MDB Group Limited

Pillar 3 disclosures report – Annual report
31 December 2024

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1 Introduction

(Article 431 (1), (2) CRR, 433 CRR and 433a CRR)

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 ("BCBS"), 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.

The Pillar 3 Disclosures have been prepared in accordance with the requirements in Article 433 of Part Eight of the Regulation (EU) 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"). A reference has been added in cases where the information addressing Pillar 3 requirements is included in other parts of the Annual Report. The frequency of Pillar 3 disclosures is determined by the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 ("Regulation (EU) 2021/637") laying down Implementing Technical Standards ("ITS") with regard to public disclosures by institutions. In this respect, refer to the Group's Semi-Annual and Quarterly Pillar 3 disclosure reports.

Appendix A contains a list of tables and templates disclosed and indicates the section in which they are integrated into the report. All tables and templates are defined according to the names as per the European Banking Authority's ("EBA") guidelines. Appendix B contains a list indicating the location of the information disclosed in the Pillar 3 Disclosures or the Annual Report and Financial Statements, in accordance with the relevant articles of Part Eight of the CRR or why such disclosure is not applicable for the Group. Appendix C provides a list of regulatory references whilst Appendix D provides a list of abbreviations.

The Pillar 3 Disclosures complement the Annual Report focusing primarily on the supervisory perspective, providing an overview of the Group's capital adequacy, Risk Weighted Assets ("RWAs"), leverage and other material risks such as but not limited to: credit risk, Counterparty Credit Risk ("CCR"), market risk, liquidity risk, and operational risk.

The disclosure requirements emanating from Articles 441, 437a, 445, 452, 454 and 455 of the CRR are not applicable to the Group.

The Group is required to disclose its return on assets pursuant to Banking Rule BR/07 "Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Maltese Banking Act (Cap. 371)" ("BR/07"). In this respect, the Group's return on assets for the financial year ended 31 December 2024 amounted to negative 0.1%.

On 28 November 2024, MDB Group's immediate parent company, Medifin Finance Limited, entered into a share purchase agreement with Banka CREDITAS a.s. ("Banka CREDITAS"), pursuant to which Banka CREDITAS agreed to purchase 100% of the share capital of the Company, subject to receiving all required regulatory approvals.

Banka CREDITAS is a Czech financial institution that is part of CREDITAS Group ("CG"), a privately-owned investment group with investments primarily in financial services, real estate (rental housing and development) and energy (distribution and generation). The financial services arm of CG has investments in banking, investment services, asset management, leasing and other related areas. Banka CREDITAS is interested in using the MeDirect banks to grow and diversify its financial services business into additional European markets. As such, it plans to retain both MeDirect banks and to invest additional capital to enable them to continue to build their businesses.

<u>Future changes</u>

The amending Regulation (EU) 2024/1623 ('CRR 3') introduces new and amended disclosure requirements stemming from the latest Basel III Pillar 3 reforms, and a mandate for the EBA to develop IT solutions, including templates and instructions, for the disclosure requirements laid down in the banking regulation. The new ITS implements the CRR 3 prudential disclosures by including new requirements on credit risk, Credit Valuation Adjustment ("CVA") risk and operational risk. These changes will be reflected in the Pillar 3 report as from Q1 2025.

1.1 Pillar 3 Disclosure Policy

(Article 431 (3) CRR)

As required under Article 431 (3) of CRR, the Group maintains a Pillar 3 Disclosures Policy, in order to comply with the requirements laid down in Part Eight of the CRR, the Malta Financial Services Authority ("MFSA") BR/07 and any associated EBA guidelines and technical standards. The Pillar 3 Disclosures Policy defines overall objectives, roles, and responsibilities with regards to preparation, verification, and approval processes. The policy is reviewed every twelve months, last approved in December 2024.

Basis of preparation

This Pillar 3 disclosures report (the "Disclosures") has been prepared in accordance with the Group's Pillar 3 Disclosures Policy, which requires that this report be prepared in accordance with requirements of Part Eight of the CRR, the MFSA BR/07 and other associated EBA guidelines and technical standards. The EBA released detailed guidelines on disclosure requirements which aim to improve the comparability and consistency of Pillar 3 disclosures across the banking industry. These guidelines provide detailed disclosure requirements for credit risk, CCR, market risk and capital requirements.

The consolidation of the Group's Financial Statements is based on the International Financial Reporting Standards ("IFRS") requirements, whereas the prudential consolidation in the statement of capital is based on CRR. All entities within the Group are subject to full consolidation both for accounting and regulatory purposes.

The information provided in this Pillar 3 report is unaudited by the external auditors but reasonable assurance is provided by the Bank's Internal Audit Function ("IAF") in accordance with the scope determined in the internal audit cycle plan. Refer to section "Governance process – verification and sign-off".

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 RWAs by article 92 of the CRR.

Scope of application

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

The Legal Entity Identifier code of MDB Group Limited is 213800TC9PZRBHMJW403.

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 Bank SA ("MeDirect Belgium") is exempt from full disclosure requirements laid down in Part Eight of the CRR, however being a "small and non-complex" institution" it is required to publish the disclosure requirements as per Article 433b CRR on an annual basis.

These disclosures present information about the Group's exposure to risks and the Group's objectives, policies and processes for measuring and managing risks and the Group's management of capital.

These risks principally relate to the MeDirect Malta Group and are managed by MeDirect Malta's Board of Directors. As a result, these disclosures present information about the financial risk management of MeDirect Malta and its principal subsidiary MeDirect Belgium.

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

Frequency of disclosures (Article 433 and 433a CRR)

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.

The new 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 Basel'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 required only on an annual basis, the comparative period will be to the prior year. For those disclosures only required on a semi-annual basis, the comparative period is 30 June 2024. Disclosures required on a quarterly basis generally include comparative information for 30 September 2024.

In line with regulatory requirements and the Group's policy, the Pillar 3 Disclosures are published on the Group's website within a reasonable period after the publication of the Group's annual Financial Statements.

Means of disclosures (Article 434 CRR)

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

Non-material, proprietary or confidential information (Article 432 CRR)

In line with the Group's Policy based on Article 432 CRR, the Group may omit certain disclosures due to these disclosures being immaterial, proprietary, or confidential. No information was omitted due to being considered proprietary or confidential.

Governance process – verification and sign-off

Consistent with the banking regulations, these Disclosures are not subject to external audit except where they are included within the Financial Statements. However, these Disclosures have been appropriately verified and approved internally by the Group's management and reasonable assurance has been provided by the IAF as required by the Group's Pillar 3 Disclosures Policy, including the review and approval of these disclosures by the Group Board Audit Committee ("BAC"). Subsequent to the approval of the Board Audit Committee, these disclosures are then submitted to the Board of Directors for authorisation prior to public dissemination. Based upon the Group's assessment and verification the risk and regulatory disclosures presented throughout this Pillar 3 Report appropriately and comprehensively convey the Group's overall risk profile as of December 31, 2024.

1.2 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 ("LCR") and net stable funding ratio ("NSFR"). They serve as high level metrics and form part of the 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 the Management Board at least annually.

EU KM1 - Key metrics[1]

		a	b	c	d	e
	Amounts in €millions	**31-Dec-24**	**30-Sep-24**	**30-Jun-24**	**31-Mar-24**	**31-Dec-23**
	Available own funds					
1	Common Equity Tier 1 (CET1) capital	218	212	218	215	210
2	Tier 1 capital	218	212	218	215	210
3	Total capital	263	259	264	259	255
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1,329	1,317	1,315	1,267	1,257
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.4%	16.1%	16.6%	17.0%	16.7%
6	Tier 1 ratio (%)	16.4%	16.1%	16.6%	17.0%	16.7%
7	Total capital ratio (%)	19.7%	19.7%	20.1%	20.4%	20.3%
	(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%	3.2%	3.2%	3%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.8%	1.8%	1.8%	1.8%	1.7%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.4%	2.4%	2.4%	2.4%	2.3%
EU 7d	Total SREP own funds requirements (%)	11.2%	11.2%	11.2%	11.2%	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 (%)	1.07%	0.99%	0.98%	0.64%	0.60%
EU 9a	Systemic risk buffer (%)	0.05%	0.04%	0.04%	0.04%	0.03%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 10a	Other Systemically Important Institution buffer (%)	0.9%	0.9%	0.9%	0.9%	0.8%
11	Combined buffer requirement (%)	4.5%	4.4%	4.4%	4.1%	3.9%
EU 11a	Overall capital requirements (%)	15.7%	15.6%	15.6%	15.3%	14.9%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.0%	7.7%	8.2%	8.6%	8.5%
	Leverage ratio					
13	Total exposure measure	4,925	4,966	4,899	4,766	4,790
14	Leverage ratio (%)	4.4%	4.3%	4.5%	4.5%	4.4%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%	3.0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	804	778	722	670	640
EU 16a	Cash outflows - Total weighted value	465	430	406	384	378
EU 16b	Cash inflows - Total weighted value	68	55	54	63	76
16	Total net cash outflows (adjusted value)	398	375	352	321	302
17	Liquidity coverage ratio (%)[2]	203%	207%	206%	210%	213%
	Net Stable Funding Ratio					
18	Total available stable funding	4,255	4,443	4,359	4,257	4,152
19	Total required stable funding	3,487	3,288	3,325	3,294	3,299
20	NSFR ratio (%)	122%	135%	131%	129%	126%

[1] Capital ratios and risk-weighted exposure amounts have been prepared on an IFRS 9 transitional basis.
[2] The 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 December 2024 was 183%.

Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds (Article 473a CRR)

The Group applied 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 had 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 allowed for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, so as to reflect the increase of the expected credit loss ("ECL") provisions within the transition period.

As laid down in Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 ("Regulation (EU) 2017/2395") and amended by Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 ("Regulation (EU) 2020/873"), the Group 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 in 2024, the Group will added back 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. This set of factors, started at 100% during the financial years ended 31 December 2020 and 31 December 2021 and fell 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 had 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 would instead risk weight the relevant amount at 100% and add it to the total risk weighted exposure amount.

As at 31 December 2024 there was no capital add-back (2023: €nil) on the Common Equity Tier 1 ("CET 1"), Tier 1 and Total Capital as well as RWAs and leverage exposure. Therefore template 'IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs" is not disclosed.

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.

1.3 Attestation by the Directors

The directors confirm that this Pillar 3 disclosures report, to the best of their knowledge, complies with Part Eight of the CRR, including, where relevant, any associated EBA guidelines and technical standards, and has been prepared in compliance with the Group's internal governance process including formal policies, internal processes and systems and internal control environment.

On behalf of the board

Bart Bronselaer Chairman	Jean-Claude Maher Chief Executive Officer

27 June 2025

2 Risk Management

(Article 435 (1) (b) CRR) (EU OVA)
Risk management is at the heart of MeDirect's strategic planning and management processes and has an important part to play in empowering customers navigate the financial world with confidence and autonomy. All business activities involve some degree of risk; to protect members, risks arising from business activities must be managed appropriately by:

- identifying risks through a robust assessment of principal risks and uncertainties facing MeDirect, including those that would threaten its business model, future performance, solvency or liquidity, or increase the potential for customer harm;
- effective decision making, ensuring the right risks are taken, in a way that is considered and supports the strategy, maintaining a reputation for high standards of business conduct;
- ensuring the risks taken are understood and controlled; and
- maintaining an appropriate balance between delivering customer value and remaining a prudent and responsible lender.

To ensure risks are managed consistently and rigorously, The Bank operates a Board approved Enterprise Risk Management Framework (ERMF) which defines how risks are managed across the principal risks. The framework sets out the risk management responsibilities of all colleagues within a Three Lines of Defence model. This ensures risk is properly managed throughout the Bank and that all risks are appropriately identified, assessed, managed, monitored and reported consistently. The Bank's independent risk function, which is led by the Chief Risk Officer, provides oversight and challenge of the Bank's risk management practices, whilst the Internal Audit function provides assurance of the effectiveness of the control environment for the Board. Through the framework, the Board formally sets its risk appetite, articulating how much risk it is prepared to take in the pursuit of its objectives. A robust suite of policies, standards and other resources translates this appetite into the localised risk management activities and controls which are operated on a day-to-day basis to protect MeDirect's customers and their money. The Board and Management committees receive regular reporting on the Bank's risk profile and key risk metrics to support them in monitoring the Bank's position relative to risk appetite. To provide a structure for Board Risk Appetite, MeDirect uses a Financial and Non-Financial risk categorisation model for the principal risks described below.

