090	Accommodation and food service activities	22		-		1	-
100	Information and communication	3		3		-	-
110	Professional, scientific and technical activities	6		-		-	-
120	Financial and insurance activities	-		-		-	-
130	Real estate activities	122		15		-	-
140	Administrative and support service activities	5		5		1	-
150	Public administration and defence, compulsory social security	-		-		-	-
160	Education	-		-		-	-
170	Human health services and social work activities	5		-		-	-
180	Arts, entertainment and recreation	34		-		-	-
190	Others	-		-		-	-
200	**Total**	**312**		**25**		**3**	**-**

Disclosure of columns b and d of template EU CQ5 is not required as at 30 June 2024 and 31 December 2023 given that the NPL ratio was lower than 5% throughout 2023 and 2024.

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 2024	A	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	Amounts in €millions			Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	37	47	47	47	1	12	24	16
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	*8*	*20*	*20*	*20*	-	*10*	-	-
060	*Non-financial corporations*	*21*	*27*	*27*	*27*	-	*1*	*16*	*16*
070	*Households*	*8*	-	-	-	-	-	*8*	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	1	-	-	-	-	-	-	-
100	**Total**	**38**	**47**	**47**	**47**	**1**	**12**	**24**	**16**

	31 December 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 collateral and financial guarantees received on non-performing exposures with forbearance measures
	Amounts in €millions			Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	33	60	59	59	1	9	23	16
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	8	35	35	35	0	8	-	-
060	*Non-financial corporations*	18	24	24	24	1	1	16	16
070	*Households*	7	0	-	-	0	0	7	0
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	1	1	1	-	0	-	-
100	**Total**	**33**	**61**	**61**	**61**	**1**	**9**	**23**	**16**

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.

The Group operates a Standardised Approach for credit risk under its CRD V regulatory requirements. For the purpose of calculating IFRS 9 Stage 1 and Stage 2 ECLs, the Group used both:

- Moody's Risk Calc and Impairment Calc tools to generate internal implied rating; and
- Public ratings from the point of origination and through the lifetime of the financial asset for monitoring and capital calculation.

If an asset is transferred from IFRS 9 Stage 2 to Stage 3, a specific Lifetime ECL Impairment Assessment is undertaken. The Corporate Lending Portfolio utilises a DCF model for assessing EV and in turn expected recovery amounts and level of specific impairment provision. As outlined in the internal policy, exposures are rarely secured by assets with an easily observable value, moreover the most likely exit strategy for the distressed business is the sale of the enterprise as a Going Concern. With this in mind, the specific impairments are calculated based on the prudent assessment of a going concern EV rather than an estimation of any collateral held. The DCF model output is derived from the following inputs:

- WACC;
- 3-year P&L and cashflow forecasts; and
- The current debt structure.

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 unlikeliness to pay indicators, such as the extension of forbearance measures, also being taken into consideration. The ECL on Stage 3 exposures is equivalent to the LGD parameter multiplied by the exposure amount, with PD equivalent to 100%.

For the 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.

As at 31 December 2023 and 30 June 2024 there was a financial instrument that was classified as 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 2024** **a** **Gross carrying amount**	**Period from 1 January to 31 December 2023** **a** **Gross carrying amount**
010	**Initial stock of non-performing loans and advances**	77	60
020	Inflows to non-performing portfolios	29	25
030	Outflows from non-performing portfolios	(45)	(9)
040	*Outflows due to write-offs*	-	-
050	*Outflow due to other situations*	*(45)*	*(9)*
060	**Final stock of non-performing loans and advances**	**60**	**77**

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 or rental purposes, 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 against real price volatility. In view of the speculative nature of such facilities, a risk weight of 150% is applied as detailed under Article 128 of the CRR.

Malta Mortgages portfolio are 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 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 takes 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 economic capital, 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 evaluation and management

(Article 453 (b) CRR)

Most of the immovable property collateral received is located in Malta, in Belgium (in the frame of the Belgian Mortgage business) and in the Netherlands (in the frame of the Dutch Mortgage business).

In relation to the Malta lending portfolio, collateral is considered as part of the credit decision process 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 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. In order to make use of the financial collateral for CRM 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 CRM.

To determine the overall credit exposure limit, the Group applies a number of limits to the Maltese Lending portfolio both at Portfolio level and at Single Name level. These limits are decided by the Group's board and disclosed as part of the Group's RAS which is revised on an annual basis.

LTV limits are 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. These limits are calculated on the market value of the security, prior to the application of the relative haircut as described below. A range of LTV RALs are applied to the Corporate and Retail portfolios, reflecting the different risks associated with the borrower type and purpose.

The value of collateral that is commercial real estate is monitored at a minimum once a year, while the value of RRE is reviewed at least once every three years. The Group monitors the value of all property held as collateral against the local Property Price Index as well by gauging asking prices of similar properties available on the market at origination and credit review stage.

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.

Collateral haircuts are reviewed by the Group at least annually, in line with the Malta Lending Collateral Policy 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 *(Article 442 (c) CRR)*

No collateral was obtained by taking possession of tangible assets.

EU CR5 – Standardised approach[7]

30 June 2024		Risk weight											
	Amounts in €millions	**0%**	**2%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Total**	**Of which unrated**
		a	b	d	e	f	g	i	j	k	l	q	q
	Exposure classes												
1	Central governments or central banks	1,862	-	-	-	-	-	-	-	-	7	1,870	1,870
2	Regional governments or local authorities	212	-	-	-	-	-	-	-	-	-	212	212
3	Public sector entities	6	-	-	-	-	-	-	-	-	-	6	6
4	Multilateral development Banks	10	-	-	-	-	-	-	-	-	-	10	10
5	International organisations	11	-	-	-	-	-	-	-	-		11	11
6	Institutions	-	47	-	129	-	54	-	-	-	-	230	39
7	Corporates	-	-	-	-	-	-	-	300	-	-	300	300
8	Retail exposures	-	-	-	-	-	-	147	-	-	-	147	147
9	Exposures secured by mortgages on immovable property	-	-	-	-	528	27	-	144	-	-	700	700
10	Exposures in default	-	-	-	-	-	-	-	5	18	-	23	23
11	Items associated with particular high risk	-	-	-	-	-	-	-	-	81	-	81	81
12	Covered bonds	-	-	468	-	-	-	-	-	-	-	468	-
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	-	-	-	-	-	-	33	-	-	43	43
17	**Total**	**2,112**	**47**	**468**	**129**	**528**	**81**	**147**	**482**	**99**	**7**	**4,101**	**3,442**

[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 2023

	Amounts in €millions	Risk weight 0%	2%	10%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
		a	b	d	e	f	g	i	j	k	l	q	q
	Exposure classes												
1	Central governments or central banks	1,922	-	-	-	-	-	-	-	-	5	1,927	1,927
2	Regional governments or local authorities	206	-	-	-	-	-	-	-	-	-	206	206
3	Public sector entities	6	-	-	-	-	-	-	-	-	-	6	6
4	Multilateral development Banks	10	-	-	-	-	-	-	-	-	-	10	10
5	International organisations	11	-	-	-	-	-	-	-	-	-	11	11
6	Institutions	-	43		121	-	45	-	-		-	209	10
7	Corporates	-	-	-	-	-	-	-	321	-	-	321	321
8	Retail exposures	-	-	-	-	-	-	153	-	-	-	153	153
9	Exposures secured by mortgages on immovable property	-	-	-	-	461	28	-	105		-	594	594
10	Exposures in default	-	-	-	-	-	-	-	16	20	-	35	35
11	Items associated with particular high risk	-	-	-	-	-	-	-	-	69	-	69	69
12	Covered bonds	-	-	439	2	-	-	-	-	-	-	441	18
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	-	-	-	-	-	-	34	-	-	44	44
17	**Total**	**2,166**	**43**	**439**	**123**	**461**	**73**	**153**	**476**	**88**	**5**	**4,027**	**3,405**

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 2024, 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 derivate exposures to counterparties. Limits are primarily based on the long-term credit rating of the counterparty.

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

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

<u>*CCR exposures in the standardised approach*</u> *(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 2024	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	154	-	-	-	-	-	-	-	-	-	-	154
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**154**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**154**

	31 December 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%	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	139	-	-	-	-	-	-	-	-	-	-	139
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**139**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**139**

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

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

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

EU CCR5 – Composition of collateral for CCR exposures

	30 June 2024	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	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

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

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

EU CCR8 – Exposures to CCPs

	30 June 2024 *Amounts in €millions*	a Exposure value	b RWEA
1	**Exposures to QCCPs (total)**		14
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	351	7
3	(i) OTC derivatives	351	7
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	41	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 2023 *Amounts in €millions*	a Exposure value	b RWEA
1	**Exposures to QCCPs (total)**		14
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	345	7
3	(i) OTC derivatives	345	7
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	43	1
9	Prefunded default fund contributions	14	6
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

9 Exposure to securitisation positions

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

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

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

External SSPE-related activities

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

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 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]

		a	b	c	d	e	f	g	l	m	n	o
30 June 2024		Institution acts as originator							Institution acts as investor			
Amounts in €millions		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS		
1	**Total exposures**	-	-	19	19	-	-	19		618		618
2	Retail (total)	-	-	-	-	-	-	-	-	32	-	32
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	32	-	32
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	19	19	-	-	19	-	586	-	586
8	loans to corporates	-	-	19	19	-	-	19	-	586	-	586
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-

		a	b	c	d	e	f	g	l	m	n	o
31 December 2023		Institution acts as originator							Institution acts as investor			
Amounts in €millions		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS		
1	**Total exposures**	-	-	19	19			19		591	-	591
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	19	19	-	-	19	-	591	-	591
8	loans to corporates	-	-	19	19	-	-	19	-	591	-	591
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 ration for the pool of securitised assets needs to be calculated as if they were not securitised and as if they were on the Group's book.

EU-SEC 3: Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator [9]

30 June 2024 *Amounts in €millions*		a	b	c	d	e	h	l	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	-	-	-	19	-	19	20	2
6	Wholesale	-	-	-	-	-	-	-	-
7	Of which STS	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

31 December 2023 *Amounts in €millions*		a	b	c	d	e	h	l	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	m	EU-p	i	n	EU-p
3O June 2024		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)	RWEA (by regulatory approach)	Capital charge after cap	Exposure values (by regulatory approach)	RWEA (by regulatory approach)	Capital charge after cap
Amounts in €millions		≤20% RW	>20% to 50% RW	>50 % to 100 % RW	>100 % to <1250% RW	1250 % RW/ deductions	SEC-SA	SEC-SA	SEC-SA	SEC-ERBA	SEC-ERBA	SEC-ERBA
1	Total exposures	**618**	-	-	-	-	**586**	**88**	**7**	**32**	**3**	**0**
2	Traditional securitisation	618	-	-	-	-	586	88	7	32	3	0
3	Of which securitisation	618	-	-	-	-	586	88	7	32	3	0
4	Of which retail underlying	32	-	-	-	-	-	-	-	32	3	0
5	Of which wholesale	586	-	-	-	-	586	88	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	l	EU-p
31 December 2023		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)	RWEA (by regulatory approach)	Capital charge after cap
Amounts in €millions		≤20% RW	>20% to 50% RW	>50 % to 100 % RW	>100 % to <1250% RW	1250 % RW/ deductions	SEC-SA	SEC-SA	SEC-SA
1	Total exposures	**591**	-	-	-	-	**591**	**89**	**7**
2	Traditional securitisation	591	-	-	-	-	591	89	7
3	Of which securitisation	591	-	-	-	-	591	89	7
4	Of which retail underlying	-	-	-	-	-	-	-	-
5	Of which wholesale	591	-	-	-	-	591	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	-	-	-	-	-	-	-	-

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

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

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

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

30 June 2024		a	b	c
		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	-	-	-

31 December 2023		a	b	c
		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)			
EU 1a	Quarter ending on:	30 June 2024	31 March 2024	31 December 2023	30 September 2023	30 June 2024	31 March 2024	31 December 2023	30 September 2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
1	Total high-quality liquid assets (HQLA)					722	670	640	582
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	2,987	2,814	2,654	2,547	244	224	205	192
3	*Stable deposits*	6	6	5	5	-	-	-	-
4	*Less stable deposits*	2,404	2,223	2,036	1,908	242	224	205	192
5	Unsecured wholesale funding	130	132	133	132	57	54	52	50
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-.	-	-	-	-
7	*Non-operational deposits (all counterparties)*	130	132	133	132	*57*	*54*	*52*	*50*
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					11	15	27	22
10	Additional requirements	191	198	226	245	71	69	74	80
11	*Outflows related to derivative exposures and other collateral requirements*	*44*	*45*	*45*	*45*	*44*	*45*	*45*	*45*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-.	-	-
13	*Credit and liquidity facilities*	*146*	*154*	*181*	*201*	*27*	*25*	*29*	*35*
14	Other contractual funding obligations	28	29	26	34	22	22	20	28
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					406	384	378	371
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	4	8	15	16	4	8	15	16
18	Inflows from fully performing exposures	51	46	51	77	47	44	47	71
19	Other cash inflows	4	13	16	23	2	11	14	20
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	59	68	83	116	54	63	76	107
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*59*	*68*	*83*	*116*	*54*	*63*	*767*	*107*
TOTAL ADJUSTED BUFFER									
EU-21	LIQUIDITY BUFFER					722	670	640	582
22	TOTAL NET CASH OUTFLOWS					352	321	302	264
23	LIQUIDITY COVERAGE RATIO					207%	210%	213%	222%

As at 30 June 2024 and 31 December 2023, 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 2024 calculated in accordance with the CRR stood at 221%, 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 2024		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	209	-	-	76	285
2	*Own funds*	*209*	*-*	*-*	*76*	*285*
3	*Other capital instruments*		*-*	*-*	*-*	*-*
4	Retail deposits		3,004	76	145	3,067
5	*Stable deposits*		*2,930*	*71*	*137*	*2,988*
6	*Less stable deposits*		*74*	*5*	*8*	*79*
7	Wholesale funding:		506	40	911	1,007
8	*Operational deposits*		*-*	*-*	*-*	*-*
9	*Other wholesale funding*		*506*	*40*	*911*	*1,007*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	8	65	-	-	-
12	*NSFR derivative liabilities*	*8*				
13	*All other liabilities and capital instruments not included in the above categories*		*65*	*-*	*-*	*-*
14	**Total available stable funding (ASF)**					**4,359**
15	Total high-quality liquid assets (HQLA)					140
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:		128	38	3,206	2,728
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*-*	*-*	*-*	*-*
-19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*84*	*-*	*24*	*32*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*17*	*12*	*404*	*366*
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:*		*27*	*26*	*2,177*	*1,819*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*26*	*26*	*2,007*	*1,673*
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*		*-*	*-*	*600*	*510*
25	Interdependent assets		-	-	-	-
26	Other assets:		579	2	56	453
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*		*211*	*-*	*-*	*211*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*8*	*-*	*-*	*-*
31	*All other assets not included in the above categories*		*360*	*2*	*48*	*234*
32	Off-balance sheet items		92	-	-	5
33	**Total RSF**					**3,325**
34	**Net Stable Funding Ratio (%)**					**131.10%**

		a	b	c	d	e
As at 31 December 2023		Unweighted value by residual maturity at 31 December 2023				Weighted value
Amounts in €millions		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	153	-	-	127	280
2	*Own funds*	*153*	*-*	*-*	*127*	*280*
3	*Other capital instruments*		*-*	*-*		
4	Retail deposits		2,663	127	179	2,825
5	*Stable deposits*		*2,601*	*116*	*170*	*2,751*
6	*Less stable deposits*		*62*	*11*	*9*	*75*
7	Wholesale funding:		672	11	911	1,046
8	*Operational deposits*		*-*	*-*	*-*	*-*
9	*Other wholesale funding*		*672*	*11*	*911*	*1,046*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	25	57	-	1	1
12	*NSFR derivative liabilities*	*25*				
13	*All other liabilities and capital instruments not included in the above categories*		*57*	*-*	*1*	*1*
14	**Total available stable funding (ASF)**					**4,152**
15	Total high-quality liquid assets (HQLA)					131
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:		117	30	3,188	2,714
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*-*	*-*	*-*	*-*
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*73*	*-*	*2*	*9*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*16*	*3*	*404*	*363*
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:*		*27*	*26*	*2,177*	*1,828*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*26*	*26*	*2,008*	*1,683*
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:		558	12	72	448
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*		*181*	*-*	*-*	*181*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*25*	*-*	*-*	*1*
31	*All other assets not included in the above categories*		*352*	*12*	*63*	*258*
32	Off-balance sheet items		131	-	-	7
33	**Total RSF**					**3,299**
34	**Net Stable Funding Ratio (%)**					**125.9%**

Section 2

Environmental, Social and Governance Risks - Pillar 3 Disclosures Report

Contents

Glossary

Abbreviation / Terminology	Description
Capital Requirements Regulation ("CRR")	Regulation 575/2013, dated on 27.06.2013 Regulation – 575/2013 – EN – Capital Requirements Regulation – EUR-Lex (europa.eu) Regulation introduced to strengthen the prudential requirements of banks in the European Union.
Sustainable Finance Disclosure Regulation ("SFDR")	Regulation 2019/2088, dated on 09.12.2019 Regulation – 2019/2088 – EN – SFDR – EUR-Lex (europa.eu) Regulation introduced to improve transparency in the market for sustainability investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants ("FMPs"), including financial advisors and portfolio management.
Climate-related and environmental risks ("CER" / "C&E risks")	**Physical risk** refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss (species extinction) and deforestation. Physical risk is therefore categorised as "acute" when it arises from extreme events, such as droughts, floods and storms, and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity. This can directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains. **Transition risk** refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences Examples: CO2/GHG emission, energy certificate labels, carbon (CO2) price, taxes on emissions (GHG equivalent),local taxation, additional energy certificates, state subsidies, additional capex/opex, change of customer preferences, change in asset valuation and collateral, reputation effect, change in business models, reporting, litigation risks, technology replacement, increased price of supplies (e.g. water, energy, etc.), mitigation actions (transfer of charges to clients), UE business restrictions, taxes and levies, bank restrictions, sectors interdependences.
Double materiality assessment	Double materiality assessment is performed by assessing the potential impact of the institutions' operations on ESG matters (inside-out perspective) and the potential financial and non-financial impact of ESG risks on the institutions' operations and activities (outside-in perspective). This assessment identifies which sustainability matters are most material to the organisation and its stakeholders.
CER materiality assessment	The CER materiality assessment is a strategic climate and environmental impact scan that maps the main CER identified to institutions' strategic objectives.
Business environmental scan	It is a strategic assessment that financial institutions undertake to understand the impact of CER on their operating environment. The main purpose of a business environment scan is to gain insights into how climate change and environmental factors may affect the institutions' operations, profitability, and long-term sustainability.
Climate Neutrality	It refers to the idea of achieving net zero greenhouse gas emissions by balancing those emissions, so they are equal (or less than) the emissions that get removed through the planet's natural absorption. It means to only emit as much greenhouse gas into the atmosphere as can be absorbed by nature, that is forests, oceans and soil. Climate neutrality can be achieved by emitting greenhouse gases at an equal rate to its removal from the atmosphere.
Carbon Neutrality	It refers to the idea of having a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks.
Paris Climate Accords	Paris Climate Agreement (2015) – International treaty setting out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C.
European Green Deal	European Green Deal (2019/20) - a set of policy initiatives by the European Commission with the overarching aim of making the European continent climate neutral by 2050.
Scope emissions	**Scope 1 emissions**: direct emissions that a company generates from sources it owns or controls, like burning fuel for heating, using vehicles, or leaks from equipment like refrigeration units. Essentially, Scope 1 emissions are emissions that come directly from the company's activities.

	Scope 2 emissions: indirect emissions resulting from the generation of purchased energy used by the company, such as electricity, heating, and cooling. These emissions are associated with the energy the company buys and consumes, not from sources it directly controls. **Scope 3 emissions**: all other indirect emissions that occur in the company's value chain, including activities the company does not own or control. This category includes emissions from the supply chain, use of sold products, and waste disposal. Scope 3 emissions are often the largest share of a company's carbon footprint and are crucial for understanding the full environmental impact beyond direct operations.
GHG Protocol	GHG Protocol establishes comprehensive global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. About Us | GHG Protocol
Partnership for Carbon Accounting Financials ("PCAF") Standards	PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. It is a harmonised accounting approach that provides financial institutions with the starting point required to set science-based targets and align their portfolio with the Paris Climate Agreement. carbonaccountingfinancials.com
Paris Agreement Capital Transition Assessment ("PACTA")	It measures the alignment of financial portfolios to climate change scenarios, including Paris-aligned scenarios, across climate critical sectors. Home – PACTA (rmi.org)
Net Zero Emissions ("NZE")	The Net Zero Emissions by 2050 Scenario (NZE Scenario) is a normative scenario that shows a pathway for the global energy sector to achieve net zero CO2 emissions by 2050. International Energy Agency – Net Zero Emissions
Fit for 55 data collection exercise	Fit for 55 –a set of policy initiatives by the European Commission with the overarching aim to reduce greenhouse gas emissions by 55% by 2030 when compared to pre-industrial levels. In 2023/4, a sample of European banks were in scope of the one-off Fit-for-55 climate risk scenario analysis that aimed at assessing the resilience of the financial sector in line with the Fit-for-55 package, and to gain insights into the capacity of the financial system to support the transition to a lower carbon economy under conditions of stress. One-off Fit-for-55 climate risk scenario analysis | European Banking Authority (europa.eu)
European Central Bank ("ECB") Guide to climate-related and environmental risks	The guide explains how the ECB expects banks to prudently manage and transparently disclose C&E risks under existing prudential rules. ECB publishes final guide on climate-related and environmental risks for banks (europa.eu)
United Nations Sustainable Development Goals principles	United Nations Sustainability Development Agenda (2015) – United Nations member states agreement on facing global problems including extreme poverty and hunger, access to education, protection of the planet to ensure sustainable development.
Task Force on Climate-related Financial Disclosure	It provides information to investors about what companies are doing to mitigate the risks of climate change. It provides recommendations on the types of information that companies should disclose to support investors, lenders and insurance underwriters in appropriately assessing and pricing risks related to climate change. Task Force on Climate-Related Financial Disclosures | TCFD) (fsb-tcfd.org)
Taxonomy Regulation	Regulation 2020/852, dated on 18.06.2020 https://eur-lex.europa.eu/legal content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=pl Taxonomy Regulation introduced a comprehensive classification system on sustainable activities. Under Article 8 of the Taxonomy Regulation, in-scope companies will have to report their contribution to the 6 environmental objectives (taxonomy eligibility and alignment): • Climate change mitigation • Climate change adaptation • Sustainable use and protection of water and marine resources • Transition to a circular economy • Pollution prevention and control, • Protection and restoration of biodiversity and ecosystems **Taxonomy Eligible Activities:** economic activities that meet specific criteria outlined in the EU Taxonomy. For an activity to be considered taxonomy eligible, it must align with environmental objectives such as climate change mitigation, adaptation, sustainable water use, circular economy practices, pollution prevention, and biodiversity protection. Essentially, these activities are deemed environmentally sustainable according to the EU's standards. **Taxonomy Aligned Activities:** eligible economic activities that not only meet the criteria for sustainability but also make a substantial positive impact on at least one environmental objective while avoiding significant harm to others. Additionally, they must comply with minimum social safeguards, ensuring they adhere to human rights, labour rights, and anti-corruption standards.

Corporate Sustainability Reporting Directive ("CSRD")	Corporate Sustainability Reporting Directive, Regulation (EU) 2021/0104, dated on 21.04.2021 EUR-Lex - 52021PC0189 - EN - EUR-Lex (europa.eu) Directive on regular reporting on environmental and social impact of their business activities, and on the business impact of their environmental, social and governance (ESG) efforts and initiatives. This replaced the Non-Financial Reporting Directive, and is applicable to large companies based in the EU or with an annual turnover of above €150 million in the EU. Companies meeting at least two of the following three conditions will have to comply with the CSRD: 1) €40 million in net turnover 2) €20 million in assets 3) 250 or more employees.
European Reporting Standards ("ESRS")	These are set of rules and requirements for companies to report on sustainability-related impacts, opportunities and risks under the EU's CSRD. The ESRS consist of two cross-cutting standards and 10 topical standards that cover environmental, social and governance (ESG) topics. The ESRS aim to standardise and improve the quality and comparability of non-financial reporting in Europe.
Carbon Disclosure Project ("CPD")	Globally recognised not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Home - CDP

1. General overview

MDB Group Limited (the "Group" or ''MeDirect''), together with its consolidated subsidiaries, MeDirect Bank (Malta) plc ("MeDirect Malta") and MeDirect Bank SA ("MeDirect Belgium"), is required to disclose information on environmental, social and governance risks ("ESG risk") under Article 449a of Capital Requirements Regulation ("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.

MeDirect is committed to continue integrating ESG principles into its day-to-day operations and increase awareness on ESG matters across the Group. To do this, the Group promotes the observance of high standards of good corporate governance and business ethics. It is committed to continue growing its business in a responsible and sustainable manner, based on sound corporate values and ESG principles. Moreover, it is committed to continuing to build a trusted and distinctive brand in the markets it operates in. To ensure proper and sustainable business conduct, the Group focuses on skills and development of all employees, as well as yearly training programmes for employees and Board of Directors. The Group also ensures that the wider society is educated on topics concerning financial literacy, and other topics that helps make MeDirect a more inclusive and responsible bank.

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 negative impact on the value of investment, as defined in the Sustainable Finance Disclosure Regulation ("SFDR"), 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. Within environmental risks, the Group considers the risks relating to the climate and environmental risks ("C&E risks" / "CER").
- 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.