Principal Risk	Definition	Risk Committee
	FINANCIAL RISK	
Business Model & Strategy Risk	Strategic Risk is the risk to the Group's current or projected financial position resulting from changes in the macroeconomic environment, competitive landscape, regulatory changes, adverse business decisions, poor implementation, lack of resources, processes and technology to deliver products and services. The Group's risk taxonomy is embedded in all strategic decision making and financial forecasting activities.	Enterprise Risk Management Committee
Capital Adequacy Risk	The risk that the Group fails to maintain sufficient capital to absorb losses throughout a full economic cycle and to maintain the confidence of current and prospective investors, customers, the Board, and regulators.	Assets and Liabilities Committee
Liquidity Risk	Liquidity risk is the risk of the Group being unable to generate sufficient funding resources to meet financial obligations as they fall due in business as usual and stress scenarios. Funding risk arises from higher funding costs or lack of availability of funds.	Assets and Liabilities Committee
Credit Risk	The risk of loss as a result of a customer or counterparty failing to meet their financial obligations.	Management Credit Committee
Market Risk	The risk of an adverse change in its financial situation resulting directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities and from adverse movements in interest rates, credit spreads and foreign exchange rates. This can affect the Group's profitability (Net Interest Income (NII)) and capital measures.	Assets and Liabilities Committee
	NON-FINANCIAL RISK	
Operational Risk	Operational risks that can arise and impact operational processes, systems and controls, disruptions to customers, damage to reputation and detrimental impact on financial performance.	Enterprise Risk Management Committee
IT & Information Security Risk	IT and Information Security Risk is defined as the loss due to breach of confidentiality, failure of integrity of systems and data, unavailability of systems and data or inability to change IT within a reasonable time and costs when the environment or business requirements change. This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security.	Enterprise Risk Management Committee
Compliance & Financial Crime Risk	Compliance Risk arises due to risk of financial costs and reputational damage associated with non-compliance with internal policies, procedures and code of business, as well as consequences from non-compliance with specific local or international rules, regulations, prescribed practices or ethical standards.	Compliance and Financial Crime Committee
Regulatory Risk	Risks that may arise as consequences from non-compliance with specific local or international rules, regulations, prescribed practices or ethical standards. Regulatory risks may also arise from the failure to meet deadlines for regulatory submissions, queries and/or requests for information from different regulatory bodies and supervisors.	Compliance and Financial Crime Committee
Reputational Risk	Reputational risk is the risk of loss resulting from damages to a firm's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value, consequent to an adverse or potentially criminal event even if the Group is not found guilty.	Enterprise Risk Management Committee
Sustainability Risk	Sustainability risk ("ESG risk") refers to an ESG event or condition that, if it had to occur, could cause an actual or a potential material negative impact on the value of the investment" impacting directly or indirectly the financial value of the business. Sustainability risks might have a negative consequence for MeDirect and its customers and counterparties impacting its financial and market position.	ESG Committee

The Group's risk appetite is established by the Board of Directors, and it defines the type and quantum of risks the Group is willing to accept in achieving its strategic objectives. It ensures that business activities provide an appropriate balance of return for the risks assumed, and that they remain within a suitable level for the Group.

The Group has in place a Risk Appetite Framework ("RAF") that outlines the overall approach, governance processes, controls and systems through which risk appetite, risk limits and thresholds are established, communicated and monitored. The RAF aligns to the main risks the Group manages in pursuit of its strategy.

The main component of the RAF is the Risk Appetite Statement ("RAS") which is interlinked with the Group's strategic and financial plans, as well as remuneration practices. In line with the Group's Risk Appetite Policy, the RAS evaluates material risks of the Group in order to produce both qualitative and quantitative metrics, covering financial risks and non-financial risks and providing both entity and business lines specific details. Additionally, Climate-related & Environmental Risk ("CER") are not considered as a stand-alone risk category, but are embedded within the different risk themes. This ensures that CER are integrated into the Group's overall RAF.

Risk Appetite Limits ("RALs") define the quantitative levels of the risk appetite expressed for specific risks, where quantification is viable, to ensure that the actual levels of risk are within the agreed-upon risk appetite. The Risk Appetite notification thresholds determine the level of risk exposure above which risks are addressed and below which risks may be accepted at Executive Management level.

Capital adequacy	
Risk Metric	Actual (December 2024)
CET1 Capital Ratio	16.4%
Tier 1 Capital Ratio	16.4%
Total Capital Ratio	19.8%
Leverage Ratio	4.4%
Liquidity	
Risk Metric	Actual (December 2024)
LCR	183%
NSFR	122%

Performance and adherence to risk appetite is performed at the Board Committee level (supported by the Board Risk and Compliance Committee ("BRCC"), BAC, and Nomination and Remuneration Committee) and at Executive Committee level, including the Management Executive Committee ("EXCO"), Enterprise Risk Management Committee, Management Credit Committee ("MCC"), Compliance and Financial Crime Committee ("CFCC"), Model Governance Committee ("MGC"). Assets and Liabilities Committee ("ALCO"), ESG Committee and Operations Committee ("OpsCo"). The Group's risk appetite is established by the Board of Directors, and it defines the type and quantum of risks the Group is willing to accept in achieving its strategic objectives. It ensures that business activities provide an appropriate balance of return for the risks assumed, and that they remain within a suitable level for the Group.

The Group has also established a set of Key Risk Indicators ("KRIs") that are additional risk metrics intended to supplement the RALs. These are monitored as part of the holistic risk management across risk types and are intended to measure and reflect the negative impact on the Group's performance.

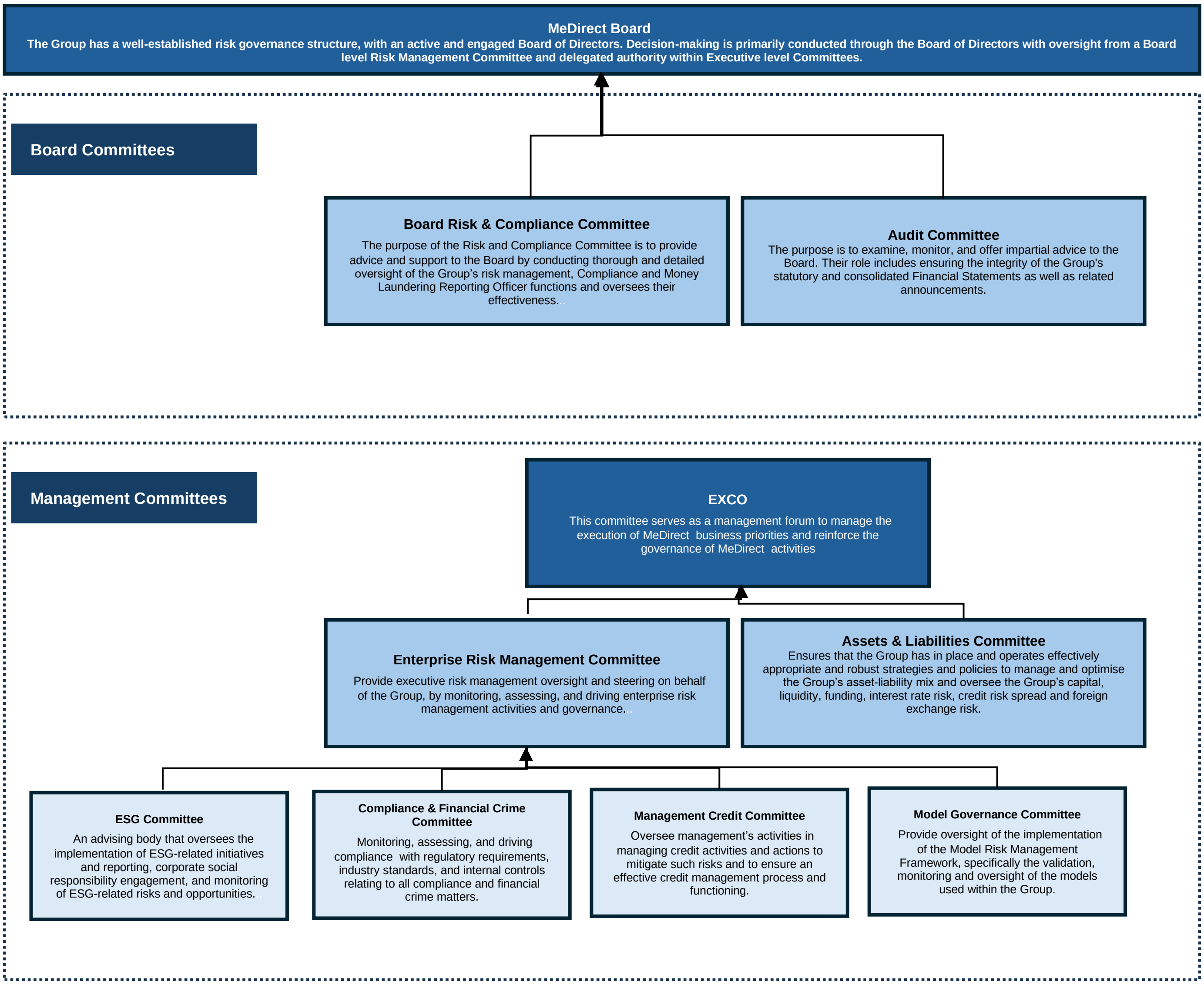
In all circumstances, the Group sets its RALs within its Risk capacity, meaning it limits its appetite within the maximum level of risk the Group is able to assume given its capital base, its risk management and control capabilities, and its regulatory constraints. The Group has also implemented early warning notification thresholds to allow sufficient notification time for corrective measures being implemented where required.

2.1 Risk Governance

Point (b) of Article 435(1) CRR

The Group has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team and a centralised Risk Management Function that is independent of the business lines. Decision-making is primarily conducted through the Board of Directors with oversight from a Board level Risk and Compliance Committee and delegated authority within Executive level Committees.

The key elements of the Group's risk governance infrastructure are described in the Group's Corporate Governance Memorandums. This governance memorandum supports other internal documents such as the Group's Articles of Association, Terms of Reference for the Board of Directors and its standing committees, and the Code of Business Conduct and Ethics.



The Board of Directors

The Malta Board of Directors of the parent and subsidiary are composed of both executive and non-executive Directors. The Board of Directors, either directly or through its committees, ensure that decision-making is aligned with the Group's strategies and risk appetite. For each Board meeting, the members are provided with reports covering the key risks of the Group as well as updates on the Group's financial performance. The Board of Directors approve key policies, business and sustainability strategy and risk appetite.

The list of members who served on the Board of Directors can be found in the respective "Board of Directors" section of MDB Group Limited Annual Report and Financial Statements for the financial year ended 31 December 2024.

The Board has established committees to assist it in carrying out its responsibilities, where each committee must act in accordance with a Terms of Reference document as approved by the Board setting out matters relevant to the composition, responsibilities, authority and reporting of the committee, and such other matters as the Board considers appropriate. The Board-level committees may only act with delegated authority from the full Board within the limits of the authority reserved by the Board itself.

The Board has established the following committees:

- Audit Committee;
- Risk and Compliance Committee; and
- Nominations and Remuneration Committee ("NRC").

Board Audit committee

The purpose of the Board Audit Committee ("BAC") is to thoroughly examine, monitor, and offer impartial advice to the Board. The BAC monitors the quality and integrity of the Group's statutory and consolidated Financial Statements and related announcements, and reviews key financial judgments and accounting policies. In addition, the BAC oversees the design adequacy and operating effectiveness of the Bank's internal control framework and governance structure and its financial reporting processes, through the activities of the IAF and the external auditors, as well as issues related to values, ethics, and governance.

In this context the BAC steers the Group's relationship with External Auditors and other external assurance providers and monitors values, ethics, and governance topics. The MeDirect Finance function, the IAF, External Auditors and other assurance providers present their activities and reports to the BAC for thorough review and examination.

Board Risk and Compliance committee (Article 435 (2)(d) CRR) (EU OVB)

The BRCC is delegated with the authority from the Board to monitor the execution of the risk strategy, with the Board oversight through the review of Management Information ("MI") packs and verbal updates from the Chair of the Risk and Compliance Committee and the Chief Risk Officer ("CRO").

The Board Risk and Compliance Committee is tasked with reviewing and advising on the strategies and policies related to risk management, monitoring, and mitigation for the Group. It conducts thorough oversight of the Group's risk management and compliance practices, presenting summaries and recommendations to the Board for action. Additionally, the Committee evaluates the Group's high-level controls and reporting frameworks to ensure they align with the Group's risk appetite. It also oversees compliance functions and related party transactions, with separate committees established for MeDirect Malta and MeDirect Belgium to address specific risk and compliance issues.

The Board Risk and Compliance Committee met nine times during the financial year.

Nominations and remuneration committee

This committee is responsible for making recommendations to the Board regarding key appointments, which include:

- Board appointments including re-elections and succession planning, particularly in respect of Executive Directors;
- Membership of board committees; and
- Endorsement of senior executive appointments.

Additionally, the committee monitors the performance of directors and ensures that their professional development is adequately supported.

The committee also reviews the establishment of remuneration levels - both fixed and variable - as well as the structure of variable remuneration for senior executives and material risk-takers (MRTs) within the Group, as defined in the Group's Remuneration Policy. In this context, it receives recommendations from the executive management of the Group for consideration and approval.

Furthermore, the committee ensures that the Group's Remuneration Policy, along with the structure and levels of remuneration, complies with applicable laws and regulatory guidance, aligns with best practices, and supports the long-term sound and prudent management of the Group.

Executive Management Committee

The Board entrusts the Group Chief Executive Officer ("CEO") with the day-to-day management of the Regulated Group, who also leads EXCO. This committee is tasked with overseeing the execution and implementation of the strategy approved by the Board. In accordance with the Belgium Banking Act, a dedicated Executive Committee (EXCO) for MeDirect Belgium has also been established. EXCO serves as the primary forum responsible for managing the Group's business model and regulatory environment across various jurisdictions, ensuring the efficient operation of activities, reporting directly to the Board through the CEO.

While EXCO maintains ultimate responsibility for its actions, it has the authority to delegate responsibilities to various management committees, each operating under their own defined terms of reference.

- Enterprise Risk Management Committees;
- Assets and Liabilities Committee;
- Investment Services and Commercial Committee;
- Operations Committee; and
- Project Delivery Oversight Committee.

Internal control functions

The Internal Control Framework is implemented through the three Line of Defence ("LOD") model. The 1st line of defence (1st LOD) comprises the business line management, and the internal control functions represent the 2nd and 3rd LOD. The internal control functions are independent of the 1st LOD with the Heads either being a member of the Board, or reporting directly to the Board and its Committees.

A) Risk team

The Risk Management Function, under the leadership of the Group CRO is responsible for the execution of the Group's risk strategy and ensuring it is effectively communicated to all relevant stakeholders. These stakeholders include business lines as well as internal control functions such as (together with the Risk Function) the Compliance and the IAF. The risk strategy as approved by the Group Board, is also shared with the subsidiaries of the Group, enabling them to operate independently while remaining aligned with the parameters of the risk strategy as approved by the Group.