Group ESG Strategy - On the path to sustainability

MeDirect monitors evolving ESG trends as part of the horizon scanning process. In 2022, the Group performed the first double materiality assessment by considering the potential impact of the Group's operations on ESG matters (inside-out) and the potential financial and non-financial impact of ESG risks on the Group's operations and activities (outside-in). This assessment was carried out to determine the relevance of individual non-financial topics across ESG in accordance with the market and its stakeholders' expectations. The results of the double materiality assessment has guided the Group's ESG Strategy and the selection of topics reported in its first Non-Financial Report.

The Group plans to carry out another double materiality assessment in 2025 in accordance with the CSRD. The outcome of this assessment will guide the material topics to be reported on in the Sustainability report that the Group will prepare for the financial year 2025, in compliance with CSRD. An updated ESG Strategy will also be formulated from the result of the double materiality assessment.

MeDirect is currently implementing the Group ESG Strategy - On the path to sustainability for 2022-2024/25 - that is based on four strategy pillars. For more information read the Group ESG Strategy that is published on the website.

Four strategy pillars

Governance

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

Environment

- Low carbon business
- Green products
- Climate risk resilience

Employees

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

Society

- Community engagement
- Social inclusion
- Society development and support

For each strategic pillar, several specific sustainability-driven objectives were identified, with each objective translating into a firm commitment on the part of the Group. As part of its pursuit of sustainability objectives, MeDirect is committed to continue making ESG factors key components of its decision-making processes and internal organisation.

The main objectives and commitments stemming from the ESG Strategy that are relevant for the management of ESG risks are included in this report. For full information refer to the Sustainability section[11] on MeDirect's website.

During the first half of 2024, the Group has reviewed the ESG Strategy to ensure continued consistency with the CER Materiality Assessment, which assessment ensures a business environment scan conducted on a yearly basis. During the first quarter of 2024, the CER Materiality Assessment was updated as part of the annual update. In the last quarter of the year, the Group plans to re-update the CER Materiality Assessment to consider more environmental risks.

Going forward, the Group is committed to review its ESG Strategy on a yearly basis to ensure alignment with the wider business strategy.

International Recognition
Market recognition of the ESG efforts is an important reflection of the quality of the Group's sustainability practices and implementation of the ESG Strategy. MeDirect's goal is to further enhance its sustainability rating through implementation of its ESG strategy.

In recent years, the Group participated in sustainability assessments conducted by EcoVadis[12], one of the most trusted providers of business sustainability ratings with a global network of more than 130,000+ rated companies. Starting from 2022, the Group continued to improve its sustainability rating score year on year, moving from a Silver medal rating in 2022 and 2023 to a Platinum medal rating in 2024, providing clear evidence of the Group's success in implementing its ESG strategy. In 2024, MeDirect ranked among the top 1% of companies best-rated by EcoVadis, recording substantial improvement in all areas.

MeDirect will be considering other accredited sustainability rating providers, such as the Carbon Disclosure Project ("CPD") Climate Change questionnaire. CDP's comprehensive assessments, focused on climate change, forests, and water security, provide invaluable insights that MeDirect can leverage on to improve environmental practices, and take informed decisions commitments to advance its sustainability objectives, contributing to a low-carbon economy and a sustainable future.

For further details related to ESG qualitative information please refer to section 2 - Qualitative information on environmental, social and governance risks - of this report and the MeDirect Group Non-Financial Report, ESG Strategy and Sustainability Risk Policy that are published on the bank's website.

2. Qualitative information on environmental, social and governance risks

2.1. Qualitative information on environmental risks

2.1.1. Business strategy and processes

MeDirect Group has incorporated ESG criteria into its main business processes, including credit, wealth, procurement, remuneration and governance processes, with the aim of managing sustainability risks and raising ESG/CER awareness in the organisation. For more information, refer to the Sustainability Risk Policy that is published on the bank's website.

Commitment towards Climate Neutrality

Financial institutions might be exposed to C&E 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.

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 to achieve its climate targets. The Group follows international initiatives such as the Paris Climate Accords, the European Green Deal and Non-financial Reporting regulations and guidelines.

[11] ESG and Sustainability Strategy - MeDirect

[12] Global, Trusted, Actionable Business Sustainability Solutions | EcoVadis

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 (1-3Y)
   - Measure financed portfolio carbon emissions (1-3Y)
   - Reduce its own carbon emissions by 5% vs. 2022 (3-5Y) by 2026
   - Achieve carbon neutral operation (5-10Y) by 2032
   - 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 12% limit of Group assets relate to sectors highly contributing to climate change[13]
   - Minimum 5% share of green home loan sales in Malta and Belgium
   - Minimum 45% share of green mutual fund and ETFs offered by MeDirect Group
   - Minimum 10% share of fixed income Treasury assets invested in green bonds
   - Minimum 50% of funds on the Malta Financial Advisory Whitelist with sustainability objectives

In 2023, the Group engaged in a project to measure the Greenhouse Gas ("GHG") emissions for 2022 and 2023, both for its Scope 1, 2 and 3 own emissions and for its Scope 3 financed emissions, including the Group's residential and corporate lending portfolios, and treasury portfolio. The measurement of GHG emissions was carried out in alignment with the Greenhouse Gas Protocol ("GHG Protocol") and Partnership for Carbon Accounting Financials ("PCAF") Standards, to ensure transparent and accountable reporting of its environmental impact.

Between 2022 and 2023, the Group has managed to decrease its scope 1 carbon emissions by 7.8%, and its scope 1 and 2 (own) direct and indirect emissions by 46.6% using the market-based methodology while it slightly increased by 0.9% using the location-based method. Scope 1 and 2 own emissions for 2024 will be published in the next Pillar 3 ESG disclosures.

As part of the 2024 update to the ESG Strategy, a specific (sub) strategy was adopted in relation to the transition towards decarbonisation and climate neutrality of the Group by 2050. In the last quarter of 2024, the Group plans to consider the adoption of science-based intermediate targets for its financed emissions.

The Group also assessed the sectoral alignment of its portfolios with Paris Agreement Capital Transition Assessment ("PACTA") forward-looking scenario-based transition pathways.

As reported in the December 2023 Pillar 3 ESG disclosures, the Group had one client engaged in activities that fall under the scope of the climate change transition risk alignment metrics, with a gross carrying amount exposure of 0.348 million euro. The company is a Maltese SME that operates a fuel station and distributes fuel to contractors and to ships onshore.

In the first half of 2024, a further assessment identified that, in addition to the previously noted Maltese corporate client, one of the ICL clients engage in activities classified under NACE code C29.10, which falls under the scope of the PACTA climate change transition risk alignment metrics. As of 30 June 2024, the ICL client had a gross carrying amount exposure of 5.39 million euro. An analysis of the alignment metrics on the potential climate transition risk was conducted and reported in the quantitative section, template 3.

In August 2024, the Sustainability team provided specific training to the Malta Corporate Lending department to ensure that the team is fully equipped to identify corporate companies operating in PACTA sectors.

Green financing and investments

In its retail lending process, MeDirect has launched green residential home loans in Malta and Belgium to promote energy-efficient homes, which support the emission reduction strategy of the Group in an effort to reduce global warming. The Group also requests an EPC certificate from its retail borrowers. The Group will be conducting an internal assessment to analyse the nature of unknown share of EPC certificates in its mortgage portfolios.

In addition, specific pre-defined post-loan origination conditions linked to CER have been introduced for all retail lending portfolios with the aim of improving the green home loan offerings to retail clients even post origination.

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 is integrating 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 be able to ultimately match the sustainability preferences of its clients. The Group also delivered on its goal to offer 45% share of green mutual funds and ETFs on its platform. The share of green mutual funds (article 8and 9 of the SFDR) offered by the Group to its customers reached 89% as at the end of June 2024. Moreover, as part of the Group's advisory investment mandate, more than 50% of the funds on the Whitelist incorporate sustainability objectives (SFDR Articles 8 and 9).

[13] Board decision to increase the limit to 12% on 30th May 2024. Revision to the limit reflects the methodological change in accordance with the Pillar 3 reporting instructions (inclusion of allocation of the holding company's exposure based on the NACE code of the operating company and its underlaying business activity) and the inclusion of Buy-To-Let (legal entities) as corporate lending, in addition to the Malta corporate lending portfolio and the ICL portfolio.

At the end of June 2024, 11.1% of the Group's treasury portfolio was invested in green bonds[14], above the 10% target for 2024/2025. The Group is committed to continue investing in treasury instruments in least susceptible sovereign jurisdictions, with the exception of selective and limited investments in Maltese sovereign instruments, where required for regulatory purposes, due to its home market status.

Refer to section 3 for the quantitative information, particularly templates 6-8 on Green Asset Ratio.

Clients' engagement approach

The Group has integrated climate risks into its risk management framework and business processes to develop a more resilient business model (e.g., CER 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 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 disclosures of its corporate clients do not permit such measurement. Most of its corporate clients are small to medium-sized unlisted companies that do not report under the Non-Financial Reporting Directive and therefore, data availability is limited. Nevertheless, an internal clients' engagement process was set up to start collecting relevant sustainability-related information from corporate clients (e.g., ESG questionnaires) during the loan origination process and for post-transaction analysis.

The Group's clients' 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. For this purpose, the Group distributes an ESG questionnaire among its corporate borrowers to obtain sustainability-related information. As from the second half of the year 2024, the Group digitalised the questionnaire for more efficient distribution. Ad-hoc meetings upon request of its Maltese corporate clients are being organised to assist them with the completion of the ESG questionnaire. Moreover, the Group relies on the information/data it obtains from ongoing dialogue with its clients, as well as the public disclosures of its clients.

MeDirect has also incorporated CER into the collateral valuation process both for acute and chronic environmental physical risks. 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 no harmonised EPC label classifications across jurisdictions. In addition to the limited available client disclosures, publicly available statistics in different jurisdictions that the Group is operating in do not necessarily include required data to calculate proxy information to estimate client data. The Group Data Collection Procedure covers the data collection process at Group level, including identified data gaps.

Suppliers' engagement approach

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 plans to conduct pre-qualification checks related to ESG considerations on vendors where the expected value of the proposed contract equals or exceeds €1 million to evaluate CER/ESG factors. ESG questionnaires have been distributed among key suppliers that have a contract value equal or exceeding €1 million, as per one of the commitments in the Group's ESG strategy.

In the wider risk/pre-contractual assessments, including the due diligence process, related to new products, services and third party outsourcing arrangements, the Group plans to incorporate ESG factors in the assessments.

Refer to the Group's Suppliers and Business Partners Code of Conduct that is published on the website.

Integration of C&E events into operational frameworks

The Group has integrated adverse climate-related and environmental events into its business continuity and incident management procedures, including relevant communication plans in the occurrence of an event of adverse physical and transition risks. The Group also incorporated in its operational framework CER impacting its operational centres and reputation.

The Business Continuity Plan ("BCP") includes scenarios related to physical risk due to inability to operate from offices/branches (e.g. earthquake, fire, and other natural hazards) with the escalation, communication messages and scenarios related to the reputation of counterparties affected by C&E risk.

The Operational & Reputational Risk Appetite Statement includes CER impact of the Group counterparties and Reputational Risk Management Policy includes C&E risk affecting reputation. The Group incorporated in Group Operational Risk Procedure damage to physical assets driven by e.g. natural disaster, flood or damage and vendor management driven by controversial activities of the clients, suppliers and business partners associated with severe social and environmental damage impacting operational loss. Moreover, the Group has incorporated CER related risks under mortgage business Risk and Control Self-Assessment (RCSA) to track the controls effectiveness and monitor the action plan raised in case of any weaknesses identified.

All policies, procedures and scenarios are reviewed and updated, if necessary, at least annually.

[14] Bonds are classified as green by Bloomberg if 100% of the net proceeds or amount equal to the net proceeds are used for eligible green and/or social projects. For their assessment Bloomberg reviews offering documents including term sheets, prospectus and offering circular; and any framework or second party opinion documents made available by the issuer.

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2.1.2. Governance

The Group continuously integrates CER/ESG risks and criteria in its risk framework by regularly updating relevant internal policies and procedures. It is committed to continue implementing dedicated ESG Strategy, with established short-, medium- and long-term objectives and commitments.