The Risk Management Function ensures that each component of the risk strategy is subject to an appropriate governance and escalation process. The governance processes are primarily described and documented in the following documents:

- The Risk Management Framework ("RMF");
- The Risk Appetite Framework ("RAF");
- Corporate Governance Framework;
- ICAAP & ILAAP Governance Framework;
- Recovery and Resolution Plan; and
- Stress Testing Framework ('STF').

B) Compliance team

MeDirect Bank is committed to maintaining a robust compliance framework in line with applicable regulatory requirements, including those set by Regulators which supervise the Bank. The compliance department ensures adherence to conduct and anti-financial crime regulations by implementing comprehensive policies, procedures, and monitoring mechanisms. As part of its risk management strategy, MeDirect continuously assesses regulatory developments and integrates them into its internal governance framework to enhance transparency and customer protection.

The Compliance Function which covers both Regulatory and Financial Crime Compliance, has increased in size over the last three years, and has also grown significantly in terms of expertise and resource allocation.

The Compliance Function is positioned independently from the business they supervise. This independent position is characterised by, amongst other things, independent reporting, unrestricted access to Board of Directors and senior management as well as periodic meetings with their respective reporting lines as well as the BRCC.

C) Internal audit team

Over the past years the Group has gradually strengthened the IAF by not only adding more expert and management staff but also by introducing a fully integrated audit process model.

Keeping pace with the expansion of the mortgage loan and wealth management business lines across various jurisdictions, the growing importance of ESG/CER and the continued integration of the intra-group internal control framework, recourse is by the IAF, when relevant, made to external co-sourcing to add specific expertise and capacity.

The Group Chief Internal Audit Officer has a direct reporting line to the Group Board Audit Committee, attends the MeDirect Belgium Audit Committee (as a permanent invitee) and has an administrative reporting line to the Group CEO. The MeDirect Belgium Head of Internal Audit directly reports into the Belgian Audit Committee, is an administrative report of the Belgium CEO and liaises on a functional level with the Group Internal Audit Officer.

Operational audit processes (audit plan, tools, methodology and resource/expertise pool) are fully integrated. Also the interaction between the respective Audit Committees was stepped up since 2024 to catalyse a more holistic monitoring of the MeDirect audit universe and steer the internal audit activity in a more efficient and effective way.

D) Legal team

The Legal team led by the Head of Legal, and supported by the General counsel, is composed of individuals that have the necessary qualifications and expertise to meet the increasing requests received by the team.

E) Finance team

The finance team fosters a culture of accountability. Through dashboards, and regular reporting, key data is shared with operational teams to empower them to understand the financial implications of their actions, while maintaining the independence needed to challenge decisions when necessary. The finance team does not just support the business but they safeguard it, ensuring that financial integrity and risk awareness are embedded across MeDirect.

F) Regulatory Affairs and Sustainability team

The Regulatory Affairs and Sustainability areas were merged into one consolidated function in 2024, given the regulatory importance that the Sustainability field has been gaining in the international sphere.

The Regulatory Affairs function is responsible for the coordination of responses to information requests or queries that the Group, including MeDirect Belgium, receives from various regulatory bodies, including the JST, the NBB, the MFSA, the CBM, and the Single Resolution Board. It acts as the main liaison between the Group and the JST, as well as other regulatory/supervisory bodies. The Regulatory Affairs function coordinates the supervisory dialogue meetings that are held periodically between the Group and the JST. The Group is subject to an annual SREP by the JST and may also be subject to on-site inspections ("OSIs") where the function acts as the main point of contact on behalf of the Group. The Regulatory Affairs team ensures that action plans to address regulatory requests are endorsed internally and that remedial action is being taken accordingly.

G) Corporate Governance Team

The Corporate Governance team, reporting directly to the Head of Legal, is a vital component of the Company Secretary team. This dedicated group focuses on establishing effective governance practices that comply with relevant legislation and regulatory guidelines. They also provide essential support to the Chairs of the Board and Board Committees, assisting the Nominations and Remuneration Committee with Collective Suitability Assessments and Board Effectiveness reviews. Furthermore, this team is instrumental in implementing robust processes for managing and maintaining centralised internal policies, ensuring the smooth approval and upkeep of documents throughout the Group.

Corporate governance memorandum

The key components of the Group's Banking entities, as outlined in the Corporate Governance Memorandum, detail the structure, management, and transparency among these entities. This includes internal frameworks and policies that promote effective governance, ensuring compliance with national and EU laws. The framework undergoes an annual review or reassessment with significant changes in the business model or internal structure. This memorandum is essential for maintaining sound governance practices, managing risks, and ensuring legal compliance, serving as a reference for the board, management, and stakeholders.

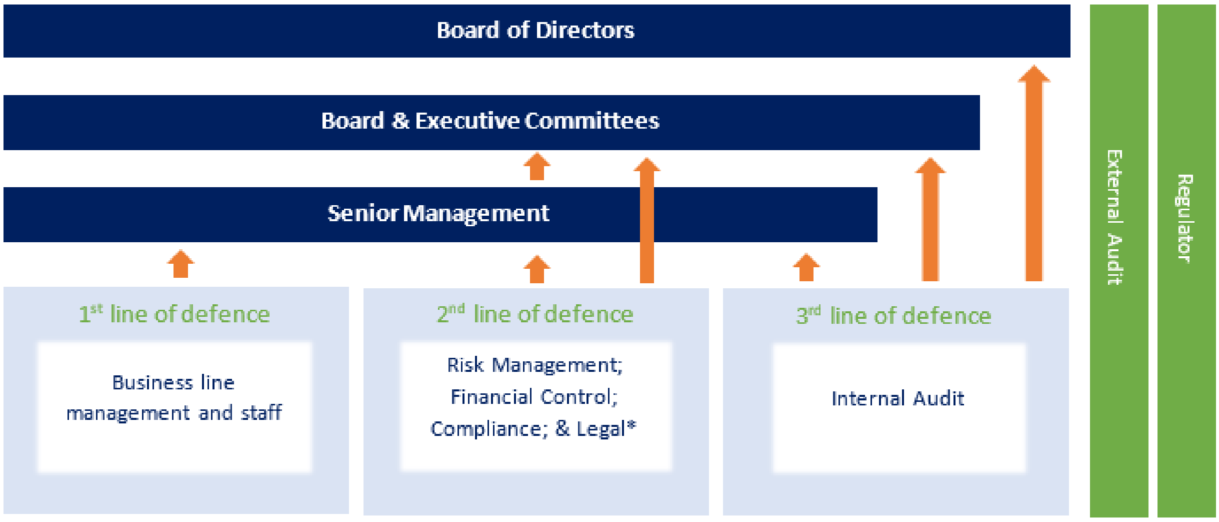
Policy standards

The Group upholds a centralised policy library designed to provide internal stakeholders with essential transparency, thereby supporting the operational integrity of the organisation. A standardised policy framework delineates the Group's strategies and best practices for creating new internal documents or revising existing ones. To ensure continued relevance and compliance with current regulations and developments, internal documents are reviewed and updated periodically as needed. Additionally, training and awareness sessions are organised each year to ensure that staff are informed about any new developments or changes to existing internal processes and controls.

2.2 Risk Management Function

Article 435 (1) (b) CRR) (EU OVA)

The Group has adopted a risk management and internal control structure, referred to as the 'Three Lines of Defence', to ensure it achieves its strategic objectives while meeting regulatory and legal requirements and fulfilling its responsibilities to shareholders, customers and staff.



*On occasions the Legal team also performs duties within the first line of defence

In the three lines of defence model, business line management is the first line of defence (including those functions that are responsible for day-to-day operations and treasury function), the various risk control and compliance oversight functions established by management represent the second line of defence, and an independent internal audit function is the third. Each of these three "lines" play a distinct role within the Group's wider governance framework.

Although neither governing bodies nor senior management are considered to be among the three "lines" in this model, these bodies are the primary stakeholders served by the "lines", and they are the parties best positioned to help ensure that the Three Lines of Defence model is reflected in the Group's risk management and control processes.

The responsibilities of the Risk Management Function are to protect consumers and stakeholders. Risk Management ensures that MeDirect has a robust risk management framework and strategy covering all areas of risk: Business, Credit, Financial, Operational, Conduct and Regulatory. This is supported by a positive culture where the identification and management of risk is ingrained to protect the Bank from unforeseen losses and financial instability. The Risk Management Functions objectives are to:

PROMOTE SUSTAINABLE GROWTH	To protect and act as guardians for the sustainability of the Group's financial standing, capital and liquidity adequacy, reputational standing, operational continuity and customer & stakeholder protection
ENABLE STRATEGIC OBJECTIVES	To enable the Group to prudently deliver its strategic objectives within its defined risk appetite
STRONG RISK CULTURE	Continue to embed a sound risk culture through clearly defined risk policies, balanced objectives, risk-adjusted returns, alongside communication, training and awareness programmes across all stakeholders
ROBUST RISK MANAGEMENT PRACTICES	Drive a continuous improvement culture around risk management practices and tools and systems that encourage timely self service of risk data
SOUND RISK IDENTIFICATION	Ensure suitable systems, methodologies and quantification tools are in place to appropriately assess and identify current and emerging inherent risks
EFFECTIVE RISK CONTROLS	Drive the implementation of suitable risk controls frameworks, including assessment of control effectiveness and residual risks, particularly in significant periods of change
EXCEPTIONAL PEOPLE	Create both depth and breadth of experience across all risk disciplines with a well trained, experienced and supported team

The Group's Risk Management Function falls under the responsibility of the CRO who is independent from the business lines. The CRO is responsible for a number of sub-functions that represent different risk areas namely, risk analytics, financial and market risk, credit risk, operational risk, IT and information security risk, and data protection.

Risk Management Function	Main responsibilities
Risk Analytics	Oversight of the Group's capital and liquidity risk, stress testing and performance tracking of the Group's asset and liability portfolios, including off-balance sheet commitments. The team is responsible for key internal capital and liquidity risk management documents, specifically the Group's ICAAP, ILAAP and Recovery Plan.
Financial & Market Risk	Oversight of all IRRBB, Credit Spread Risk in the Banking Book ("CSRBB") and Foreign Exchange ("FX") risk, including assessment and analysis of respective asset and liability behavioural modelling related assumptions. It is responsible for leading the ongoing development of market risk models including model design, calibration, stress testing and shock analysis of both earnings and income related interest rate risk scenarios, risk reporting and related model governance.
Credit Risk	Independent review of the corporate credits both when they are initially proposed to the Credit Committee and throughout their lifecycle. It is the role of the Credit Risk team to discuss and challenge credit proposals, credit monitoring and other credit related information presented by the Corporate Credit team. The team is also responsible for the management and monitoring of the structured finance portfolio. The Credit Risk function is additionally responsible for reviewing and assigning internal credit classifications, making recommendations for credit provisioning and/or write offs and the annual review of the Group's credit policy and associated credit framework
Operational Risk	The Operational Risk Management ("ORM") function provides the framework for the business to identify, assess, mitigate and monitor operational risks. The team is responsible for the ongoing management of the Group's Operational RMF covering five main pillars, namely: the identification and categorisation of operational risks, measurement and monitoring of operational risks, reporting of operational risks, incident management process and business continuity. The function also facilitates the Risk & Control Self-Assessments ("RCSAs") process and the control testing methodology. The ORM Function is also responsible to manage the Reputational RMF and the Anti-Fraud Policy.
IT Security Risk	The team is primarily responsible for implementing the Information security strategy of the Group by ensuring that the Group adheres to international information security best practices, which includes identifying and keeping visibility of IT security risks affecting the Group. Responsibilities include the implementation and ongoing management of IT security technologies, coordinating and following up on vulnerability assessments and penetration tests, and managing information security incidents.
Data Protection Risk	The Data Protection function holds the responsibility of the Group's Data Protection Officer who is responsible for the Group's Data Protection Policy, the Group Voice and Teams Recording Policy and the Group's Data Retention and Archiving Policy. It focusses on advising the Group and all its employees about their obligations to comply with Data Protection Regulations, namely 'General Data Protection Regulation ("GDPR")', train its staff and conduct internal controls. This function shall maintain a data inventory for all its key business processes where there is extensive processing of personal data.

The CRO is a standing attendee of the Group BRCC, a member of the Group Board and also has the unchallenged authority to meet members of the BRCC or other Non-Executive Directors without the presence of the CEO or other Executive Directors. Among the list of responsibilities, the CRO is:

- Responsible for promoting a strong risk culture;
- Ensuring that the risk management function is adequately resourced, taking into account the complexity and risks of the Group and Belgian Bank as well as their RAF and strategy;
- Actively involved in key strategic decision-making processes from a risk perspective, challenge management's decisions and recommendations, and retains a right of veto for declining transactional decisions such as credit risk originations;
- Responsible for assessing and controlling financial and non-financial risks;
- Involved in the design and setting of risk appetite, risk limits, notification thresholds and key risk indicators ("KRIs"); and
- One of the key contacts for regulatory matters, including supervisory dialogue.

In line with the EBA guidelines on internal governance, the Group's Risk Management Function has direct access to the members of the Board and the Group BRCC, as well as all business lines and other internal units that have potential to generate risk as well as oversight of all relevant subsidiaries. Nevertheless, the Risk Management Function is independent of the business lines and units whose risks it controls.

The CRO is a member of various Executive Committees ("EXCOs"), holding the role as Chair of the Enterprise Risk Management Committee ("ERMC"), MCCs and Model Governance Committee ("MGC"); as well as being a standing member of the Malta EXCO; OpsCo and ALCO and Compliance and Financial Crime Committee ("CFACC"). The CRO is also involved in various Steering Committees and has delegated approval responsibilities when required.

The CRO for MeDirect Belgium is based in Belgium and reports to the Board of Directors for MeDirect Belgium indirectly through the BRCC. The two CROs work closely together in order to ensure adequate flow of information within the Group structure.