Governance bodies involved in ESG management and oversight

Governance body	Responsibility	Reporting and frequency of reporting
Board of Directors (the "Board")	Responsible for the oversight of the implementation of the ESG Strategy and oversight of the thematic action plans	Reports approved by the Board; • annual non-financial disclosures, • biannual Pillar III disclosures on ESG risks, • annual CER materiality assessment,
Board Audit Committee ("BAC")	Responsible for matters relating to ESG reporting and assurance, ESG data, and financial impacts of ESG risks and opportunities.	Reports reviewed by the BAC: • biannual Pillar III disclosures on ESG risks • annual non-financial disclosures
Board Risk and Compliance Committee ("BRCC")	Responsible for matters relating to ESG risk management and controls, and emerging ESG risks and regulations. As from 2024, the Chair of ESG Committee provides regular updates to the BRCC.	Reports reviewed by the BRCC: • annual CER materiality assessment
Board Nominations and Renumerations Committee ("NRC")	Responsible for matters relating to composition and skills of the management body, and ESG objectives, including KPIs, as part of the incentive structures, respectively.	Reports reviewed/monitored by NRC: • Monitoring of pay gaps • Reviewing of recruitment process • Remuneration policy • Performance Management • Employees' Objectives, including ESG-related • Training and Development • Retention/Attrition • Employee Engagement/Satisfaction and other ESG-related matters.
Executive Committee (ExCo)	Responsible for any matters escalated for discussion by the ESG Committee.	Annual approval of the Terms of Reference of the ESG Committee and other ESG-related discussion as required at ExCo level.
ESG Committee	Responsible for the oversight of the implementation of CER and ESG action plans, including the ESG Strategy, mainly to ensure consistency with the Group's business model, corporate culture, and values, as well as risk management framework.	Reports discussed at ESG Committee: • ESG Strategy • ESG/CER action plans • Non-Financial report • Pillar III ESG report

The Board of Directors is ultimately responsible for approving and overseeing the implementation of the Group's strategic objectives, main policies and procedures, ESG Strategy and Risk Management Framework, including CER/ESG considerations. 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 Board is also responsible to validate the CER Materiality Assessment that analyses the sensitivity of the Group's business operations to climate (physical and transition) and environmental risks using a forward-looking approach. By setting the ESG agenda at the parent level, the 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 ESG matters, including CER. It 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 C&E risks. The Internal Audit function is a permanent invitee to the Committee as an observer in order to maintain its independent status. 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 Committee meets at least quarterly.

During 2024, the terms of reference of the Group ESG Committee was updated to streamline the Committee composition and the responsibility of the Chair of the Committee. Moreover, standing agenda items were included in the quarterly agenda for the internal control functions to provide feedback to the Committee on any relevant sustainability-related matters. The Sustainability function 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 Regulatory Affairs and 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.

During 2024, the Group has incorporated key environmental, social and governance risks including climate and environmental risk factors in its Corporate Governance Memorandum that shall be taken into consideration during the Board Collective Suitability Assessment that is conducted periodically.

Integration of ESG principles across all three lines of defence

The Group integrates ESG principles across all three lines of defence by updating business policies and procedures, the Risk Management Framework, integration of ESG/CER in Compliance reviews and Internal Audit plans, as described in the Group Sustainability Risk Policy.
Business functions (first line of defence) are responsible for identifying, assessing and managing sustainability risks in the various stages of their business processes. Business functions implement the Group's procedures and policies related to sustainability risks in their day-to-day business operations.

The Risk Management function (second line of defence) is responsible for developing and tracking a dashboard of relevant CER and ESG risk indicators within the existing risk management and reporting frameworks of the Group. The Risk Management function ensures continuous enhancement of such indicators over time to ensure effective sustainability risk management across the entire Group. It integrates CER and ESG risks (both financial and non-financial) in its 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 (risk) areas of the Group. Moreover, the Risk function is responsible for reviewing and updating on an annual basis the Group CER Materiality Assessment that analyses the sensitivity of the Group's business, operations and activities to climate (physical and transition) and environmental risks using a forward-looking approach.

Additionally, the Compliance functions (second line of defence) of both MeDirect Malta and MeDirect Belgium prepare a Compliance Monitoring plan, which is approved by the respective Board Risk and Compliance Committee, taking into account sustainability-related regulations, as appropriate. The Compliance function operates independently from the business units but advises/challenges business units and other internal functions to ensure that operations are in line with policies, procedures, and regulations.

The Internal Audit function ("IAF") (third line of defence) is responsible for the execution of 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 considers ESG (governance) as a separate audit topic in its multi-year audit plan and embeds ESG/CER (where relevant) as a specific attention point in the audit scope and approach for specific business activity, support process and control function reviews. As the multi-year audit plan progresses, the IAF incrementally provide assurance that ESG/CER policies and procedures are adhered to and that related residual risks are appropriately addressed. Internal audit report observations and conclusions are made available to the Group Head of Regulatory Affairs and Sustainability, as appropriate.

Reporting and Disclosures

Refer to the section 2.1.1. Business strategy and processes for more information regarding the clients' and suppliers' engagement approach to obtain sustainability-related information, as well as environmental data, including GHG emissions, that is used for reporting purposes.

As a significant institution, the Group is subject to reporting and disclosing requirements stemming from different EU Regulations such as, the SREP ESG data collection and Non-Financial report that are reported on an annual basis, as well as the Pillar III ESG report that is disclosed twice a year. The Group will also be subject to the Article 8 Taxonomy reporting and the Corporate Sustainability Reporting Directive.

On an annual basis, the Group updates the CER materiality assessment. The latest update was approved by the Board in March 2024.

The Group used different data sources to assess the individual physical risks and transition risks. For the analyses of individual physical risks, the Group used the European Climate Risk Typology, European Environment Agency maps and Moody's Investor Services analysis, including sectoral heatmaps. Moody's analytics research and publicly available Grantham Research Institute on Climate Change and the Environment research papers were used as data sources for the assessment of transition risk.

In 2023 up until the first half of 2024, the Group was also in scope of the one-off Fit for 55 data collection exercise, which included the reporting of environmental data namely, GHG emissions data for year-end 2022.

The Group follows the ESG Data Collection Procedure to identify any ESG-related data gaps and implement a data collection process to address the identified gaps.

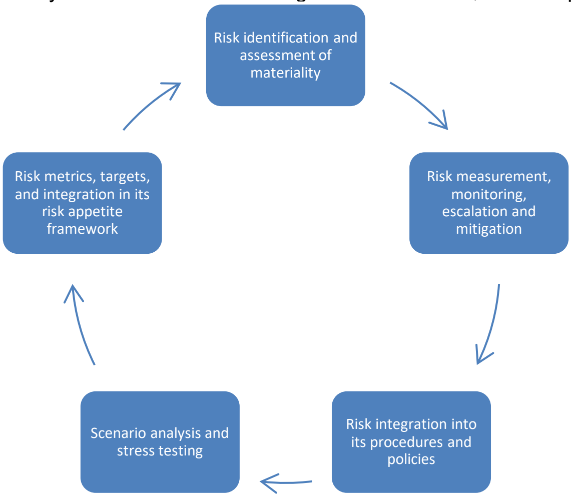
ESG-related objectives integrated within the Group's Remuneration Policy

Starting in 2022, the Group has incorporated sustainability objectives into its Remuneration Policy. The Group has determined variable compensation of its key employees based on personal performance against qualitative objectives and at least one quantitative objective, pursuant to the ESG and Climate Risk initiatives, as appropriate given the nature of the individual's position, as stipulated in the ESG Strategy. ESG qualitative and quantitative performance objectives for key senior managers motivate these employees to participate actively in the ESG transformation and to support the ESG strategy implementation. Some of the sustainability objectives are employee-specific and are designed to discourage excessive risk-taking in relation to sustainability risks.

The Group commits to review the ESG qualitative and quantitative performance objectives set for key senior managers at least on an annual basis. In the last quarter of 2024, the Group plans to launch a new Human Resources tool that provides a dashboard with the key milestones of the ESG objectives, giving more visibility and enhancement to the annual performance review of the employees. Implementation of this process will begin in 2025. All commitments and targets within the ESG Strategy are monitored regularly, with computed metrics (if available/relevant) documented in the Group Non-Financial report.

2.1.3. Risk management

Integration of sustainability criteria, including environmental factors in the Risk Framework
As part of the incorporation of sustainability criteria into its risk management framework, the Group considers:



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.

In the last quarter of 2024, the Group plans to formulate a separate ESG risk category in the risk universe as part of the ICAAP process, with an ESG Risk taxonomy to provide a better understanding of the type of ESG risks. The Sustainability Risk Appetite Statement will include also a sub-section on greenwashing risk.

Linkage between C&E risks with traditional risk categories

Climate-related and Environmental ("C&E") risks can be either stand-alone risks or embedded within other risks, as they 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.

In the last quarter of 2024, the Group plans to update the transmission channels table below to document clearly the transmission channel between C&E risks and traditional financial and non-financial risk categories. An added section on greenwashing risk and the potential impact that greenwashing practices may have on other risks will be included in the transmission channels table.

For more information relating to the key risk categories, refer to the Pillar III disclosures, section 2.1.2 Overview of the management of key risks[15].

Risk Categories	Potential effects of C&E / ESG Risks
Credit Risk	It can reduce the ability of corporate and retail clients to cover their obligations towards the Bank due to existing lending contracts. Such risks can include 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, among others. Such risks can also lead to deterioration of collateral values (e.g. stranded assets, property damage due to physical weather events). C&E risk can result in credit losses, increase of probability of default (PD) and loss given default (LGD), impact on the loan-to-value ratios and reduction in income.
Market Risk	It can drive repricing of assets and affect valuation of equities (e.g., companies with unsustainable business models or operating in controversial/CER sensitive sectors, stranded assets, physical risk events), fixed income products (e.g., increased sovereign risk on some markets through increasing sovereign debt 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. It can adversely affect the value of the Group's financial assets revaluation and its income.
Liquidity Risk	It can affect the profitability of clients or counterparties (e.g. new ESG regulatory requirements or restrictions), potentially resulting in reduced deposits from such clients or counterparties.

[15] Investor Relations and Financial Results - MeDirect

	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 of liquidity, resulting in limited availability of funding and increased cost of funding due to changing in clients' sentiment. Sudden revaluation of securities (e.g. due to stranded assets) may lower the value of the Group's high quality liquid assets, affecting liquidity buffers. ESG ratings downgrades may discourage investors and increase financing costs and refinancing risk.
Operational Risk	It 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). It may also lead to customer risks associated with economic downturns affecting borrowers' ability to repay mortgages. It can lead to higher energy, water and insurance prices impacting the Group's operational costs.
Reputational Risk	It may arise from the materialisation of the above risks, impacting the reputation of the Group and the perceptions of clients, regulators, market participants, rating agencies, and other stakeholders. Not complying with the guidelines, norms, and regulations related to ESG/CER transformation may result in regulatory actions and client or counterparty litigation, affecting the reputation of the Group.
Litigation Risk	Litigation risk consist of the risk of any potential claim made against the Bank and/or legal proceedings instituted against the Bank as a result of the Bank's alleged failure to observe its CER and ESG-related obligations and/or carry out its business in a sustainable manner. It is important to note that the term "litigation risk" is to be understood broadly and can result from a number of different factors, including (but not limited to): (i) Environmental & climate change-related claims (ii) Claims alleging potential greenwashing (iii) Claims alleging human rights violations (iv) Liability for supply chains & subsidiaries (v) Alleged directorial misconduct and/or neglect of directorship duties (vi) Stakeholder (including clients, regulators, etc,) activism

NOTE: CER refers to climate and environment-related risks

The above 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.

The Group integrates CER factors into its risk framework by updating its internal policies and procedures, implementing dedicated ESG Strategy objectives and commitments and incorporating CER considerations into its daily operations. The Group incorporates CER in a number of policies and procedures, in particular its Risk Management Framework, Risk Appetite Framework, Risk Appetite Statements, Lending Credit Frameworks and procedures, as well as the Stress Testing Framework, as part of internal capital adequacy assessment process ("ICAAP") and internal liquidity adequacy assessment process ("ILAAP") to ensure that C&E risks are properly identified, measured, monitored and mitigated, and if required, properly escalated and reported if breached, as stipulated in the Group Risk Appetite Framework.

During this process, the Group takes into consideration its business profile and strategic direction as well as regulatory requirements as stipulated in the European Central Bank ("ECB") Guide to climate-related and environmental risks, United Nations Sustainable Development Goals principles, Task Force on Climate-related Financial Disclosure recommendations, Taxonomy Regulation, SFRD and MIFID II, among other regulations.

Incorporation of CER in the lending process

Moreover, the Group incorporates CER principles in its main business processes, as outlined in the Sustainability Risk Policy, with the aim of managing C&E risks and raising CER awareness within the organisation and amongst its clients and counterparties. As described in Section 2.1.2. Governance, the three lines of defence are responsible for identifying, assessing and managing C&E 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.

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 12% of the Group's assets by 2024/25.

The Group evaluates environmental factors in its corporate lending process using sectoral heatmaps. Moreover, starting from 2023, the Group has incorporated risk appetite limits on CER for most of its lending portfolios, as stipulated in the appropriate Risk Appetite Statements.

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. For further information on ESG questionnaires, refer to section 2.1.1 Business strategy and processes.

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 (CER-related checks are planned to be incorporated as part of the corporate client screening process, as from 2025 onwards) 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.

During 2023, the Group refined the treatment of litigation risk as part of the overall operational and reputational risk management. Litigation risk is treated as an ancillary, inter-related risk insofar as the risk of litigation is directly linked (and ultimately largely determined by) to the adherence or lack thereof, to properly identify, monitor and mitigate all other risks forming part of the Group's risk horizon (e.g. CER, compliance risk, social risks, etc.,). MeDirect will continue ensuring that effective controls are in place to prevent and/or significantly mitigate any potential litigation risks.

During the last quarter of the 2024, MeDirect Bank Malta will be formulating an ESG scorecard to be used by the Malta corporate lending and residential mortgages business units when assessing ESG risk as part of the overall risk assessment. Engagement approaches with corporate clients scoring a high ESG risk score will be identified to mitigate and reduce ESG risks. The implementation of the scorecard is planned for 2025.