]2.3 Management of key risks
(Article 435 (1) (b) CRR) (EU OVA)

Risks are identified in the context of the business model and strategy of the Group, and within the parameters of the risk appetite of the Board. Other objectives should also be taken into consideration, such as operational objectives and business targets; financial reporting objectives and compliance objectives.

The Risk Management Function has developed methodologies to identify the exposure of the Group to risk and uncertainty. Each of the Group's risk functions are responsible for assessing and identifying key risks and themes within their areas of responsibility. Once the key risk exposures and themes are identified, then each respective risk function also evaluates the ability of the Group to adequately control or mitigate the risk, avoid the risk, or transfer the risk where possible. The Risk Management Function also actively involves both business lines and functions to ensure a holistic assessment of risk identification is undertaken, otherwise referred to as top-down and bottom-up approaches.

The Group has established a robust and extensive risk management reporting framework, placing high importance on regular and transparent reporting mechanisms that enable the members of the Board, its committees and relevant units to understand the key risks and to take corrective action, when required, in a timely and accurate manner.

The Group's risk monitoring and reporting is consistently applied at a consolidated level, as well as on a solo level for MeDirect Malta and MeDirect Belgium. The risk reporting for MeDirect Belgium is conducted jointly by the Group and MeDirect Belgium's Risk Management functions with oversight and direction from the MeDirect Belgium's CRO. The monitoring of each risk pillar falls under the responsibility of specific teams within the Risk Management Function. Currently each risk team reviews and updates policies and associated risk frameworks that include information on internal processes and risk reporting responsibilities.

The Group's risk reporting framework includes various risk management reports. Where possible, the Group incorporates trended analysis into its risk reports, both to draw attention to the evolution of themes in the portfolio's risk profile and to increase confidence in the integrity of the information shown.

The Group's formal risk reporting schedule and processes have been designed to comply with Basel's "Principles for effective risk data aggregation and risk reporting" BCBS 239 (June 2012, revised January 2013). In particular, reporting frequencies have been established in accordance with Principle 10, with real time reports produced daily (either system-generated or created by operational departments) and more in-depth reports produced monthly.

Board oversight

The BRCC is responsible for reviewing the Group's risk in sufficient detail that it can assess whether they are consistent with the Group's risk appetite, and for reviewing management's proposed course of action if not. It may then endorse these plans or require them to be altered, as appropriate. It is also responsible for assessing the Group's high-level controls, limits, and risk aggregation and reporting framework to ensure that these are sufficient to maintain the level of risk within its appetite.

The Group has also in place a set of Key Performance Indicators ("KPIs") that are quantifiable measurements with the ultimate purpose of enabling decision-makers to act quickly and continue driving the business forward. The set of financial KPIs are aligned with the Group's RAF and are benchmarked against industry standards. The set of financial KPIs are approved by the Board.

Reporting to the Board and Board Risk and Compliance Committee

Monthly Risk report

The Board of Directors and BRCC receive a comprehensive Group risk report for each month, compiled by the Group Risk Management Function with an executive summary written by the Group CRO. The content, scope and frequency of the risk disclosures provided to the Board of Directors and the BRCC were determined following discussions with the Board of Directors and the BRCC respectively.

The CRO's executive summary is qualitative in nature and covers each of the Group's material risks. This commentary is also supported by a much more detailed report, the Group risk management report. This report is prepared on a consolidated basis as well as for MeDirect Belgium. The risk management reports are mainly divided into two sections: Risk Shaping Matters and Risk Oversight.

Weekly Risk report

Alongside the monthly Group risk management report, the members of the Board of Directors and BRCC also receive a risk report on a weekly basis outlining the status of key risks of the Group, including historical trends of the regulatory capital and liquidity metrics and liquidity position. The weekly risk report is prepared on a consolidated basis as well as for MeDirect Belgium. These risk reports prove that the Group has a comprehensive risk reporting structure in place covering all the relevant risks. These also act as a centralised and critical means for reporting enterprise-wide risks facing the Group.

Risk culture

A strong risk-aware culture is defined as all employees of the Group being aware of their responsibilities towards the clients, colleagues and the institution itself, and their ability to manage risks on a day-to-day basis, taking into account the institution's policies, procedures and controls. The Group is aware that instilling a risk culture is key to delivering sustainable growth and profitability and strives to continuously improve its risk culture through policies, communication and training of staff, which is done through a number of initiatives. These are namely, continuous training events, risk awareness notifications and campaigns, eLearning and mandatory Employee Training programmes, as well as embedding a culture of speaking-up being encouraged across the institution.

Internal escalation process

The Group has escalation processes in place that ensure that any information concerning RAL breaches and/or recovery indicator breaches is escalated without delay, to both the Board and the regulatory supervisors. Governance arrangements and escalation procedures are adequately specified for the Group, MeDirect Malta and MeDirect Belgium.

The Group, MeDirect Malta and MeDirect Belgium make a distinction between critical RALs and non-critical RALs. Breaches of critical RALs require prompt notification and escalation to the Board. For consistency, those metrics identified as critical within the RAS, are also considered as critical for recovery planning purposes.

While setting RALs, the Group adopts a 'traffic light approach' in which each stage of alert triggers a predetermined escalation process. This approach also features two additional stages of alert beyond RALs to inform the Group's management that the recovery plan could potentially be invoked.

If the Group were to breach its risk appetite, the Group has Capital Conservation Plans, Contingency Funding Plans, and if required, a Group Recovery Plan that outlines a number of management actions that the Executive Committee and the Board should take at different levels of severity. In certain cases, the Crisis Management Group may also be convened. Breaches of any of the risk policies are reported to the Committee that oversees the policy such as ERMC, MCC or ALCO, with the possibility of escalation to Board Committees as outlined in the respective policies.

Stress testing

Stress testing is an integral element of the Group's risk management process, strategic planning, capital planning and liquidity planning. The Group applies various degrees of severity whilst ensuring the plausibility of the assumptions and scenarios. The stress testing methodology covers both idiosyncratic and macro-economic scenarios as well as a combination of both.

Stress testing is used to assess the effect of a given scenario, or shock, on the Group's statement of financial position, income statement and regulatory capital, leverage and liquidity ratios, and as a result the Group's ability to sustain any potential loss. In addition, stress testing is also used as a complementary framework to other measures of risk such as Economic Capital ("EC").

The outcome of the stress testing determines the Group's capacity to sustain any potential loss in an adverse scenario and circumstances in the context of the ICAAP and the ILAAP.

In addition to the traditional internal and regulatory stress testing exercises, the Group also engages in reverse stress testing by addressing the related question of how severe an adverse event is before the Group is not able to survive it. Reverse stress testing is used as a regular risk management tool in order to improve the awareness of current and potential vulnerabilities faced by the Group. Reverse stress tests are also used as part of the Group's business planning and risk management to understand the viability and sustainability of the Group's business model and strategy.

These stress testing processes within the ICAAP, ILAAP and Recovery Plan are primarily conducted by the Group Risk Management Function, under the responsibility of the CRO. The elements of the assumptions and scenarios that are used during the stress testing are discussed during the ALCO and the ERMC, and are then reviewed by the BRCC and approved at Board level.

2.4 Information on risk management, objectives and policies by category of risks

(Article 435 (1) (a) – (d) CRR)

Risks are identified in the context of the business model and strategy of the Group, and within the parameters of the risk appetite of the Board. Other objectives are also taken into consideration:

- *Financial reporting objectives:* these relate to the preparation of reliable published Financial Statements and regulatory reporting;
- *Operational objectives and business targets:* these relate to the achievement of the Group's mission statement and address the effectiveness and efficiency of the Group's operations; and
- *Compliance objectives*: these relate to adherence to laws, rules and regulations to which the Group is subject, as well as prudential regulatory requirements.

The Risk Management Function has developed methodologies to identify the exposure of the Group to risk and uncertainty. Each of the Group's risk functions are responsible for assessing and identifying key risks and themes within their areas of responsibility. Once the key risk exposures and themes are identified, each respective risk function also evaluates the ability of the Group to adequately control or mitigate the risk, avoid the risk, or transfer the risk where possible. The Risk Management Function also actively involves both business lines and functions to ensure a holistic assessment of risk identification is undertaken, otherwise referred to as top-down and bottom-up approaches.

2.4.1 Credit risk

(Article 442 (a) – (b) CRR [EU CRB] and Article 435(1) – As required by Annex XV for the Template EU CRA: 'General qualitative information about credit risk')

Credit risk is the risk of loss for the Group's business or of an adverse change in the financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit loss event (e.g. downgrade or default). The willingness to take on credit risk is focussed on risk-adjusted returns, in that the interest margin received after operational costs will outweigh any credit losses incurred, is a key part of the Group's business model.

Credit risk profile

The Group's credit risk emanates from four main sources: from its corporate lending activities, its mortgage lending activities, its investment in the Securitisation portfolio, including the 5% vertical risk retention held in relation to the securitisation that was originated by the Group, and from its treasury activities. The Group's corporate lending activity is mainly composed of its international syndicated corporate loans portfolio, as well as a portfolio of corporate lending in Malta mainly backed by real estate property. Credit risk arises primarily in the form of deterioration in credit quality leading to an obligor defaulting on debt instruments held in the Group's investments portfolio or on loans extended to corporate counterparties or mortgage borrowers in the Netherlands, Belgium, and in Malta.

Apart from these main sources of credit risk, the Group does take on credit risk in other areas too; these are listed in the following table along with the key risk mitigants. To the extent that new products and services are offered to the Group's customers that involve the extension of credit, the Group's approach is to require similar controls and mitigants to be put in place.

Source	Mitigant
Secured financing (high-quality liquid asset securities)	Being a securities lender/cash borrower: intrinsically a risk mitigant since correlation leads to a "right-way" exposure.
	Execution under market-standard Global Master Repurchase Agreement ("GMRA") documentation with major counterparties, or at Eurex Clearing AG ("Eurex"), CBM or NBB; with daily margining.
	Concentration limits embedded in the RAS.
Secured financing and revolving credit facilities (less liquid assets)	Execution only with top-tier international counterparties.
	Limits by counterparty.
Exposure to hedging counterparties	Execution under market-standard International Swaps and Derivatives Association ("ISDA") documentation with major counterparties; daily margining. All Interest rate swaps are cleared through Eurex which limits counterparty risk.
	All hedging instruments are highly liquid and based on easily observable market data.
Lending to local corporate customers	Malta corporate lending is extended against tangible collateral, notably residential and commercial real estate, subject to prudent haircuts and contractual covenants.
Encroachment (Group effects a foreign-currency client payment before euro funds have cleared)	Exposure very short-term in nature.

CCR

The CRR defines CCR as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

Limits on counterparty exposure are established by the MCC. Such limits relate to net exposure, after application of cash (and cash equivalent) collateral, as provided in industry-standard documentation such as the ISDA and GMRA agreements, and the Group Credit Policy.

The Group has not established any credit reserves in relation to CCR.

Credit risk quantification and assessment

The Group adopts the standardised approach to credit risk as outlined in the CRR in order to apply its capital requirement for credit risk.

Besides allocating capital against its Pillar 1 risks that are based on the Group's accounting records, the Group carries out an assessment of any additional capital that is necessary to be set aside in order to withstand economic effects of risk-taking activities based on a capital add-on to the Pillar 1 capital requirements. This assessment is carried out at least on an annual basis as part of the ICAAP.

Credit risk management and control

The Group's lending activities are governed by the Group credit risk policy and associated credit frameworks, covering the international corporate lending portfolio, securities portfolio, AAA Collateralised Loan Obligation ("CLO") investments, the Maltese Corporate lending portfolio and the Dutch, Belgian and Maltese Mortgages portfolios. The Group's Corporate Credit Framework, the Credit Risk Policies and procedures are applied uniformly across the Group and its subsidiaries.

The Group's credit policy sets out a series of controls on how the Group mitigates its credit risk, covering:

- Credit governance;
- Credit approvals;
- Credit classifications and staging criteria;
- Credit monitoring;
- Deteriorating credits and forborne exposures; and
- Non-performing and default exposures.

All portfolio specific credit frameworks are approved by the CRO and overseen by the BRCC. At minimum, all credit frameworks incorporate the following credit risk themes:

- asset restrictions and definitions, including minimum credit quality, permitted obligor domiciles as well as any required structural features such as seniority or collateral type;
- any limits, restrictions or conditions to the MCC's or delegated approval authority;
- proposed credit monitoring processes and frequency;
- any specific provisioning approaches over and above the Group's standard credit provisioning policy (incorporating the accounting principles of IFRS 9), including the treatment of non-performing, default and forborne loans; and
- documentation standards, including in particular the expected contents of credit memorandum and the extent (in respect of obligors with a public credit rating) to which third-party credit ratings may be used as a substitute for, or support the business unit's own analysis.

The Group also operates with a Management Credit Committee that is responsible for approving credit and investment recommendations and making other credit and investment decisions within its authority as delegated by the Board. Its purpose is to approve credit and investment recommendations and oversee the credit and investment strategies and objectives of the Group's lending portfolios.

As part of the Group's robust approach to credit risk management, the Group ensures that close and continuous oversight of each of its respective lending and securities portfolios is undertaken.

The Risk Management Function (2nd LOD) is responsible for ensuring that all significant credit risks are appropriately being identified and managed by the respective business functions (1st LOD) and clearly incorporated into the Group's risk management and reporting framework. Additionally, the risk management function is responsible for overseeing that appropriate monitoring of the credit performance of each lending portfolio, including, amongst other things, monitoring portfolio risk and concentration risk, monitoring credit quality trends and provision levels and reviewing and taking appropriate action in connection with any violations of credit limits and policies.

The CRO assigns ownership and responsibility for the monitoring of such risks and is responsible for ensuring that adequate controls are in place to ensure that risk management is in compliance with regulatory requirements and with the Group's risk appetite as approved by the Board of Directors.

In addition to allocating specific concentration limits for each asset portfolio it manages, the Group employs various quantitative credit risk metrics to monitor its lending portfolios, including:

- Single name limits;
- Portfolio limits;
- Leverage limits; and
- Incremental lending limits.

Retail Lending:

- Single name concentration;
- Loan-to-Value (“LTV”) at origination; and
- Debt service to income ratio (“DSTI”) at origination.

The Group’s credit policy outlines the Group’s approach to identifying non-performing, impaired and default exposures, as well as provisioning and write-off criteria as defined in accordance with EBA Guidelines Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (“Regulation (EU) No 575/2013”), the ECB guidance to banks on non-performing loans (March 2017) and the EBA report for non-performing and forborne exposures (EBA/GL/2018/06).

The Group is required to identify Non-Performing Exposures (“NPEs”) and to assess the recoverability of the recognised exposure. Assessment is made at an obligor (rather than facility) level. This implies that in those cases where a particular debtor has multiple facilities with the Group, the Group considers whether there are indications of unlikeliness to pay at the level of the debtor, irrespective of the different levels of losses that can be incurred in respect of the different facilities resulting from different levels of seniority. Therefore, the probability of default is measured at the level of the debtor, while the Loss Given Default ("LGD") measures the loss incurred by the different tranches.

The governance of assessing NPEs and Default triggers is undertaken as part of the ongoing credit monitoring processes. Where NPEs or Default indicators are observed, immediate assessment by the respective MCC is required and a ratification of the internal credit classification conducted.

In accordance with the definition of defaulted exposures, provided under Article 178 of the CRR, the Group identifies a “default” where a financial asset is 90-days past due its contractual repayment for any amount of principal, interest or fee that has not been paid at the date it was due. However, the Group additionally relies on the definitions of “Unlikeliness-to-Pay” for additional default criteria in terms of article 178 (3) of the CRR, which aligns closely with the definition of NPEs specified above.

Where a non-performing or default trigger has been identified and applied to a financial asset, the obligor’s related facilities must also be assessed to determine whether they are also impaired for the same reason and/or are unlikely to pay.

Collateral valuation

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. LTV limits are defined for retail mortgages across Belgium and the Netherlands, reflecting the different risks associated with the portfolios, in line with market standards.

The Group is active in the Belgian Residential Mortgage Loans (“BRML”) market through a collaboration with Allianz Benelux (“AZB”), acting as Lender of Record (“LoR”). In its role as the Lender of Record, AZB formulates guidelines regarding the minimum requirements for collateral valuations (“Onroerende Goederen Waardebepaling Richtlijnen”). The market approach is the primary valuation method, supported where relevant by the cost or income approach depending on the property type and availability of market data. All property valuations are performed on site by an approved appraiser. The drafting and management of a list of appraisers also falls under the responsibility of AZB. Valuation reports have a maximum validity of 12 months.

Revaluations are performed quarterly for all properties serving as collateral by indexing the original on-site valuation to Statbel’s (Belgian statistical office) most recent median transaction prices, segmented by province and by property type (houses vs apartments).

The Group is active in the Dutch residential Buy-to-Let Mortgage market through a collaboration with Build Finance, acting as Lender of Record. Receivables (“participating loans”) are acquired through silent assignment. In its role as the Lender of Record, Build formulates guidelines regarding the minimum requirements for collateral valuations (“Beleidskader Kredietacceptatie”). The primary valuation method is the Net Initial Yield (NAR) approach, which is based on market rent and capitalization yields derived from comparable transactions; where relevant, a Discounted Cash Flow (DCF) analysis is also used to support the valuation. All property valuations are performed on site by an approved appraiser. Every appraiser is registered with the Dutch Register of Real Estate Appraisers (NRVT) in the Commercial Real Estate section and is committed to complying with the NRVT regulations.Valuation reports have a maximum validity of 6 months.

As outlined in the Build General Terms and Conditions, real estate collateral is revalued every three years to ensure the Bank’s security interests remain aligned with current market conditions. These revaluations are performed on site by an approved appraiser.

The Group is active in the Dutch residential (owner occupied) mortgage loan market through a collaboration with Blauwtrust Group (“BTG”), acting as Lender of Record via its subsidiary HollandWoont. Receivables (“participating loans”) are acquired through silent assignment. In its role as the LoR, HollandWoont formulates the minimum requirements for collateral valuations. Collateral valuations must comply with NHG standards. The NHG criteria stipulate that the value of a dwelling must be established by a valuation report issued by a certified valuation institution. This valuation report may not precede the date of the binding offer for the loan by more than six months. Three types of valuation reports are accepted in the underwriting process of NHG-backed mortgage loans: a valuation by a qualified appraiser, a desktop valuation or a building and purchase agreement in the context of newly built properties. In the case of a validated valuation, the Netherlands Woning Waarde Instituut (the Dutch Property Value Institute) assesses whether the appraiser and the valuation report meet the established guidelines. Once the valuation report has been approved, the report receives a unique code and the appraiser is no longer able to adjust the report without permission from the institute. In a desktop valuation, the mortgage amount may not exceed 90% of the market value. NHG only considers the lower of the collateral value and the purchase price of the property to mitigate the impact caused by inaccurate collateral valuation.

The value of the dwellings of the portfolio is reviewed on a quarterly basis through an automated indexation method. Indexation is based on Governmental data developed for this purpose on a regional basis (regional NUTS3 average WOZ value).

The market value of the collateral is based on an assessment carried out by the lending unit to determine whether the 'market value' of the collateral is the best estimate of the net realisable value of the said asset. The unit assesses the valuation in the context of market impact of liquidation of the said collateral on liquidity, buy-sell spread and market float of the same class of assets. For immovable property, forced sales discounts are applied to reflect the particular characteristics and conditions of the local market (e.g. type of property, time factor to realise collateral and location) so as to arrive at the best prudent estimate of the realisable value of the collateral.

For all lending underwritten directly by the Group applies haircuts in respect of the property valuation carried out by the independent valuer determined on a case-by-case basis and taking into account particular characteristics such as expertise and experience, valuation/s of similar collateral and, locations and conditions of property as stipulated in the Group's collateral policy. Haircuts are applied to arrive at the best prudent estimate of the realisable value of the collateral and are documented in the credit memorandum together with an explanation of the suitability of chosen haircut. The haircut is discussed and ratified at the Management Credit Committee. Different collateral haircuts apply to the same collateral type for the retail mortgages portfolios.

The value of collateral that is commercial real estate is monitored at least annually, while the value of RRE is reviewed once every three years. The value is monitored through local Property Price Indices as well as by gauging asking prices of similar properties available on the market.

For individually significant loans, including but not limited to those exceeding €3 million or 5% of the Group's own funds, the value of the property securing such loans shall be reviewed by an independent valuer at least every three years.

If the market is subject to significant changes in conditions and publicly available information indicates that the value of the property may have declined materially relative to general market prices, an update of the valuation of the collateral shall be required.

2.4.2 Capital adequacy

(Article 438 CRR)

Capital adequacy is a measure of the financial strength of the Group. This is usually expressed as a ratio of its Common Equity Tier 1 Capital ("CET1") capital, Tier 1 Capital (Tier 1), or its Total Capital (Tier 1 + Tier 2 capital) to its total RWAs.

Capital adequacy requirements have increased in importance as regulators seek to ensure that banks and financial institutions have sufficient capital to keep them out of difficulty, even during periods of heightened cyclicality. The Group has always sought to maintain an appropriate level and quality of capital to support its prudential requirements with sufficient contingency to withstand severe but plausible stress scenarios.

The Group and its subsidiaries are subject to prudential requirements under the ECB SREP and are bound by the terms of the capital requirements outlined within the SREP decision. The Group's management has a significant level of control and oversight over its capital ratios. It uses the capital base as its main constraint for curbing asset growth in reaction to market changes whilst aiming to strike an appropriate balance between risk and sustainable returns.

The Group has developed an ICAAP to consider the capital required given its businesses and risk profile, both from a normative and economic perspective. This is defined by sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that the Group considers adequate to cover its nature and level of risks to which it is or might be exposed to.

The Group's ICAAP is aligned with regulatory requirements, as well as best commercial and governance practice, and are demonstrated through the Group's internal reporting.

The Group's risk appetite covers capital adequacy and has established a number of RALs and KRIs in order to manage and monitor this risk. Actual performance is monitored against these pre-set limits and are disclosed in the daily, weekly and monthly risk reports.

The Group actively monitors the following capital ratios and leverage ratios, allocating specific risk appetites supported by quantitative RALs. The ratios below represent the capital metrics the Group is willing to commit to limiting its appetite to:

- CET1 ratio;
- Tier 1 capital ratio;
- Total capital ratio;
- Leverage ratio; and
- Minimum Requirement for Own Funds and Eligible Liabilities ("MREL").

The Group has no appetite for breaches of the formal minimum capital ratios as set out by the Governing Council of the ECB under Article 26(8) of Council Regulation (EU) No 1024/2013 of 15 October 2013 ("Regulation (EU) No 1024/2013"), pursuant to Article 16 of Regulation (EU) No 1024/2013, to fulfil the prudential requirements and comply with the Pillar 2 requirements. In addition, the Group has no appetite for breaching minimum capital requirements as part of the SREP process and designed to supplement any of these measures with institution specific (Pillar 2) capital.

The Group has zero tolerance for breaching its Overall Capital Requirement ("OCR") plus the Pillar 2 Guidance ("P2G") as a result of actions that are within its control. The Group additionally has a very-low risk appetite for breaching its OCR in stressed conditions, although it accepts that in sufficiently adverse scenarios, it might not be able to meet its P2G and combined buffer requirements. The Group therefore ensures that an adequate management buffer is in place to allow it to comply with the OCR and P2G in business-as-usual conditions, and to stay above its Total SREP Capital

Requirement ("TSCR") under adverse conditions. The Group adopts very stringent procedures and processes to ensure that these minimum requirements are met, and it has therefore set RALs above its OCR and P2G.

Moreover, under the Basel III framework, banks must meet a 3% leverage ratio minimum requirement at all times. The Group has maintained a Leverage Ratio above the Basel III minimum.

The Group has no appetite of breaching its MREL requirements and will hence monitor its MREL position to ensure it is able to manage MREL compliance on a forward-looking basis and ensure clear and timely communication to the resolution authority to support the Group's resolvability.

2.4.3 Liquidity and Funding risk

Liquidity risk management strategies and processes *(Article 435 (1) (a) CRR) (EU OVA & EU LIQA)*

Liquidity risk is the risk of the Group being unable to generate sufficient funding resources to meet financial obligations as they fall due in business as usual and stress scenarios. Funding risk arises from higher funding costs or lack of availability of funds.

The Group's liquidity risk management principles are documented in the Liquidity Risk Management Policy. The Liquidity Risk Management Framework defines the related roles and responsibilities, liquidity and funding risk appetite and escalation process, KPIs, risk management techniques and how it is integrated within risk management and decision making of the Group. It covers the oversight of liquidity risk across business lines and legal entities, risk analysis of the composition and maturity of assets and liabilities, oversight of intraday liquidity management and risk assumptions on the liquidity and marketability of assets.

Policies for hedging and mitigating liquidity risk *(Article 435 (1) (d) CRR) (EU OVA & EU LIQA)*

The Group actively manages stable and efficient access to funding and liquidity to support its ongoing operations. The Group's appetite for liquidity and funding risk is embedded through the Liquidity Risk Management Framework and Policy, which stipulates the funding restrictions of the Group, and the approval thresholds for usage of certain funding instruments.

Liquidity and funding RALs inform the Group of the potential for, or an actual deterioration of its capacity to meet its current and foreseen liquidity and funding needs. In addition, certain liquidity risk appetite metrics measure and oversee the contingency funding capacity and availability of such management actions, in order to assess and oversee that the Group has appropriate liquidity buffers in place to mitigate both adverse and severe liquidity scenarios.

The ALCO is responsible for the development and update of Hedging Strategy which takes into consideration the Bank's funding and liquidity strategy. The process is supervised by the risk function to assess the appropriateness of the hedging strategy.

Liquidity risk management structure and organisation *(Article 435 (1) (b) CRR) (EU OVA & EU LIQA)*

Liquidity risk identification

The Risk Management Function is responsible for designing the RAS that is presented for discussion and challenge by the BRCC members, and ultimately approved by the Board of Directors. This process leads to the creation of granular liquidity RALs that are monitored across the internal functions of the Group. Notification and escalation processes are in place in order to ensure timely and adequate flow of information up to Committee and Board levels.

The Group makes use of RCSAs to identify, document and assess its key risk and controls, as is clearly described within the Group's Risk Register. This bottom-up approach to risk identification is also applied to liquidity risks across the Group. The RCSA results are then used to help identify KRIs and define risk appetite metrics.

The Group has identified the following risk drivers related to liquidity:

- *Retail funding risk:* The risk of a potential demand on liquidity from customer deposit flight;
- *Wholesale funding risk:* The risk that wholesale funding is reduced or withdrawn suddenly. Additionally, being an unrated small Maltese Group, there is low capacity to negotiate funding lines. The Group is also exposed to the risk of delay or failure to launch Residential Mortgage-Backed Securities ("RMBS") as required, potential risk related to refinancing of RMBS funding in the event of the deterioration of asset valuations in the underlying portfolio;
- *Off balance sheet risk:* The risk of an unexpectedly heavy series of utilisation on committed undrawn credit facilities;
- *Maturity mismatch:* A mismatch occurs as banks borrow short-term and lend on a much longer-term basis. This mismatch can become more pronounced under conditions of stress as counterparties might require roll-over at shorter maturities;
- *Currency mismatch:* Liquidity risk exposures arising from the use of foreign currency deposits to fund domestic currency assets as well as the funding of foreign currency assets with domestic currency;
- *Intraday liquidity risk:* The risk that the Group is unable to meet payment obligations at the time expected, thereby affecting its own liquidity and that of other parties;
- *Intragroup liquidity risk:* The risk that the entity that provides funding to another entity may be unable to continue providing this funding;
- *Contingency liquidity risk:* The risk of not having enough contingency funding options in stressed situations. It is also, the risk that assets cannot be sold in the market quickly or only by incurring a heavy discount, or the risk that funding cannot be raised against these assets, and the risk that committed funding lines are impacted/reduced/with higher haircuts;
- *Short-term liquidity risk:* The risk of an inadequate level of assets which the potential to be used as collateral or are eligible at central banks and as such may potentially be additional sources of liquidity; and
- *Funding concentration risk:* The risk that the Group is overly reliant on one/small number of funding sources or tenor/structure.