Impact of environmental risks on capital and liquidity risks

A number of key risk indicators ("KRIs") are monitored periodically by the Risk function relating to the monitoring of concentration risk to high CER sectors, flood and sea hazard risk, yearly energy efficiency of the properties, among others, in relation to the retail and corporate lending portfolios.

In addition to the existing KRIs, MeDirect has incorporated as from 2023, risk appetite limits relating to CER to its lending portfolios, particularly limits relating to poor EPC, coastal and flood risk limits, concentration risk and exclusion list. These limits have been included in the Risk Appetite Statements of the respective portfolios and are being managed, monitored and reported in line with the Risk Appetite Framework.

Starting from 2022, MeDirect conducted a CER materiality assessment to analyse the main CER factors that may affect the Group. This assessment is led by the Risk Management function and is reviewed on a yearly basis to ensure alignment with the wider business strategy. The annual refresh of the materiality assessment ensures a business environment scan is carried out annually, by assessing the main C&E risks that may affect its strategy, business model, asset portfolios, funding sources, treasury and hedging, wealth management services and business operating centres.

The assessment includes on and-off-balance sheet assets and contingencies, covering climate (physical) and environmental risks (Floods/Fluvial, Sea Level Risk, Drought/Extreme Heat, Forest Fire/Wildfire, Biodiversity Loss, Water Stress) and other climate (transition) risks (Policy/Regulations, Stranded Asset Risk, Market Sentiment, Technology Change), including high-level impact horizons. Therefore, the assessment measures the risk materialisation and time horizon (actual years) with respect to the risk impact horizon.

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 latest assessment that was updated in March 2024 concluded that the Group's exposure to CER is limited, with the Group's exposure to C&E risk derived 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 concluded that based on its current CER/ESG risk profile, no additional capital or liquidity buffer is required to cover potential impact of C&E risk.

The Group plans to update the CER Materiality Assessment in the last quarter of the 2024 to incorporate additional environmental risks. Going forward, the Group plans to update this assessment in the last quarter of each year to be aligned with the budgetary/financial plan for the upcoming year. This will ensure that any additional capital or liquidity buffer that may be required to cover potential impact of C&E risks are taken into consideration during the budgetary/financial review.

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 Key Performance Indicators ("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 Buy-To-Ley/mortgage portfolio exposure in higher flood risk areas
- Mortgage Portfolio Sea Hazard Risk – % of Netherlands/Belgium Buy-To-Ley/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 materiality assessment is led by the Risk function in collaboration with the various business units and is presented at the appropriate management and Board Committees for discussion and approval.

Moreover, C&E risk is assessed from both the normative and economic perspectives of the ICAAP, which assesses its impact on P&L, capital requirements and solvency (PD and LGD). In relation to the provisioning framework, the Group applies climate-adjusted scenarios for the estimation of the climate-adjusted credit loss allowances of its exposures classified within the International Corporate Lending, Maltese Corporate Lending, Dutch Mortgages, and Buy-to-Let portfolios. The Group applies stresses on the collateral pledged as security for the estimation of the climate-adjusted credit loss allowances of its exposures classified within the Belgian and Maltese mortgage portfolios. For more information, refer to the Group Annual Report for the year end December 2023.

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, as part of the ICAAP process. During the first quarter of 2024, the Group has expanded the stress scenarios from a CER perspective included within the ICAAP and ILAAP process to cover operational and credit losses, deposit flight and operational damage, among others.

The Group commits to continue improving its CER-related stress tests to ensure full compliance with the supervisory expectations outlined in the ECB Guide on climate-related and environmental risks.

Data availability, quality and collection

Refer to the section 2.1.1. Business strategy and processes for more information regarding the clients' and suppliers' engagement to obtain sustainability-related information, as well as environmental data, including GHG emissions. Environmental data is used for reporting and disclosures purposes, as stipulated in section 2.1.2. Governance. Information on data collection capabilities, data quality and data gaps is covered by the Group Data Collection Procedure. In Section 3, quantitative information and required data points were collected on a best-effort basis. It is expected that more accurate and quality data points will be collected as more and better data sources will become available (e.g., as a result of the further implementation of the Corporate Sustainability Reporting Directive ("CSRD") and the European Reporting Standards ("ESRS").

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 in 2022 during the preparation of the first 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 voluntary and charitable activities
- Support 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 continue to 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.

Objectives and Commitments to address Social Risks

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%
- Key senior 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 of 40% representation of the under-represented gender
- Maintain a gender-neutral recruitment process
- Minimum one ESG training per year
- Ensure gender diversity in the succession programme for managerial positions with the goal of achieving a minimum of 40% representation of the under-represented gender
- Increase number of training/development hours per employee by 25%

Society:

- Increase the number of Group-sponsored volunteer events to two person days annually
- Increase attendance at Group-sponsored volunteer events to a minimum of 75 employees
- Minimum five voluntary initiatives per year, focused on community, environment and other areas
- Maintain regular participation in charitable donations and sponsorships

- Minimum five Corporate Social Responsibility initiatives conducted each year
- Quarterly training for the general public, including seniors, to eliminate financial/digital illiteracy
- Regular training/events for students
- 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

In the 2024 refresh of the ESG Strategy, additional commitments relating to pillars 2 (employees) and 4 (society) will be adopted, including, among others:

- the equal pay gap monitoring
- Selection of ESG Champion/s through ESG hackathons
- Implementation of a two-way communication system between the employees and HR representatives
- Compliance with the European Accessibility Act ("EAA") principles
- Implementation of career plans and personal development plans for employees

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, if appropriate, human rights clauses in new contracts with suppliers and corporate lending clients
- Ensure that a minimum of 50% of key suppliers with contracts that exceed €1m have ESG verification (to be determined by using questionnaires, vendors' statements and other techniques)
- Ensure that close to 100% of corporate lending clients have ESG/CER verification (to be determined by using questionnaires, review of annual reports, corporate websites and media news flow, where available, and other methods)
- Maintain a high Net Promotor Score (customer recommendation factor) score with a minimum score of 30

For more information regarding the progress of the implementation of ESG Strategy commitments, please refer to the Non-Financial report that is published on the bank's website.

Consideration of social factors when conducting business

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.

The Group designs products that are easy to understand and simple to use. It aims to ensure that any fees and charges are transparent, fair and reasonable. The Group also aims to provide its clients will all necessary information to enable them to understand the Group's products and services as well as related costs. MeDirect treats its clients fairly and transparently. Staff members should 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. As referenced in section 2.1.2, the PNU is responsible for assessing new products and services, as part of the new products and services approval and review process.

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 the Group's approach to monitoring and mitigating ICT risks, including cyber risks.

In relation to the wider community, the Group's social ambition and strategic pillars are incorporated into its financial planning exercise through financial contribution to society by means of donations and sponsorships. Each year, the Group prepares a plan for voluntary and charitable activities and 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.

Moreover, to ensure proper sustainable business conduct by the Group, a yearly training programme has been initiated back in 2022 for Board of Directors and key stakeholders. As from 2024 onwards, mandatory e-learning module on ESG will also be provided to all employees on a yearly basis, as well as specific departmental training as deemed necessary. This is in addition to the ongoing training and workshops that the Sustainability team attend on a regular basis on topics related to ESG, to keep abreast with ongoing changes and obligations within the regulatory sphere.

Refer to the Non-Financial report, sections 4 and 6 on Employees and Society respectively, for information on the treatment of discrimination and harassment, health and safety, data management and protection, and other social factors. A number of metrics on different social factors are reported within the same Non-Financial report.

2.2.2. Governance

Social risk management is integrated within the wider Risk Management Framework, as defined in the Group Sustainability Risk Policy. Refer to Section 1. "General overview" of this report.

The same governance process applies as stipulated in section 2.1.2 Governance. All Management and Board Committees should assess any (potential) conflicts of interest before the start of the meeting. If required, the secretary of the Committee should report any arising conflicts of interest to the Compliance department.

Business units and internal control functions provide periodic updates to the appropriate Board/Management Committees on social risk issues. Updates might include information about management of employee and counterparty relations, pay gap monitoring, customer 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 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. MeDirect's compliance with these policies is a process of continuous improvement, and that is why MeDirect is committed to review all of its policies and procedures at least on an annual basis.

Among the most relevant policies relating to social aspects, particularly related to MeDirect's employees, include 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. In order to analyse employee's satisfaction, MeDirect conducts periodic surveys.

The ESG Strategy objectives relating to social matters focus on the short- to medium-term (to 2025). 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. With respect to key business partners and suppliers, MeDirect's policies are aimed to ensure the highest standards of business conduct, business ethics and integrity, as well as social responsibility from its business partners and suppliers. Such policies and procedures include the Group Code of Conduct and Ethics, Clients Acceptance Policy, Risk Appetite Statements, Anti-Money Laundering and Countering of Terrorism Policy, Reputation Risk Management Policy, Procurement Policy, Group Outsourcing framework, and the Supplier and Business Partner Code of Conduct, among others.

The Group defined in its ESG Strategy the primary objectives related to society (pillar 4):

- 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

Alignment of Renumeration Policy with social risk objectives

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, clients and supplier relations, regulatory or community affairs and compliance with codes of conduct and other internal policies and procedures.

The Group Remuneration Policy includes 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 include social aspects. Moreover, the Group has established ESG/CER performance objectives for key senior managers as described in Section 2.1.2. Governance.

The Group is committed to maintain a gender-neutral recruitment process. During the recruitment process, the Group undertakes rigorous checks on prospective employees in relation to technical and soft skills as well as cultural fit. The Group adopts an unbiased approach in the hiring process and ensures that prospective employees meet with a minimum of three different Group employees.

2.2.3. Risk management

The MeDirect Group Sustainability Risk Policy defines sustainability/ESG risk to include the social risk, events or conditions that, if they occur, could result in an actual or a potential negative impact on the value of investment, as defined in the SFDR Regulation, which would directly or indirectly affect the value of the organisation. Social risks mainly relate 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.

Section 2.1.3 Risk Management of this report describes the main transmission channels between sustainability/ESG risks 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. In 2025, the transmission channels table between ESG risks and traditional risk categories will be updated to incorporate more explicit social risks.

As described in Section 2.1.2. Governance, the three lines of defence are responsible for identifying, managing and overseeing social risks across the organisation in accordance with relevant policies and procedures.

Integration of social factors into the Risk Management

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 aims to identify areas in which it might be exposed to potential social issues and to mitigate the impact of such issues.

Internal policies and procedures that address the Group's exposure to social risk in relation to its employees, clients, suppliers and business partners are referenced in Section 2.2.2 Governance.

In the last quarter of 2024, the Group plans to formulate a separate ESG risk category in the risk universe as part of the ICAAP process, with an ESG Risk taxonomy to provide a better understanding of the type of ESG risks, including social risks. The Sustainability Risk Appetite Statement will include also a sub-section on greenwashing risk.

The Group manages and mitigates social risks by restricting and/or prohibiting the establishment of banking relationships with clients from sanctioned countries, controversial industries or industries applying questionable business practices. 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 2023, the Group incorporated in the due diligence of its portfolios the monitoring of the controversial activities of its corporate clients associated with severe environmental or social damage (exclusion list of sectors) that might impact the Group's stability, reputation and future liability and litigation risks.

In its corporate lending business procedures, the Group has adopted sectoral ESG heatmaps to assess the impact of ESG risk, including social risk. In addition, the Group incorporated ESG questionnaires requiring its clients to share information on their approach to ESG and sustainability risks, including social aspects such as impact on society, employee-related issues and respect for human rights, among other information. ESG factors are also analysed during annual corporate portfolio reviews and screening where data is publicly available.

During the last quarter of the 2024, MeDirect Bank Malta will be formulating an ESG scorecard to be used by the Malta corporate lending and residential mortgages business units when assessing ESG risk, including social risk, as part of the overall risk assessment. Engagement approaches with corporate clients scoring a high ESG risk score will be identified to mitigate and reduce ESG risks. The implementation of the scorecard is planned for 2025.

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. The Group has in place a Suppliers and Business Partners Code of Conduct that is published on its website.

To further enhance the due diligence relating to sustainability factors, including social aspects, the Group plans to conduct pre-qualification checks in relation to ethical practices and ESG factors starting with key vendors with a contractual amount equalling to or exceeding €1 million. In addition, the Group plans to incorporate ESG clauses within contracts to ensure all suppliers and business partners are meeting MeDirect's standards in accordance with the Suppliers and Business Partners Code of Conduct. The implementation of the enhanced due diligence on key vendors is planned for the next year, 2025.

In 2024, ESG questionnaires were distributed to key vendors with a contractual amount equalling to or exceeding €1 million, as committed in the Group ESG Strategy. The aim is to assess the service providers' ethical standards and codes of conduct, including ethical, social responsibility, and child labour prohibition considerations. Little to no responses were received from the first set of distribution. More efforts are planned as part of the enhanced due diligence process planned for next year, 2025.

Reputational and Operational, including litigation, risk management

All clients of the bank are onboarded in accordance with the Bank's Customer Acceptance Policy. The Group conducts due diligence related to Bribery and Corruption risk when establishing and maintaining relationships with counterparties. Reputational damage is covered within the Bank's obligation under the AML/CFT and Anti-Bribery and Corruption policy requirements, which stipulate that proper due diligence checks are required when dealing with customers and third parties, respectively. Requirements are further managed through the AML/CFT and Anti-Bribery and Corruption procedures that stipulate the processes in place, which include screening and negative news checks to be performed to ensure the bank is not involved with any relationships that could potentially lead to a reputational damage to the bank.

CER-related negative news checks are planned to be incorporated as part of the corporate client screening process, as from 2025 onwards.

All Group employees are required to identify, manage and mitigate reputational and operational, including litigation, risks that may affect the Group's reputation and financial standing of the Group 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
• Illegal or fraudulent activities by individuals • Employee behaviour and conduct • Misuse of client information • Doing business in an unethical manner • Greenwashing practices	• 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	• Poor customer relations • Non-performance of core infrastructure and controls • Business disruption and inadequate continuity plans	• Incorrect or unfounded rumours • Negative public remarks by public institutions/figures • Industry, market or jurisdictional contagion risk

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 has in place a Suppliers and Business Partners Code of Conduct that is published on its website.

Greenwashing practices may lead to reputational and operational, including litigation, risk due to miscommunication to the public, mis-selling of green products, and ongoing litigation or legal actions due to alleged greenwashing by clients. It may lead to litigation or legal actions against the Bank and associated losses, fines or penalties imposed through regulatory or judicial proceedings. The impact on other financial and non-financial risks can arise either directly through the practice of greenwashing by the Bank or indirectly through greenwashing practices conducted by the Group's counterparties.

The Group has zero appetite for greenwashing risk. Key performance indicators and metrics in relation to the ESG Strategic commitments and other ESG-related targets are monitored and reported in the Non-financial report that is prepared by the Group on a voluntary basis in accordance with GRI standards. The Group remains committed to disclose sustainability claims that are accurate and fairly represent the overall business model and profile of the Bank.

All risks, including ESG risks, follow the same monitoring and escalation process as outlined in the Risk Appetite Framework.

2.3. Qualitative information on governance risks

As referenced in section 1 of this report, MeDirect is committed to continue integrating ESG principles into its day-to-day operations and increase awareness on ESG matters across the Group. To do this, the Group promotes the observance of the highest standards of good corporate governance and business ethics. It is committed to continue growing its business in a responsible and sustainable manner, based on sound corporate values and ESG principles. Moreover, it is committed to continuing to build a trusted and distinctive brand in the markets it operates in.

Objectives and Commitments relating to Governance

The Group defined in its ESG Strategy 2024/2025 (pillar 1) its primary objectives and commitments related to 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
- ESG/CER integrated into annual compliance reviews and the multi-year internal audit cycle
- Minimum of three independent members on the Board
- Minimum of one non-executive member of the Board responsible for ESG with appropriate skillset
- Periodic updates by the Chair of the ESG Committee to the Board Risk and Compliance Committee
- Annual ESG e-learning module for all MeDirect employees

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

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

In the first half of the 2024, the Group has reviewed all ESG Strategy objectives and commitments to ensure alignment with the evolving business strategy and CER materiality assessment, which covers the business environment scan as set out in the ECB Guide on climate-related and environmental risks.

2.3.1. Governance

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

Governance topics are embedded within the Group's Compliance policies that covers corruption, fraud, conflict of interest, ethics, whistleblowing, among other topics. Therefore, the Group's Compliance policies and procedures indirectly support the management of governance topics and associated risks.

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

The Group is committed to ensure that it continues to follow high standards in terms of transparency and integrity. It expects that the same level of standards is followed by its counterparties. In 2024, the Group has revamped its Group Corporate Governance Framework into a holistic Corporate Governance Memorandum to consolidate the Group's corporate governance rules and procedures for its Board of Directors and its committees. It sets out rules and procedures to ensure that the Group addresses high standards of corporate governance and complies with the regulatory requirements and obligations.

In addition, during the 2025 ICAAP and ILAAP review, the Group plans to implement certain governance factors in the Risk Appetite Limit setting, including but not limited to:

1/ Internal fraud loss events

2/ Workplace safety certificates for offices and branches

3/ HR / code of conduct policy violations

4/ Employee mandatory training

5/ Compliance with gender equality targets

6/ Potential Litigation Exposure (unsettled legal cases)

Linked to the ESG verification, in its business procedures, the Group incorporates requirements related to its counterparties' exposure to ESG risk as described in the previous sections (including ESG questionnaires). In 2024, the Group has enhanced the process around the distribution to and collection of ESG questionnaires from its corporate clients, suppliers and business partners by means of electronic distribution.

Governance risk associated with the Group's counterparties are mitigated through the existing processes around client onboarding, periodic review process, and credit risk assessment. The Bank's Financial Crime Compliance team conducts onboarding checks on all clients of the bank in accordance with the Group's Customer Acceptance Policy. Moreover, AML/CFT and AB&C Policy stipulate that proper due diligence checks are required when dealing with customers and third parties, respectively. Moreover, AML/CFT and AB&C procedures stipulate the processes in place, which include screening and negative news checks to be performed to ensure the bank is not involved with any relationships that could potentially lead to a reputational damage to the bank.

The Board approves the main policies and procedures that are in place to manage governance risk, including but not limited to, the MeDirect Corporate Governance Memorandum, Diversity Policy, Whistleblowing Policy, Conflict of Interest Policy, Reputation Risk Management Policy, Anti-fraud Policy, and Anti-Money Laundering and Countering of Terrorism Policy. In addition, the Board approves the ESG Strategy and Group Non-financial report that describes key sustainability commitments and metrics, policies and procedures of the Group.

For more information relating to the governance framework of the Group in relation to ESG, refer to section 2.1.2 Governance of this report.

2.3.2. Risk management

MeDirect defines sustainability risks, including governance risk, in its Group Sustainability Risk Policy. Key governance risks relate to corruption, fraud, conflict of interest, ethics, whistleblowing, among others.

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 2.1.2. Governance, the three lines of defence are responsible for identifying, managing, and overseeing governance risk across the organisation, in accordance with relevant policies and procedures.

The Group integrates governance factors into its risk management framework and incorporates governance considerations into its daily operations. In the last quarter of 2024, the Group plans to formulate a separate ESG risk category in the risk universe as part of the ICAAP process, with an ESG Risk taxonomy to provide a better understanding of the type of ESG risks, including governance risks. The Sustainability Risk Appetite Statement will include also a sub-section on greenwashing risk.

Risk management of governance risks follows the same procedures adopted by the Group when it comes to all financial and non-financial risk pillars. The Group ensures that all risks are properly identified, measured, monitored and mitigated, and if required, properly escalated and reported if breached. This is in line with the Group Risk Management Framework and Risk Appetite Framework.

During the credit process in relation to corporate lending clients, the Group considers counterparties' 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 corporate 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 the EU, not subject to non-financial reporting requirements on ESG matters.

During the last quarter of the 2024, MeDirect Bank Malta will be formulating an ESG scorecard to be used by the Malta corporate lending and residential mortgages business units when assessing ESG risk, including governance risk, as part of the overall risk assessment. Engagement approaches with corporate clients scoring a high ESG risk score will be identified to mitigate and reduce ESG risks. The implementation of the scorecard is planned for 2025.

With the implementation of the CSRD, MeDirect will integrate additional governance risk assessment aspects for its clients. The compliance area will further analyse its clients' governance, particularly within the context of ongoing client due diligence. This analysis aligns with MeDirect's established policies and procedures to enhance focus on critical areas such as ethics, integrity, board diversity, equality, and client protection.

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

In 2022 MeDirect started to disclose quantitative information on transition risk and physical risk related to climate change. The Group Pillar III Report is in line with Pillar 3 ESG implementing technical standards and instructions on prudential disclosures on ESG risks defined by the EBA[16], as presented in the below tables. The ESG information disclosed in this Pillar 3 reporting is not necessarily aligned with MeDirect Group's Non-Financial Report as it follows EBA 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 quantitative information and required data points were collected on a best-effort basis. It is expected that more accurate and quality data points will be collected as more and better data sources will become available (e.g., as a result of the further implementation of the CSRD and the ESRS). The Group applies transition periods for some tables and data as stipulated in Annex II of the Pillar 3 ESG implementing technical standards, as follows:

#	Template	Mandatory template	Transition periods	First reported data by MeDirect
1	Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Yes	Transition period applicable for the following data points: • column C (environmentally sustainable exposures) to be reported as from 2023 YE Group Pillar III Report • column I/J/K (GHG emissions) to be reported as from H1 2024 Group Pillar III Report	Reported as from 2022 YE Group Pillar III Report Column I/J/K (GHG emissions) reported as from 2023 YE Group Pillar III Report
2	Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	Yes		Reported as from 2022 YE Group Pillar III Report
3	Banking book - Climate change transition risk: Alignment metrics	Yes	To be reported as from the H1 2024 Group Pillar III Report	Reported as from the H1 2024 Group Pillar III Report
4	Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms	Yes	Transition period applicable for the following data point: column C (environmentally sustainable exposures) to be reported as from 2023 YE Group Pillar III Report	Reported as from 2022 YE Group Pillar III Report
5	Banking book - Climate change physical risk: Exposures subject to physical risk	Yes		Reported as from 2022 YE Group Pillar III Report
6	Summary of GAR KPIs	Yes		Reported as from 2023 YE Group Pillar III Report
7	Mitigating actions: Assets for the calculation of GAR	Yes		Reported as from 2023 YE Group Pillar III Report
8	GAR (%)	Yes		Reported as from 2023 YE Group Pillar III Report
9	Mitigating actions: BTAR	No	To be reported as from 2024 YE Group Pillar III Report	
10	Other climate change mitigating actions that are not covered in the EU Taxonomy	Yes		Reported as from 2022 YE 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 underlaying business activity. Approximately 4.3% of the Group's corporate lending exposure at the end of June 2024 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.

[16] Annex II - Instructions for ESG prudential disclosures templates.pdf

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 international syndicated loans and Maltese corporate loans.

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 10.76% of the Group's assets as of June 2024.

MeDirect is aware that financing environmentally sensitive sectors could have an impact on the environment and MeDirect's reputation and financial standing. 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.

MeDirect therefore has committed to limit its direct exposure to sectors highly contributing to climate change and not to finance sectors that might be associated with potentially negative effects on the environment in line with MeDirect's exclusion list.

Starting from December 2023 report, the Group started disclosing the information relating to environmentally sustainable exposures and the GHG financed emissions (as defined in the Pillar 3 ESG implementing technical standards). The Group continues 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, or other published reports, information regarding Taxonomy-eligible and Taxonomy-aligned activities (turnover, capital expenditure and operating expenditure) and GHG emissions (Scope 1, Scope 2, Scope 3)

Moreover, the Group continuously analyses 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 small- and medium-sized unlisted companies, with limited ESG-related publicly available information.