Liquidity risk quantification and assessment

Following the identification of liquidity and funding risks, the Risk Management Function performs a risk analysis to assess the significance and likelihood of these risks. The Group's assessment of risks to liquidity and funding is primarily done through the ILAAP.

For the ILAAP, the Group models two liquidity stress scenarios on the basis of an idiosyncratic (extreme outflows) and a market-wide (severe outflows) stress scenario and a reverse liquidity stress test. This also forms part of the Group's monthly risk report. The Group has also extended the range of liquidity stress scenarios in order to explore in more detail the range of liquidity sensitivities the Group may experience in stress scenarios.
Principle 12 in the BCBS "Principles for Sound Liquidity Risk Management and Supervision" requires banks to maintain a cushion of unencumbered, HQLA to be held as insurance against a range of liquidity stress scenarios. The outcome of the liquidity stress testing is used to determine this cushion or liquidity buffer.

In line with Principle 17 in the BCBS guidelines, the Group is also required to maintain a prudent funding structure drawn from diverse funding sources in the short-, medium- and long-term. The Group's funding plan provides a detailed description and quantitative overview of the various funding sources. The Group has also in place a liquidity contingency funding plan that identifies the various funding sources that the Group can rely on during a distressed situation.

An analysis of asset encumbrance is also an important consideration and is critical to assess the ability of the Group to handle funding stress, and its ability to switch from unsecured to secured funding under stressed conditions.

Mismatching of assets and liabilities, and currencies may also lead to a degree of liquidity risk.
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The Group has in place a Liquidity Risk Management Framework and Policy, that are complimented by other policies such as the Stress Testing Policy, the Liquidity Contingency Plan Policy, the Risk Appetite Policy and the ICAAP and ILAAP Policy. These policies set the standards and rules around liquidity risk management for the Group. By definition, they provide a cornerstone of the Group's Risk Management Controls.

Funding strategy

The Group's funding profile has evolved over the years from a reliance on wholesale funding to deposit funding. The evolution of the funding profile was, in part, a result of a strategic shift on the asset side of the balance sheet. The Group's intention going forward is to remain mainly deposit funded as it gives more long term stability to the Group. In 2020, the Group entered into its diversification strategy by adding on balance sheet securitization as part of the funding plan of the new asset class - Nationale Hypotheek Garantie ("NHG") mortgages, as well as developing a broader range of wholesale funding options for contingency funding capacity. MeDirect Belgium entered into three Dutch residential mortgages securitisations to serve as a long-term funding source. Other funding sources such as repo facilities and third-party warehouse lines on mortgages may also be used as bridging instruments to deposits or securitisation in the short to medium-term. The Group considers bilateral repurchase agreements (i.e. not executed via Eurex) and central bank facilities as alternative sources of funding, which are not intended to be utilised extensively under business-as-usual conditions.

For liquidity management purposes, the Group's balance sheet, both assets and liabilities, is managed on a day-to-day basis by the Treasury and Asset and Liability Management ("ALM") function, under the leadership of the Group and MeDirect Belgium Chief Financial Officers ("CFOs"). The Group's funding strategy is that management of its day-to-day liquidity position should not require actions that potentially compromise its medium-term or long-term objectives.

The Group establishes a funding strategy that provides effective diversification in the sources and tenor of funding. The Group diversifies available funding sources in the short-, medium- and long-term as part of its funding plan, in conjunction with its budgeting and planning processes. The Group's funding plan take into account correlations between sources of funds and market conditions.

The Group's funding strategy for business as usual activities is facilitated by maintaining a positive funding gap and by monitoring the Group's maturity ladder, which is used by the Group to determine the availability of liquid assets to meet the liquidity gaps across a range of time buckets. The Group ensures it maintains a significant buffer of HQLAs that can be readily converted into cash or are eligible to be pledged as collateral in order to raise wholesale repo funding to meet liabilities as they fall due. Additionally, the Group may choose to widen the composition of its contingency buffer to hold other unencumbered liquid assets which can be sold or used as collateral without resulting in excessive losses or discounts.

Liquidity risk management buffers

The Group's Liquidity Risk profile is also a key consideration of the Group's RALs and KRIs. The Group controls the appetite it is willing to accept in terms of liquidity risk by ensuring adequate management buffers exist, in conjunction with early notification thresholds, to help avoid the Group taking on liquidity risk outside of its agreed risk appetite. These liquidity management buffers are additionally embedded into the Liquidity and Funding RAS to ensure regular oversight is in place.

Liquidity stress testing and Contingency funding planning

In conjunction with the above controls, the Group's Risk Management Function performs regular stress testing of its liquidity profile, as well as the availability and viability of contingency funding options through both its ILAAP and monthly risk report each month. These reinforce the Group's oversight of liquidity risk, by not only focussing its risk reporting on the 'current' state, but also providing regular and timely reporting of the potential 'stress' liquidity profile of the Group. The monthly risk reports are also a standing agenda item at Executive level for the Group's ALCO and BRCC.

Liquidity risk governance

The Group's overall liquidity and funding position is managed in the normal course of business by its Treasury and ALM team, under the oversight of the ALCO, the Enterprise Risk Management Committee and the BRCC.

The Group's Risk Management Function ensures that all liquidity risks are identified, measured, overseen and appropriately reported. Additionally, the Risk Management Function has the responsibility of defining potential adverse liquidity scenarios that should be considered for assessing the Group's exposure to these scenarios and for assessing the effectiveness of contingency funding plan measures. Risk is also responsible for ensuring that all significant risks related to liquidity are appropriately identified and clearly incorporated in the Group's risk management and reporting framework. The Group's Risk Management Function is actively involved in all material risk management decisions and is adequately structured to deliver a holistic view of the whole range of risks faced by the Group in its strategic decision-making. Analysis of liquidity risk is the joint responsibility of the Group's Treasury and Risk functions under the oversight of the ALCO and of the BRCC.

<u>Scope and nature of liquidity risk measurement and reporting system</u> (Article 435 (1) (d) CRR) (EU OVA & EU LIQA)

The Group's intention is to be able to adhere to its RALs as well as satisfy any regulatory or statutory minimum liquidity requirements even during times of stress. The Group also seeks to project key liquidity ratios forward through time. While acknowledging that the principal liquidity ratios cover a range of time horizons from one day to one year, the Group does not solely rely on the regulatory liquidity ratios to ensure it has adequate liquidity when these ratios are above their minimum regulatory levels. In part, this reflects the fact that the Group's own assumptions on deposit withdrawal or haircuts may differ and are generally more conservative than those mandated by the LCR and NSFR.

Consistent with its practice in other areas of risk analysis and reporting, and also consistent with Principle 10 of Basel's "Principles for effective risk data aggregation and risk reporting", the Group performs and reports on these projections monthly, to allow for in-depth review and analysis at ALCO and the BRCC. Reliable management reporting provides the Executive Committee and the Board with timely and forward-looking information on its liquidity position. Reporting of risk measures is done on a frequent basis and compares current liquidity exposures to established limits to identify any emerging pressures and limit breaches.

The Group has in place a number of quantitative risk appetite metrics to be able to monitor liquidity risk:
- LCR;
- NSFR;
- Core Liquid Asset Buffer;
- Net Deposit Outflows in 1 day and over 1 week;
- Encumbrance Ratio (Total assets and excluding RMBS);
- Me1-Me3-Me6 on notice; and
- Cost of wholesale funding.

The Group will at all times ensure that it is in full compliance with all applicable regulatory requirements.

<u>Qualitative information on LCR</u> (Article 451a CRR) (EU LIQ B)

The Liquidity Coverage Ratio

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 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 of 10 October 2014 ("Regulation (EU) 2015/61"). 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.

Funding and liquidity sources

In line with Principle 17 in the BCBS guidelines, the Group's objective is to maintain a prudent funding structure drawn from diverse funding sources in the short, medium and long-term. Potential funding sources may include, but are not limited to:
- Deposits from retail and corporate customers;
- Bond issuance, either secured (for example through RMBS structures), senior unsecured or subordinated;
- Issuance of capital instruments;
- Interbank funding (either secured, for example through repo or Total Return Swaps, or unsecured); and
- Central bank funding (although it is the Group's strategy not to rely on the Central Bank for funding in the normal course of events, but instead only used as a secondary source of financing).

Each subsidiary manages its own capital and liquidity position in a manner consistent with its own strategy and planned business growth and with local regulatory requirements, and within the context of the group-level strategy. Capital or liquidity requirements that are necessary to support planned growth, rather than arising from the subsidiary's current position, will normally be determined by the subsidiary's Board itself as part of the subsidiary's budgeting process. If the subsidiary's Board determines that an increase in the entity's capital or intercompany borrowing is desirable, either to address current weakness or to support future growth, then it would request such an increase from MeDirect Malta.

The Group generates the majority of its deposit growth through MeDirect Belgium. MeDirect Belgium holds its liquidity reserve with MeDirect Malta, the NBB and correspondent banks. MeDirect Malta is provided liquidity from MeDirect Belgium through interbank deposit balances; however, intragroup liquidity management is thereby constrained due to the application of Large Exposure Rules under Articles 387-403 of the CRR.

MeDirect Malta also used deposit platforms to originate additional deposit funding capacity. The vast proportion of the deposits raised are 12-month fixed term deposits, therefore adding longer-term funding stability to both the Group and MeDirect Malta. This funding represents a small proportion of the Group's total funding but it conforms MeDirect's ability to avail from relatively easily accessible and flexible source of funding.

Derivative exposures

With respect to derivatives, as noted in the table EU LIQ1, as part of the Group's liquidity outflows, an amount is included in relation to additional liquidity outflows corresponding to collateral needs from the impact of an adverse market scenario on derivative transactions, as required in Commission Delegated Regulation (EU) 2017/208 of 31 October 2016 ("Regulation (EU) 2017/208"). This amount corresponds to the largest absolute net 30-day collateral flow realised during the 24 months preceding the reporting date of the LCR calculation.

Currency mismatch in the LCR

The Group LCR is calculated for Euro which has been identified as significant currency (having liabilities >5% of total group liabilities excluding regulatory capital and off balance sheet liabilities, with approximately 98% of total liabilities being in Euro) in accordance with the Regulation (EU) 2015/61. In this respect, the LCR Regulation only requires the LCR to be met on a total currency basis, and is not required to be met on a currency by currency basis.

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

The Pillar 3 disclosure obligations require Banks to disclose the 12 months rolling averages each quarter. Nothing else is considered relevant for disclosure.

<u>Quantitative information on LCR</u> (Article 451-a 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:	31 December 2024	30 September 2024	30 June 2024	31 March 2024	31 December 2024	30 September 2024	30 June 2024	31 March 2024
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)					804	778	722	670
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	3,339	3,165	2,987	2,814	281	263	244	224
3	*Stable deposits*	7	7	6	6	-	-	-	-
4	*Less stable deposits*	2,761	2,549	2,404	2,223	281	256	242	224
5	Unsecured wholesale funding	134	133	130	132	68	62	57	54
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	134	133	130	132	*68*	*62*	*57*	*54*
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					3	9	11	15
10	Additional requirements	206	197	191	198	78	74	71	69
11	*Outflows related to derivative exposures and other collateral requirements*	*46*	*44*	*44*	*45*	*46*	*44*	*44*	*45*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-.
13	*Credit and liquidity facilities*	*160*	*153*	*146*	*154*	*32*	*30*	*27*	*25*
14	Other contractual funding obligations	42	28	28	29	35	22	22	22
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					465	430	406	384
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	1	1	4	8	1	1	4	8
18	Inflows from fully performing exposures	63	51	51	46	59	48	47	44
19	Other cash inflows	9	8	4	13	7	6	2	11
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	73	60	59	68	68	55	54	63
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	73	60	59	68	68	55	54	63
TOTAL ADJUSTED BUFFER									
21	LIQUIDITY BUFFER					804	778	722	670
22	TOTAL NET CASH OUTFLOWS					398	375	352	321
23	LIQUIDITY COVERAGE RATIO					203%	207%	207%	210%

As at 31 December 2024 and 2023, the Group's LCR was above the regulatory minimum.

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 31 December 2024 calculated in accordance with the CRR stands at 122.03%, or €767 million of excess over regulatory minimum of 100%.