Table 1. Credit quality of exposures by sector, emissions and residual maturity

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
1	Exposures towards sectors that highly contribute to climate change	407.0	0.5	-	31.8	28.9	-3.4	-1.1	-0.8	59,232.9	46,911.4	100	260.2	26.1	120.7	-	5.6
2	A - Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	B - Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	B.05 - Mining of coal and lignite	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	B.06 - Extraction of crude petroleum and natural gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	B.07 - Mining of metal ores	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	B.08 - Other mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	B.09 - Mining support service activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	C - Manufacturing	98.2	-	-	10.0	9.7	-1.5	-0.3	-0.5	26,852.1	17,877.1	100	98.2	-	-	-	2.1
10	C.10 - Manufacture of food products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	C.11 - Manufacture of beverages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	C.12 - Manufacture of tobacco products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	C.13 - Manufacture of textiles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	C.14 - Manufacture of wearing apparel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	C.15 - Manufacture of leather and related products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	C.17 - Manufacture of paper and paper products	10.0	-	-	10.0	-	-0.3	-0.3	-	3,938.6	-	100	10.0	-	-	-	1.4
18	C.18 - Printing and service activities related to printing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	C.19 - Manufacture of coke oven products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	C.20 - Production of chemicals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	20.6	-	-	-	-	-0.4	-	-	1,601.0	1,474.8	100	20.6	-	-	-	2.0
22	C.22 - Manufacture of rubber products	9.7	-	-	-	9.7	-0.5	-	-0.5	1,114.3	-	100	9.7	-	-	-	3.5
23	C.23 - Manufacture of other non-metallic mineral products	8.3	-	-	-	-	0.0	-	-	4,142.5	825.9	100	8.3	-	-	-	1.7
24	C.24 - Manufacture of basic metals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	8.0	-	-	-	-	-0.1	-	-	5.0	4.7	100	8.0	-	-	-	1.0
26	C.26 - Manufacture of computer, electronic and optical products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	C.27 - Manufacture of electrical equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	C.28 - Manufacture of machinery and equipment n.e.c.	18.7	-	-	-	-	-0.1	-	-	14,828.6	14,644.4	100	18.7	-	-	-	1.6
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	5.4	-	-	-	-	0.0	-	-	639.1	522.9	100	5.4	-	-	-	4.4
30	C.30 - Manufacture of other transport equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	C.31 - Manufacture of furniture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	C.32 - Other manufacturing	17.5	-	-	-	-	-0.1	-	-	583.1	404.5	100	17.5	-	-	-	2.2
33	C.33 - Repair and installation of machinery and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	D35.1 - Electric power generation, transmission and distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	D35.11 - Production of electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	D35.3 - Steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
39	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40	F - Construction	52.7	-	-	2.8	2.5	-0.3	-	-0.2	3,188.9	2,904.9	100	33.5	6.7	12.5	-	5.7
41	F.41 - Construction of buildings	49.9	-	-	2.8	2.5	-0.3	0.0	-0.2	3,046.2	2,774.9	100	30.7	6.7	12.5	-	5.9
42	F.42 - Civil engineering	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43	F.43 - Specialised construction activities	2.8	-	-	-	-	0.0	-	-	142.7	130.0	100	2.8	-	-	-	2.1
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	38.2	0.5	-	0.1	1.6	-0.5	0.0	-0.1	13,493.9	12,046.3	100	38.2	-	-	-	1.9
45	H - Transportation and storage	8.0	-	-	-	-	0.0	-	-	579.4	382.1	100	8.0	-	-	-	0.5
46	H.49 - Land transport and transport via pipelines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	H.50 - Water transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	H.51 - Air transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	H.52 - Warehousing and support activities for transportation	8.0	-	-	-	-	0.0	-	-	579.4	382.1	100	8.0	-	-	-	0.5
50	H.53 - Postal and courier activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	I - Accommodation and food service activities	36.8	-	-	18.8	0.1	-0.8	-0.8	-	11,301.2	11,280.4	100	25.2	0.6	11.0	-	5.5
52	L - Real estate activities	173.1	-	-	0.1	15.1	-0.2	0.0	0.0	3,817.4	2,420.6	100	57.1	18.7	97.2	-	8.7
53	Exposures towards sectors other than those that highly contribute to climate change*	141.9	-	-	10.0	30.3	-11.9	-	-11.1				141.9	-	-	-	2.0
54	K - Financial and insurance activities	23.2	-	-	-	-	-0.1	-	-				23.2	-	-	-	1.9
55	Exposures to other sectors (NACE codes J, M - U)	118.7	-	-	10.0	30.3	-11.8	-0.3	-11.1				118.7	-	-	-	2.0
56	TOTAL	548.9	0.5	-	41.9	59.2	-15.3	-1.1	-11.8	59,232.9	46,911.4	100	402.1	26.1	120.7	-	4.7

[1] In 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 underlaying business activity (indirect exposure). NACE exposure of corporate lending includes allocation of the activities of holding companies (K.64.2) based on the underlaying 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 by respective units' clients' NACE classification. Buy To Let (BTL) mortgage loans offered to corporate clients (legal entities) to finance purchase of residential immovable property are included in the table under NACE code L – Real estate activities.

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 gCO2e/kWh.
- companies that are found or estimated to significantly harm one or more of the Group's environmental objectives

One position in the Maltese corporate lending portfolio included under column B. The company is engaged in the wholesale distribution of oil fuels in Malta, deriving 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels. The company operates a local fuel station and supplies fuel to contractors and boats onshore. The total exposure to this counterparty is 0.465 million euros as at June 2024.

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/m^2 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 have access to EPC certificates, 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 the following assumptions:

- Malta mortgage portfolio – due to the lack of an official EPC label classification in Malta, no EPC label was assigned for the Malta mortgage portfolio and the gross carrying amount was included under column 'Without EPC label of collateral'. Information is available in the EPC certificate provided by the borrower in relation to the level of energy efficiency (kWh/m^2), even though an EPC label is not available.
- Netherlands mortgage portfolio – due to lack of official yearly energy requirements (kWh/m^2) 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 (kWh/m^2) is not available based on EPC certificates but it is derived from the EPC label.
- Belgian mortgage portfolio – due to lack of EPC label data, the EPC label was estimated using Belgian EPC classifications (Flanders Region) and yearly energy requirements (kWh/m^2) from the EPC certificate. Brackets for the level of energy efficiency were assigned using yearly energy requirements set forth in the EPC certificates. Information is available in the EPC Certificate in relation to the level of energy efficiency, even though an EPC label is not available.

When a loan is collateralized by several properties, gross carrying amount of loan is allocated to the collateral using the weighted value of the collateral.

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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount (in M EUR)															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	Total EU area	2,723	213	584	940	367	155	41	418	293	687	304	206	199	142	475	-
2	Of which Loans collateralised by commercial immovable property	67	3	8	1	0	0	0	4	0	1	0	0	0	0	62	-
3	Of which Loans collateralised by residential immovable property	2,656	210	576	940	367	155	41	414	293	686	304	206	199	142	414	-
4	Of which Collateral obtained by taking possession: residential and commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	1,838	101	440	863	310	122	0								0	-
6	Total non-EU area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Of which Collateral obtained by taking possession: residential and commercial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	-	-	-	-	-	-	-								-	-

NOTE: All Malta mortgages EPC label is classified as "without EPC label of collateral" given there is no official EPC classification in Malta. Dutch NHG mortgage receivables energy efficiency is reported in the row "of which Level energy efficiency estimated", which includes the sum of estimated level of energy efficiency brackets based on EPC label or estimated EPC label. Dutch Buy-to-let loans, for both retail and legal entities, are included under row 3. For Belgium mortgages, the level of energy efficiency is extracted from the EPC certificates. After this level of energy efficiency, the EPC label of the collateral is mapped following the Flanders EPC official classification. Malta corporate loans collateralised by commercial and residential immovable properties are included in rows 2 and 3 respectively.

This information is registered by the internal departments and the EPC labels are updated from time to time, based on publicly available databases. Under the scope of the template, the EPC labels are not to be reported for estimated level of energy efficiency (cells in grey). The table was updated based on verified and revisited data.

Table 3. Banking book - Climate change transition risk: Alignment metrics [Template 3]

MDB Group has two corporate clients engaged in activities that fall under the scope of the climate change transition risk alignment metrics, with a combined gross carrying amount exposure of 5.855 million euros.

One client is a Maltese SME engaged in the distribution of fuels -NACE code G46.12- with an exposure of 0.465 million euros. The company does not disclose information regarding the average tons of CO2 per gigajoule or the average share of high carbon technologies (ICE), neither discloses the amount of fuel distributed on a yearly basis. Out of all the metrics provided by PACTA to calculate alignment to Net Zero Emissions ("NZE") (volume trajectory mix, technology/fuel mix, emissions intensity, and transition disruption metric), none of them is related to product distribution. Hence, it is not possible to calculate the alignment to the NZE targets for this client.

The other client is a North American manufacturer of motor vehicles -NACE code C29.10- with an exposure of 5.39 million euros. This loan was originated in the first half of 2024 as part of the international corporate lending portfolio. In its sustainability report, the client publishes scope 1 and 2 emissions on a yearly basis from 2019, both in total and in intensity terms and its emission reduction targets for 2030. The distance for the reference year 2023 versus its Net Zero target for 2050 is 82.41%. After internal analysis carried out by MeDirect, the company's emissions are in excess 15,573 tco2e of the pathway to achieve the 2030 near-term target. The bank is actively monitoring the evolution of this company's emissions to achieve the 2030 near-term target for climate neutrality by 2050.

Table 3. Climate change transition risk: Alignment metrics

	a	b	c	d	e	f	g
	Sector	NACE Sectors (a minima)	Portfolio gross carrying amount (M EUR)	Alignment metric	Year of reference	Distance to IEA NZE2050 in % ***	Target (year of reference + 3 years)
1	**Power**	-	-	-	-	-	-
2	**Fossil fuel combustion**	G46.12	0.47	-	-	-	-
3	**Automotive**	C29.10	5.39	tCO2e	2023	82.41%	113,121.14
4	**Aviation**	-	-	-	-	-	-
5	**Maritime transport**	-	-	-	-	-	-
6	**Cement, clinker and lime production**	-	-	-	-	-	-
7	**Iron and steel, coke, and metal ore production**	-	-	-	-	-	-
8	**Chemicals**	-	-	-	-	-	-
9	**Potential additions relavant to the business model of the institution**	-	-	-	-	-	-

*** PiT distance to 2030 NZE2050 scenario in % (for each metric)

Table 4. 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 has started disclosing the information relating to environmentally sustainable exposures in the 2023 Pillar III disclosures, 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 April 2024. The list was prepared based on 1854-2022 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 any exposure to the top 20 carbon intensive firms in its lending portfolios, both for the top 20 Carbon Majors entities by emissions for the whole period 1854-2022 and for the 2016-2022 period.

Table 4. Exposures to top 20 carbon-intensive firms globally

Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
0	0	0	0	0

*For counterparties among the top 20 carbon emitting companies in the world

Table 5. 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 with 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 53.3% of the Group's assets at the end of June 2024, using European Climate Risk Typology ("ECRT") and EU EBA Climate Risk Stress Tests mapping of countries and regions taking into account the following CERs scenarios:
Acute:

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

Chronic:

- Flooding / Sea level Risk
- Landslide Risk
- Biodiversity loss
- Water stress

Each scenario includes mapping of the locations to the risk from 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 5. Exposures subject to physical risk – summary table

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	B - Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	C - Manufacturing	98.2	-	-	-	-	-	-	-	-	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	52.7	-	-	-	-	-	-	-	-	-	-	-	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	38.2	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	8.0	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	173.1	0.0	0.0	54.9	0.0	14.5	39.9	7.0	7.9	-	-	0.0	-	-
10	Loans collateralised by residential immovable property	2655.9	0.5	8.2	197.6	1205.5	24.9	941.0	129.5	341.6	9.4	0.9	-0.5	-0.1	-0.1
11	Loans collateralised by commercial immovable property	67.1	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Repossessed colalterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE: Table includes in the row 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 corporate loans. NACE exposure of corporate lending includes allocation of the activities of holding companies (K.64) based on the underlaying business activity prepared using expert approach following Pillar 3 implementing technical standards on prudential disclosures on ESG risks (indirect exposure). Buy-To-Let mortgage loans to Dutch legal entities are also disclosed under NACE code L. The table was updated based on verified and revisited data.

Table 5.1. Exposures subject to physical risk – Dutch market

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	B - Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	C - Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	81.04	0.00	0.00	54.89	0.00	14.48	39.94	7.04	7.91	-	-	0.00	-	-
10	Loans collateralised by residential immovable property	2163.74	0.55	4.07	155.12	1016.59	25.35	705.50	129.47	341.59	5.14	0.13	-0.15	-0.08	0.00
11	Loans collateralised by commercial immovable property	5.5	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Repossessed colalterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE: Table includes Dutch NHG mortgage receivables and Dutch Buy-To-Let mortgage portfolio. Buy-To-Let mortgage loans to Dutch legal entities are both disclosed under row 10 and NACE code L.

For Dutch NHG mortgage receivables loans are collateralised with residential owner-occupied properties and for Dutch Buy-To-Let mortgages receivables, loans are collateralised with residential properties for the majority of the portfolio and some commercial properties. Buy-To-Let mortgages are usually collateralised by more than one property. The estimation of exposure to physical risk was based on collateral level. At a portfolio level, regions where collateral is located in the Dutch NHG and Buy-To-Let mortgage portfolio are exposed to overall moderate fluvial flood, coastal, water stress and biodiversity loss risks as per CER materiality assessment. However, at a collateral level some properties are located in high physical risk areas.

Table 5.2. Exposures subject to physical risk – Belgian market

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	B - Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	C - Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Loans collateralised by residential immovable property	293.93	0.00	4.16	42.44	188.90	22.62	235.50	0.00	0.00	4.26	0.73	-0.33	-0.04	-0.06
11	Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Repossessed colalterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE: Table includes Belgian mortgage receivables portfolio

In the Belgian mortgage portfolio, loans are collateralised by residential properties only. The mortgages can be collateralised by more than one property and the estimation of physical risk is based on collateral level, allocating the gross carrying amount of the loan proportionally to the value of the collateral. At a portfolio level, regions where collateral is located are exposed to overall moderate fluvial flood and coastal risks as per CER materiality assessment. However, at a collateral level some properties are located in high physical risk areas.

Table 5.3. Exposures subject to physical risk – Maltese market

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Variable: Geographical area subject to climate change physical risk - acute and chronic events		Gross carrying amount (Mln EUR)												
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment,		
			<= 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
1	A - Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	B - Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	C - Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Loans collateralised by residential immovable property	198.27	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Loans collateralised by commercial immovable property	61.62	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Repossessed colalterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE: Table includes Malta retail mortgage portfolio and domestic corporate loans collateralised with residential and commercial properties. Collateral properties of the loans within the Malta lending portfolios are not exposed to any high or very high hazard scenarios, as per the CER Materiality assessment. 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 6.2% of the Group's assets as at June 2024. 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 2.9% of the Group's assets as at June 2024) and concentrated, with 86.5% of exposure in the real-estate and construction sectors. The portfolio's exposure to physical risk scenarios is limited, primarily consisting of exposures with very low to moderate physical risk, as per the CER materiality assessment.