EU LIQ2: Net Stable Funding Ratio

		a	b	c	d	e
As at 31 December 2024		Unweighted value by residual maturity				Weighted value
Amounts in €millions		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	117	-	-	172	288
2	*Own funds*	*117*	-	-	*172*	*288*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		3,266	172	134	3,228
5	*Stable deposits*		*10*	-	-	*10*
6	*Less stable deposits*		*3,255*	*171*	*134*	*3,218*
7	Wholesale funding:		251	24	639	738
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		*251*	*24*	*639*	*738*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	33	229	-	-	-
12	*NSFR derivative liabilities*	*33*				
13	*All other liabilities and capital instruments not included in the above categories*		*229*	-	-	-
14	**Total available stable funding (ASF)**					**4,255**
15	Total high-quality liquid assets (HQLA)					192
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:		232	40	3,467	2,933
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*		*190*	-	*31*	*50*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*25*	*24*	*1,548*	*441*
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:*		*17*	*16*	*1,378*	*2,007*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*36*	*31*	*2,344*	*1,939*
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*		-	-	*511*	*434*
25	Interdependent assets		-	-	-	-
26	Other assets:	-	403	1	90	347
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	*5*	*5*
29	*NSFR derivative assets*		*145*	-	-	*145*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*33*	-	-	*2*
31	*All other assets not included in the above categories*		*225*	*1*	*84*	*196*
32	Off-balance sheet items		288	-	-	14
33	**Total RSF**					**3,487**
34	**Net Stable Funding Ratio (%)**					**122.03%**

		a	b	c	d	e
As at 30 June 2024		Unweighted value by residual maturity				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	2,918
5	*Stable deposits*		*9*	-	-	*9*
6	*Less stable deposits*		*2,995*	*76*	*145*	*2,909*
7	Wholesale funding:		495	40	911	1,007
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		*495*	*40*	*911*	*1,007*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	8	274	-	-	-
12	*NSFR derivative liabilities*	*8*				
13	*All other liabilities and capital instruments not included in the above categories*		*274*	-	-	-
14	**Total available stable funding (ASF)**					**4,209**
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:		135	45	3,435	2,927
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:*		*36*	*29*	*1,576*	*385*
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:*		*15*	*16*	*1,272*	*2,032*
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*35*	*33*	*2,340*	*1,971*
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*		-	-	*562*	*478*
25	Interdependent assets		-	-	-	-
26	Other assets:		579	2	95	486
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*	*87*	*268*
32	Off-balance sheet items		305	-	-	15
33	**Total RSF**					**3,569**
34	**Net Stable Funding Ratio (%)**					**117.95%**

2.4.4 Business model and strategy risk

Strategic risk is directly linked to the business model of an institution and how effectively the institution manages to translate its budget and forecasts into actual performance. Another consideration is the challenging environment that banks operate in and the various factors that each bank has to face, such as declining margins, loss of market position or customers, and higher costs such as reorganisation costs.

The Group acknowledges that reported earnings inherently carry some level of volatility and seasonality. Hence, even though they are not always the best indicator of the Group's performance, they do represent a useful risk metric. As many of the risk factors have inter-dependencies and will be influenced primarily as a result of other risks covered elsewhere in the RAS, KPIs are governed by the Group's Financial KPI Policy.

The Group's KPIs include what the Group considers to be an adequate range of risk-adjusted-return indicators that are proportionate to the size and business model of the Group. The KPIs are monitored and reported within the Group's monthly financial reporting process and overseen by the Board of Directors. The monitoring of these measures ensures that the business model performance is consistent with the expectations of the stakeholders; to withstand unexpected shocks; and earnings (and cash flows) are consistent with funding strategies.

Different factors that could affect the business model and strategy of the Group are also taken into consideration in the scenario analysis for the ICAAP.

2.4.5 Market risk

(Disclosures related to market risk according to EU MRA)

The Group is exposed to the risk of an adverse change in its financial situation, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities and from adverse movements in interest rates, credit spreads and FX rates. This can affect the Group's profitability (i.e. NII) and capital measures.

The Group has a portfolio of securities (held mainly as HQLA) and other low credit risk bearing assets which give rise to the CSRBB. Exposure to movements in securities prices can be decomposed into the exposure to interest rates and to spreads which fluctuate on a daily basis as a result of the changes in the market demand and liquidity for certain securities. Additionally, the Group originates loans and gathers funds in foreign currencies (other currencies than Euro) that are not always offset, creating a small exposure to the FX risk in the Group.

The Group does not run a Trading Book and accordingly has limited exposure to market risk in the normal sense that shifts in market variables drive the Group's income. The Group is, of course, not entirely immune to the effects of market movements and manages this exposure accordingly.

Market risk identification, quantification and assessment

The Group assumes three types of market risk, namely:

A) Interest Rate Risk

IRRBB refers to the current or prospective risk to the Group's net Economic Value of Equity ("EVE"), capital and NII earnings arising from adverse movements in interest rates that affect the Group's banking book positions.

Exposure to the IRRBB is differentiated by various sub-categories such as:
- Gap risk (repricing risk);
- Option risk;
- Basis risk; and
- Yield risk (exposure to the parallel and non-parallel interest rate curve shifts).

The Group measures its exposure adopting both contractual and behavioural views (where items without deterministic maturity are assigned certain level of stickiness). The impact of the automatic options embedded in the banking book structure is assessed under ∆NII, ∆EVE and Price Value of a Basis Point (" PV01") sensitivity.

The Group's exposure to interest rate risk arises predominantly from repricing risk emanating from its asset/liability structure. Specifically, a lag exists between the Group's loans which reprice periodically, the mortgage loans portfolio characterised by its long term structure and its associated hedging portfolio and the term structure of customer deposits. The exposure to interest rate risk is managed through a hedging strategy which uses a series of plain vanilla interest rate swaps that form a run-off profile matching a mortgage portfolio run-off profile with behavioural pre-payment assumptions. There is also a possible impact of the Mark-to-Market ("MtM") value arising from fixed rate assets if the interest rates increase in case of realisation. As the balance sheet management strategy is not to realise those investments by setting an adequate liquidity and hedging strategy, the materialisation of this risk in the income statement remains low.

The presence of interest rate floors embedded in the majority of the loans enable the Group to mitigate the repricing risk of its asset/liability structure.

The Group considers the materiality of IRRBB to be relevant enough to assess the level of Internal Capital required to mitigate such risks. This risk is assessed separately within the IRRBB Internal Capital section of the Group's ICAAP.

CSRBB is a risk that banks need to monitor and assess in their interest rate risk management framework. CSRBB refers to the risk driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risk instruments inducing fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by IRRBB or by expected credit/(jump-to-) default risk

The Group quantified the credit spread through the difference between the security's market yield at the valuation date and the risk free rate, and is strengthening its market value risk assessment including metrics related to the Marked-to-Market value sensitivity to spreads. The credit spread is an important market risk category for the Group given the existence of the securities, mainly held for liquidity purposes which could potentially be used as contingency assets in case of severe liquidity stress. This risk is however mitigated by the high credit quality requirement set in the Treasury's Credit Framework, the short spread duration of those securities and the hold to maturity oriented strategy of the Group.

B) FX Risk

The Group is mainly exposed to currency risk on FX movements relating to the GB Pound and US Dollar, originating from the Group's corporate banking business. The Group hedges this risk by ensuring that its foreign currency-denominated liabilities are matched with corresponding assets in the same currency. Any mismatches that arise are monitored closely within strict RALs.

FX risk is not considered sufficiently material to warrant the calculation of EC for Pillar 2 internal capital. The Group's principal deposits and credit portfolio are both concentrated in Euro and the Group's appetite for taking on FX risk is very low. The Treasury function is responsible for maintaining FX risk for unhedged positions within tight limits set out in the RAS of the Group. In substance, in the case of FX risk, the threshold is so tight that the associated EC requirement would be negligible.

C) Credit Valuation Adjustment Risk

Under Capital Requirements Directive V (“CRD V”)/CRR, institutions are required to hold additional own funds due to the Credit Valuation Adjustment (“CVA”) risk arising from Over-The-Counter (“OTC”) derivatives, thus resulting in an additional capital charge when entering into such OTC trades. This charge is designed to cover losses arising from the situation where a counterparty’s financial position would worsen and thereby the market value of its derivatives obligation would decline, even though there is no actual default. Thus, the CVA charge tries to cover the risk of deterioration in the creditworthiness of a counterparty.

Given the negligible level of Pillar 1 capital requirements for CVA, no EC calculation is performed and hence no add-on assigned. The Group has no trading book and no derivatives of the various forms that led to the importance of CVA risk to be recognised.

Market risk management and controls

Treasury, under the oversight of the CFO, are responsible as 1st LOD for managing interest rate risk within the prevailing interest rate risk strategy as set by the ALCO, and subject to internal limits. In order to manage its interest rate risk, the Group may establish trading lines with counterparties that enable it to execute derivatives transactions approved for this purpose.

The Group Risk Management Function owns the IRRBB and CSRBB policy and provides 2nd LOD oversight to ensure the controls are operating adequately and the risk is managed within the Board approved risk appetite limits. The Group Risk Management Function is responsible for ensuring that the model is reviewed and validated in accordance with the Group’s Model Governance Policy.

The IAF is, as 3rd LOD, responsible for periodic reviews in order to assess and review design, effectiveness and adherence to this policy.

Market risk monitoring and reporting

The Group has established a number of metrics related to IRRBB that are monitored and reported to ALCO on a monthly basis and to the senior management on a weekly basis. Actual performance is assessed against the pre-set limits of these metrics. These metrics are also included in the monthly Group risk management reports that are circulated to the BRCC and Board members.

The Group monitors the following quantitative market risk metrics:

- Primary FX unhedged exposure;
- ∆NII under six regulatory scenarios and four management scenarios;
- ∆EVE under six regulatory scenarios and four management scenarios; and
- PV01 to Own Funds.

∆NII and ∆EVE metrics are both evaluated under six regulatory scenarios on both EVE and NII and four management scenarios.

On a monthly basis, the historical evolution of the ΔNII and ΔEVE are examined and reported in the monthly risk pack. The market risk metrics are presented with additional explanatory variables on the variations and sensitive areas to interest rate risks such as maturity and repricing gap analysis and FX unhedged exposure which is marginal.

Although the investments are held at amortised cost (Held to maturity), the sensitivity to spread shocks of tradable assets is measured on a periodic basis.

2.4.6 Operational risk

(Article 435 (1) [EU ORA])

Operational risks can arise from all business lines and from all activities which are carried out by the Group. Failure to manage these risks may result in a direct or indirect financial loss, reputational damage, regulatory breaches or may even have a negative impact on the management of other risks such as credit, liquidity or market risk.

Operational Risk Management (“ORM”) encompasses the process of identifying operational risks across all areas including Compliance, Financial Crime, Third Party Management, IT, Data Protection, Model Risk, Regulatory, Reputation and Information Security, measuring the Group’s exposures to these risks, ensuring that effective capital planning and monitoring is in place, taking steps to control or mitigate risk exposures, and reporting the Group’s risk exposures and capital positions. It also ensures that the Group’s risk appetite for operational risk is translated in a form that can be implemented and managed in practice, by allocating risk appetite levels to the different sub-risk categories.

The Group seeks to minimise operational risks through its control environment. The ORM team proactively assists the business, operations, technology and other departments in enhancing the effectiveness of controls and managing operational risk across products and business lines. Furthermore, operational risks are considered as new products and business activities are developed and processes are designed or modified.

The objective is to keep operational risk at appropriate levels relative to the characteristics of MeDirect’s strategy, its capital and liquidity, and the competitive, economic, and regulatory environment. ORM is an independent, second line function within the Group’s risk management function and actively participates in various governance forums to ensure the Operational Risk Framework is fully embedded in the day-to-day activities of the Group, whilst providing independent risk challenge across the entities. This is primarily achieved through a collaborative approach to managing operational risks between the first, second and third lines of defence. The Group has also an Operational Risk Policy in place, which covers areas related to the identification and categorisation of operational risks, the measurement and monitoring of operational risk, control testing, operational risk reporting and business continuity.

The Group's ORM Policy establishes a consistent framework designed to balance strong corporate oversight with well-defined independent Risk Management, for assessing and communicating operational risk and the overall effectiveness of the internal control environment across the organisation. This framework is consistent with the Group's three LOD approach to risk management. To anticipate, mitigate and control operational risk, the Group maintains a system of policies and standards and has established a consistent framework for monitoring, assessing, and communicating operational risks and the overall effectiveness of the internal control environment across the Group.

The process established by the ORM Framework is expected to lead to effective anticipation and mitigation of operational risk and improved operational risk loss experience and includes the following steps:

- Identify and assess the risks it undertakes;
- Design controls to mitigate identified risks;
- Establish KRIs and KPIs;
- Implement a process for early problem recognition and timely escalation;
- Produce comprehensive operational risk reporting; and
- Ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks.

Operational risk identification and categorisation

The Group carries out a structured analysis of the current and emerging risks that the Group is facing, in order to understand and manage these risks as appropriate. There are various operational risk subtypes, including but not limited to fraud (internal/external), business disruption due to reduced or non-availability of a system, inadequate outsourcing arrangements, the Group's inability to attract, retain, train and develop the right people, failed or inadequate business processes, data risk and project execution risk.

In terms of key risks, the business opportunities arising from digital focus in MDB bring with them a host of new risks, such as technology risks, cyber risks and increasing dependence on suppliers, which increases potential exposure to events that could affect the delivery of services to customers. The Group has taken numerous initiatives to mitigate these risks and adapt to changes in the regulatory framework, the focus being on strengthening its ability to recover from disruptive events affecting its core operations.

The business and support functions of all group entities are responsible for identifying, assessing and communicating their operational risks and are supported by the Operational Risk team. The Operational Risk team collects information from all business and support functions and reports on it in established local forums and consolidates the information available from each department in order to provide a comprehensive and complete overview of the Group's operational risk profile.

Risk control self-assessments

RCSAs are used to identify the Group's key operational risks. The Operational Risk function is primarily responsible for driving the completion of this process. The Operational Risk Policy lists the overall objectives of the RCSAs as follows:

- Identify the key current and emerging operational risks to the business, with risk identification based on both risks that the business has experienced in the past and plausible risks that the business has yet to experience;
- Understand and evaluate the main drivers of the operational risks;
- Consider market trends of top and emerging risks across the industry;
- Assess the operational risks in terms of their overall significance for the business – based on both the likelihood and impact (frequency and severity) of potential losses;
- Drive improvement actions to address control weaknesses; and
- Provide consistent information on operational risks that can be aggregated and reported to senior management to inform decision-making.

The outputs from the RCSA process are reviewed and challenged by the ORM Function and shared with the CRO to provide a top-down challenge. This output is also shared with the BRCC annually.