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Table 6. Summary of GAR KPIs [Template 6]

The objective of this template is to provide a summary of the Key Performance Indicators (“KPIs”) related to Taxonomy-aligned exposures. This template aims to offer a concise overview of the performance indicators that are specifically aligned with the Taxonomy requirements, focusing on the environmental sustainability aspects of financial institutions' exposures. By detailing these KPIs, this template helps institutions disclose essential information regarding their exposures that are in line with the Taxonomy regulations, thereby enhancing transparency and accountability in reporting on ESG risks.

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	6.45%	0.0006%	6.45%	90.19%
GAR flow	13.40%	0.0000%	13.40%	42.22%

* % of assets covered by the KPI over banks´ total assets

NOTE: the calculation and breakdown of the GAR on stock and flows is explained in template 8.

Table 7. Mitigating actions: Assets for the calculation of GAR [Template 7]

The main objective of Template 7 is to enable financial institutions to disclose the actions for mitigation and adaptation to climate change they have taken. The exposure of assets for climate change adaptation and mitigation is used in the calculation of the Green Asset Ratio (“GAR”). The GAR is a key performance indicator that measures the proportion of an institution’s exposures that are taxonomy-aligned, i.e., financing economic activities that contribute substantially to environmental objectives while avoiding significant harm to other objectives.

Mitigating actions are crucial in the context of the GAR because they demonstrate the steps financial institutions are taking to reduce the environmental impact of their exposures and align them with the Taxonomy requirements. By disclosing these actions, institutions can provide a more comprehensive picture of their efforts to promote sustainable finance and manage ESG risks.

Table 7. Mitigating actions: Assets for the calculation of GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
	Million EUR	Total gross carrying amount			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	2,982	2,590	297	-	-	-	2	0	-	-	-	2,592	297	-	-	-
2	**Financial corporations**	480	98	11	-	-	-	2	0	-	-	-	100	11	-	-	-
3	Credit institutions	480	98	11	-	-	-	2	0	-	-	-	100	11	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	480	98	11	-	-	-	2	0	-	-	-	100	11	-	-	-
6	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	10	0	0	-	-	-	-	-	-	-	-	0	0	-	-	-
21	Loans and advances	10	0	0	-	-	-	-	-	-	-	-	0	0	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
24	**Households**	2,492	2,492	286	-	-	-						2,492	286	-	-	-
25	of which loans collateralised by residential immovable property	2,492	2,492	286	-	-	-						2,492	286	-	-	-
26	of which building renovation loans	-	-	-	-	-	-						-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-	-						-	-	-	-	-
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**TOTAL GAR ASSETS**	2,982	2,590	297	-	-	-	2	0	-	-	-	2,592	297	-	-	-
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	509															
34	Loans and advances	509															
35	Debt securities	-															
36	Equity instruments	-															
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	30															
38	Loans and advances	30															
39	Debt securities	-															
40	Equity instruments	-															
41	Derivatives	218															
42	On demand interbank loans	298															
43	Cash and cash-related assets	237															
44	Other assets (e.g. Goodwill, commodities etc.)	326															
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	4,600															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	274															
47	Central banks exposure	227															
48	Trading book	0															
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	500															
50	**TOTAL ASSETS**	5,100															

NOTE: In the Dutch mortgage portfolio, some Buy-to-let loans are granted to non-NFRD legal entities. The exposure to these loans -58.4 million euros in gross carrying amount- is included under EU Non-financial corporations (not subject to NFRD disclosure obligations).

The Annex to the Commission's draft delegated act supplementing the Taxonomy Regulation[17] specifies different screening criteria for the acquisition of buildings built on or before 31 December 2020 and for acquisition of buildings built after 31 December 2020. Buildings built before 31 December 2020 should have at least an EPC class A, in order to be aligned with the Taxonomy, according to the taxonomy screening criteria. For transactions on buildings built after 31 December 2020, in accordance with the taxonomy screening criteria, the Primary Energy Demand ("PED"), defining the energy performance of the building resulting from the construction, should be at least 20% lower than the threshold set for the nearly zero energy building ("NZEB") requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.

In the Netherlands the energy efficiency score for properties built after December 2020 to be considered taxonomy aligned is 40 kWh/m^2, however the actual level of energy efficiency in kWh/m^2 is not available for the properties in the Dutch mortgage portfolio and therefore, for properties built after December 2020, only mortgages on properties with EPC label A++++ -energy neutral- can be considered to be taxonomy aligned. Following a precautionary approach the exposure to loans collateralised with properties built after December 2020 with an EPC label A+++ was not considered taxonomy aligned because these properties have an EP score of 0-50 kWh/m^2 and the Bank cannot determine which loans have an EP score lower than 40 kWh/m^2 given the bank does not have the actual EP scores at a loan level. For the loans on the acquisition of buildings built before December 2020 of the Dutch portfolio, those collaterals with EPC label A were considered as taxonomy aligned as explained in the Annex to the Commission's draft delegated act supplementing the Taxonomy Regulation.

For the Belgium mortgage portfolio, collateral properties built before 31 December 2020 and with EPC label A were considered as taxonomy aligned. Belgian properties built after December 2020 with an energy efficiency below 54 kWh/m^2 for Brussels region, 24 kWh/m^2 for Flanders region and 102 kWh/m^2 for Wallonia region (20% lower than the primary energy demand resulting from the relevant NZEB requirements) were considered as taxonomy aligned.

In the Malta mortgage portfolio, for properties built before December 2020 it was not possible to estimate taxonomy aligned assets given there is no official EPC label classification; hence, it was not possible to estimate A-EPC labels from the energy efficiency data. Maltese properties built after December 2020 with an energy efficiency below 67.2 kWh/m^2 (20% lower than the primary energy demand resulting from the relevant NZEB requirements) were considered as taxonomy aligned.

Loans collateralised with properties with unknown construction year data were considered to be built before December 2020 for the calculation of taxonomy alignment. Loans collateralised with properties with unknown energy efficiency data were not considered to be taxonomy aligned.

Only one counterparty in our corporate lending portfolio reports under NFRD, reporting no taxonomy eligible activities. The vast majority of our corporate lending portfolio counterparties do not report under NFRD and hence their activities are not reported under GAR. The taxonomy eligibility and alignment of these counterparties will be reported under BTAR in the next Pillar III ESG report with reference date December 2024.

Data on taxonomy eligible and aligned activities of the financial corporations from whom MeDirect owns covered bonds was retrieved from annual reports, non-financial reports and green asset ratios. For some financial entities this data was not publicly available.

Table 8. GAR (%) [Template 8]
The purpose of this template is to show to what extent credit institutions' activities qualify as environmentally sustainable in accordance with Articles 3 and 9 of Regulation (EU) 2020/852 so that stakeholders can understand the actions put in place by the institutions to mitigate climate change transition and physical risks.

The template provides information regarding the Green Asset Ratio both for the current reporting period - KPIs on flows - and for the total - KPIs on stock - and divided by climate change mitigation and adaptation activity exposure.

Table 8.1. GAR (%) – KPIs on stock

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure reference date T: KPIs on stock															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors					Proportion of total assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1	**GAR**	56.28%	6.45%	-	-	-	0.06%	0.00%	-	-	-	56.34%	6.45%	-	-	-	90.19%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	56.28%	6.45%	-	-	-	0.06%	0.00%	-	-	-	56.34%	6.45%	-	-	-	90.19%
3	Financial corporations	20.46%	2.21%	-	-	-	0.40%	0.00%	-	-	-	20.85%	2.22%	-	-	-	9.42%
4	Credit institutions	20.46%	2.21%	-	-	-	0.40%	0.00%	-	-	-	20.85%	2.22%	-	-	-	9.42%
5	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Non-financial corporations subject to NFRD disclosure obligations	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	0.20%
10	Households	100.00%	11.49%	-	-	-						100.00%	11.49%	-	-	-	48.85%
11	of which loans collateralised by residential immovable property	100.00%	11.49%	-	-	-						100.00%	11.49%	-	-	-	48.94%
12	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
13	of which motor vehicle loans	-	-	-	-	-						-	-	-	-	-	-
14	Local government financing	-	-	-	-	-						-	-	-	-	-	-
15	Housing financing	-	-	-	-	-						-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	-

NOTE: the KPIs on stock of GAR are calculated after the data in template 7.

[17] Report - Advice to COM_Disclosure Article 8 Taxonomy.pdf (europa.eu)

Table 8.2. GAR (%) – KPIs on flows

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Disclosure reference date T: KPIs on flows															
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
		Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of total new assets covered
			Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable				
	% (compared to total covered assets in the denominator)			Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling	
1	**GAR**	74.79%	13.40%	-	-	-	4.33%	0.00%	-	-	-	76.28%	13.40%	-	-	-	42.22%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	74.79%	13.40%	-	-	-	4.33%	0.00%	-	-	-	76.28%	13.40%	-	-	-	42.22%
3	Financial corporations	26.46%	2.62%	-	-	-	4.33%	0.00%	-	-	-	30.39%	2.55%	-	-	-	14.47%
4	Credit institutions	26.46%	2.62%	-	-	-	4.33%	0.00%	-	-	-	30.39%	2.55%	-	-	-	14.47%
5	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Non-financial corporations subject to NFRD disclosure obligations	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	0.00%
10	Households	100.00%	19.02%	-	-	-						100.00%	19.02%	-	-	-	27.75%
11	of which loans collateralised by residential immovable property	100.00%	19.02%	-	-	-						100.00%	19.02%	-	-	-	27.75%
12	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
13	of which motor vehicle loans	-	-	-	-	-						-	-	-	-	-	-
14	Local government financing	-	-	-	-	-						-	-	-	-	-	-
15	Housing financing	-	-	-	-	-						-	-	-	-	-	-
16	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-						-	-	-	-	-	-

NOTE: KPIs on flows discloses the gross carrying amount of eligible and aligned new assets funding taxonomy relevant activities in the reporting period H1 2024. The proportion of taxonomy aligned assets in H1 2024 (KPIs on flows) is higher than the proportion for the whole portfolio of mortgage loans to households (KPIs on stock).

Table 9. Mitigating actions: Assets for the calculation of BTAR [Template 9]

Template 9 'Mitigating actions: Assets for the calculation of BTAR' is not mandatory until the Pillar 3 report with reference date December 2024. In H1'2024, MeDirect started retrieving taxonomy information of its counterparties in the Malta and International Corporate Lending portfolios through the distribution of an ESG questionnaire. Only one corporate counterparty out of the Malta Corporate and International Corporate Lending portfolios is subject to NFRD.

Out of the 26 active facilities in the International Corporate Lending portfolio, 25 are not subject to NFRD. Of those, 22 have publicly published or privately shared sustainability information with MeDirect through the ESG questionnaire. Of the 22 borrowers that disclosed sustainability information, only one disclosed taxonomy information for whom the percentage of taxonomy eligible and taxonomy aligned activities is zero. For the three counterparties that did not disclose sustainability information, MeDirect is actively approaching them to retrieve this information for the next submission, when Template 9 will be mandatory.

For the Malta corporate lending portfolio, composed mainly of SMEs, MeDirect included questions relating to the taxonomy activities of these companies in the ESG questionnaire. Given the lack of responses received from Maltese corporate borrowers, MeDirect will report the taxonomy information in the next Pillar 3 report.

Table 10. 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 green residential home loans in Malta (April 2022) and Belgium (December 2022) to promote energy-efficient homes which contribute to the emission reduction 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.

In 2024, MeDirect has also extended its offering of post-loan origination conditions products linked to energy efficiency for its Maltese retail mortgage lending portfolio to incentivise borrowers to reduce climate risks.

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. Green bonds are classified as green by Bloomberg if 100% of the net proceeds or amount equal to the net proceeds are used for eligible green and/or social projects.

Table 9. Other climate change mitigating actions that are not covered in Taxonomy

	a	b	c	d	e	f
	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
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	82.08	Yes	No	Investing in green bonds issued by European financial corporations certified as green by Bloomberg.
2		Non-financial corporations	-	-	-	-
3		Of which Loans collateralised by commercial immovable property	-	-	-	-
4		Households	-	-	-	-
5		Of which Loans collateralised by residential immovable property	-	-	-	-
6		Of which building renovation loans	-	-	-	-
7		Other counterparties	-	-	-	-
8	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	-
9		Non-financial corporations	-	-	-	-
10		Of which Loans collateralised by commercial immovable property	-	-	-	-
11		Households	5.87	Yes	Yes	Green home loans in the Belgian (5.348m) and Maltese (0.523m) retail markets for clients with a green EPC certificate (equivalent to a certain level of annual energy requirements in kWh).
12		Of which Loans collateralised by residential immovable property	5.87	Yes	Yes	
13		Of which building renovation loans	-	-	-	-
14		Other counterparties	-	-	-	-