Operational risk assessment and measurement (Article 446 CRR)

The results of the RCSA analysis are also used to assess and measure the various inherent risks and the effectiveness of the corresponding controls, to derive to the residual risks that the Group is facing. The RCSAs are often presented as matrices of operational risks by business unit i.e. heat maps indicating where the greatest areas of operational risk lie at a given point in time.

The RCSA results and documentation are leveraged for creating KRIs. The risk themes identified during the RCSA process are also used when coordinating the Group's ICAAP regulatory deliverable and to calculate the internal capital add-on for operational risk. One or more scenarios are assigned to each operational risk category. The operational risk team ensures that each scenario corresponds to plausible risk event or issue that the Group could expect to face in a stressed environment.

Operational risk control testing

The primary responsibility for the development and implementation of controls to address operational risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- Strategic planning and estimation of operational risk losses, including setting of risk appetite;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development; and
- Risk mitigation and risk transfer measures: once the Operational Risk assessment has been carried out, it is important to identify risk mitigation measures to prevent risks from occurring and, if necessary, to take corrective measures to minimise the economic impact of the risks that have occurred. The identification and implementation of such risk mitigating measures is an ongoing process and particularly important for adequate risk management.

Control testing responsibilities fall dually within the remit of the risk owner (i.e. 1st LOD) and the operational risk function (2nd LOD). Following the periodic RCSA process, key controls linked to ‘very high’ and ‘high’ inherent risks are tested to assess their effectiveness. Testing of key controls associated to inherently medium and low risks is not mandatory. However, these are monitored to ensure that inherent risk rating remains low.

1st LOD is required to provide mitigating actions to address any control weaknesses identified through the control testing. The Operational Risk team will in turn monitor the implementation of these mitigating actions.

Operational risk monitoring and reporting

Monitoring of operational risks is key to assessing how much the Group could lose in terms of both the income statement and capital cost due to operational risk losses at various levels of certainty. The Group’s Operational risk reporting covers the following objectives:

- Provides the heads of business units and support functions with the data they need to manage their risks and meet their objectives and strategies.
- Provides senior management with the information it needs to establish, review and, where appropriate, modify business strategies and risk profiles.
- Provides the operational risk function with the information necessary to efficiently discharge its duties.
- Complies with the information requests of supervisory and regulatory bodies.

The Group has in place a number of quantitative RALs to monitor operational risk. The actual performance against RALs and KRIs is tracked on a daily, weekly and monthly basis, and disclosed in the weekly and monthly Group risk management reports.

2.5 Risk statement

Declaration on the adequacy of risk management arrangements approved by the Board (Article 435 (1)(e) CRR) (EU OVA)

The Board confirms, for the purpose of Article 435 CRR, that the risk management systems and arrangements are adequate with regard to the risk profile and strategy, and maintains appropriate resources to implement selected enhancements.

Concise risk statement approved by the Board (Article 435 (1)(f) CRR) (EU OVA & EU LIQA)

The Board is committed to set the tone from above by instilling a risk-aware culture across the Group where everyone is aware of the different risks that the Group faces as well as the risk management processes that should be embedded in key decision-making.

The Group’s risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of the stakeholders, while remaining agile to seize value-creating business opportunities in a fast-changing environment. The Group is committed to upholding high standards of corporate governance, sound risk management principles and business practices to achieve sustainable, long-term growth.

The Group has a comprehensive Enterprise Wide Risk Management Framework (“RMF”) in place that is robust and fit-for-purpose, which outlines the steps to assess, manage and monitor all risks faced today and in the future. The risk management practices continue to evolve and improve to enable better outcomes for all stakeholders and to consider any changes and new and emerging risks. At the centre of the RMF is a strong risk culture and continuously increasing the overall maturity of risk awareness. The Group continues to focus on ESG initiatives with the creation of a new Sustainability principal risk category.

MeDirect has ensured the ongoing effectiveness of its RMF, especially to support and enable the current diversification and transformation strategy, including the successful delivery of the International Corporate Lending de-risking strategy. This RMF has ensured that new and proposed business lines, areas of growth, changes in technology and management decisions are well governed and sustainable. The Group's RMF has been robustly delivered despite the wider external economic challenges faced and the capital and liquidity positions continue to be above the minimum regulatory requirements.

The Board is aware that it faces a heightened level of strategy execution risk, however the Board believes that the risk management process includes adequate policies, procedures, risk limits and risk controls that ensure timely and continuous identification, measurement and assessment, management, monitoring and reporting of these risks at the business line, consolidated and sub-consolidated levels.

Detailed information on the credit portfolio is found in section 2.2 – Information on risk management, objectives and policies by category of risks.

3 Scope of application of the regulatory framework

Name of the institution (Article 436 (a) CRR)

MDB Group Limited is the parent company of the MDB Group (the "regulatory group"). The MDB Group is subject to the CRR and all subsidiaries are fully consolidated.

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 31 December 2024	As at 30 June 2024	
	Assets			
1	Balances with central banks and cash	207	227	
2	Derivative financial instruments	175	219	
3	Loans and advances to financial institutions	316	364	
4	Loans and advances to customers	2,927	2,811	
5	Investments - Securities portfolio	699	739	
6	Investments – Securitisation portfolio	515	600	
7	Investments – Asset-Backed Securitisation portfolio	145	32	
8	Property and equipment	5	5	
9	Intangible assets	17	16	D
10	Non-current assets classified as held for sale	-	2	
11	Investment property	17	-	
12	Current tax assets	1	1	
13	Deferred tax assets	18	18	E
14	Prepayments and accrued income	5	32	
15	Other assets	26	35	
16	**Total assets**	**5,073**	**5,100**	
	Liabilities			
1	Derivative financial instruments	33	8	
2	Amounts owed to financial institutions	180	294	
3	Amounts owed to customers	3,879	3,486	
4	Debt securities in issue	642	911	
5	Subordinated liabilities	67	66	F
6	Current tax liabilities	-	-	
7	Deferred tax liabilities	-	-	
8	Provisions for liabilities and other charges	-	-	
9	Accruals and deferred income	12	53	
10	Other liabilities	10	26	
11	**Total liabilities**	**4,822**	**4,845**	
	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	
5	Retained earnings	46	51	C
6	**Total shareholders' equity**	**251**	**256**	

[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.

Reconciliation of regulatory own funds to the IFRS balance sheet *(Article 436 (c,d) CRR)*

As indicated below, Table EU LI1 outlines the difference in the basis of consolidation for accounting and regulatory purposes. It further provides an allocation of items reported under the scope of regulatory consolidation split between the different regulatory risk frameworks in Part Three of the CRR.

EU LI1 – Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

	As at 31 December 2024	a	b	c	d	e	f	G
				Carrying values of items				
	Amounts in €millions	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Balances with central banks and cash	207	207	207	-	-	-	-
2	Derivative financial instruments	175	175	-	175	-	-	-
3	Loans and advances to financial institutions	316	316	316	-	-	-	-
4	Loans and advances to customers	2,927	2,927	2,927	-	-	-	-
	Investments							
5	- Securities portfolio	699	699	699	-	-	-	-
6	- Securitisation portfolio	515	515	-	-	515	-	-
7	- Asset-Backed Securitisation portfolio	145	145	-	-	145	-	-
8	Property and equipment	5	5	5	-	-	-	-
9	Intangible assets	17	17	5	-	-	-	11
10	Investment property	17	17	17	-	-	-	-
11	Current tax assets	1	1	1	-	-	-	-
12	Deferred tax assets	18	18	3	-	-	-	15
13	Prepayments and accrued income	5	5	2	-	4	-	-
14	Other assets	26	26	25	-	-	-	1
15	**Total assets**	**5,073**	**5,073**	**4,208**	**175**	**664**	**-**	**27**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Derivative financial instruments	33	33	-	33	-	-	-
2	Amounts owed to financial institutions	180	180	-	-	-	-	180
3	Amounts owed to customers	3,879	3,879	-	-	-	-	3,879
4	Debt securities in issue	642	642	-	-	-	-	642
5	Subordinated liabilities	67	67	-	-	-	-	67
7	Accruals and deferred income	12	12	-	-	-	-	12
8	Other liabilities	10	10	-	-	-	-	10
9	**Total liabilities**	**4,822**	**4,822**	**-**	**33**	**-**	**-**	**4,790**

As at 31 December 2023		a	b	c	d	e	f	g
				Carrying values of items				
Amounts in €millions		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Balances with central banks and cash	265	265	265	-	-	-	-
2	Derivative financial instruments	208	208	-	208	-	-	-
3	Loans and advances to financial institutions	353	353	353	-	-	-	-
4	Loans and advances to customers	2,746	2,746	2,746	-	-	-	-
	Investments							
5	- Securities portfolio	706	706	706	-	-	-	-
6	- Securitisation portfolio	605	605	-	-	605	-	-
7	Property and equipment	6	6	6	-	-	-	-
8	Intangible assets	16	16	4	-	-	-	12
9	Non-current assets classified as held for sale	2	2	2	-	-	-	-
10	Deferred tax assets	18	18	5	-	-	-	13
11	Prepayments and accrued income	28	28	22	-	5	-	-
12	Other assets	31	31	30	-	-	-	1
13	**Total assets**	**4,984**	**4,984**	**4,140**	**208**	**611**	**-**	**26**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Derivative financial instruments	25	25	-	25	-	-	-
2	Amounts owed to financial institutions	373	373	-	-	-	-	373
3	Amounts owed to customers	3,281	3,281	-	-	-	-	3,281
4	Debt securities in issue	911	911	-	-	-	-	911
5	Subordinated liabilities	65	65	-	-	-	-	65
6	Current tax liabilities	1	1	-	-	-	-	1
7	Accruals and deferred income	48	48	-	-	-	-	48
8	Other liabilities	21	21	-	-	-	-	21
9	**Total liabilities**	**4,727**	**4,727**	**-**	**25**	**-**	**-**	**4,702**

Table EU LI2 provides a reconciliation between assets carrying values under the regulatory scope of consolidation and the exposures used for regulatory purposes, split in line with the regulatory risk framework. This is explained by the inclusion of the off-balance sheet amount whilst adjusting for provisions and differences due to credit conversion factor ("CCF") and CRM techniques.

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

As at 31 December 2024		a	b	c	d	e
			Items subject to			
Amounts in €millions		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**5,047**	**4,208**	**664**	**175**	**-**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**(33)**	**-**	**-**	**(33)**	**-**
3	**Total net amount under the scope of prudential consolidation**	**5,014**	**4,208**	**664**	**143**	**-**
4	**Off-balance-sheet amounts**	**586**	**284**	**-**	**302**	
5	*Differences in valuations*	-	-	-	-	
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	
7	*Differences due to consideration of provisions*	-	-	-	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	*151*	-	-	*151*	
9	*Differences due to credit conversion factors*	*(249)*	*(249)*	-	-	
10	*Differences due to Securitisation with risk transfer*	-	-	-	-	
11	*Other differences*	*(974)*	*(974)*	-	-	
12	**Exposure amounts considered for regulatory purposes**	**4,527**	**3,267**	**664**	**596**	**-**

	As at 31 December 2023 *Amounts in €millions*	a Total	b Items subject to Credit risk framework	c Securitisation framework	d CCR framework	e Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**4,958**	**4,140**	**611**	**208**	**-**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**(25)**	**-**	**-**	**(25)**	**-**
3	**Total net amount under the scope of prudential consolidation**	**4,933**	**4,140**	**611**	**182**	**-**
4	**Off-balance-sheet amounts**	**596**	**251**	**-**	**345**	
5	*Differences in valuations*	-	-	-	-	
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	
7	*Differences due to consideration of provisions*	-	-	-	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	*107*	-	-	*107*	
9	*Differences due to credit conversion factors*	*(195)*	*(195)*	-	-	
10	*Differences due to Securitisation with risk transfer*	-	-	-	-	
11	*Other differences*	*(928)*	*(928)*	-	-	
12	**Exposure amounts considered for regulatory purposes**	**4,512**	**3,267**	**611**	**634**	**-**

<u>Differences in the scopes of consolidation</u> (Article 436 (b) CRR)

The principles of consolidation for the regulatory group are identical to those applied in the IFRS Financial Statements.

The following table provides an overview of the accounting and regulatory consolidation methods for each entity within the Group. Any company or associate that cannot be consolidated based on their business activities are accounted for using the equity method. Further information on the Group's equity accounted investees and subsidiaries can be found in note 9 to the Financial Statements.

EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

a Name of the entity	b Method of accounting consolidation	c Method of prudential consolidation Full consolidation	d Proportional consolidation	e Equity method	f Neither consolidated nor deducted	g Deducted	h Description of the entity
MDB Group Limited	*Full consolidation*	*X*					*Holding company*
MeDirect Bank (Malta) plc	*Full consolidation*	*X*					*Credit institution*
MeDirect Bank SA	*Full consolidation*	*X*					*Credit institution*
MeDirect Tech Limited	*Full consolidation*	*X*					*IT leasing and support*
Medifin Estates	*Full consolidation*	*X*					*Property leasing*
Grand Harbour I B.V. ("GH I")	*Full consolidation*	*X*					*International corporate lending securitisation vehicle*
BASTION 2020-1 NHG B.V.	*Full consolidation*	*X*					*Dutch mortgages securitisation vehicle*
BASTION 2021-1 NHG B.V.	*Full consolidation*	*X*					*Dutch mortgages securitisation vehicle*
BASTION 2022-1 NHG B.V.	*Full consolidation*	*X*					*Dutch mortgages securitisation vehicle*

EU LIA - Explanations of differences between accounting and regulatory exposure amounts:

- Off-balance sheet amounts and potential future exposure for counterparty risk: Off-balance sheet amounts subject to credit risk and securitisation regulatory frameworks include undrawn portions of committed facilities, various trade finance commitments and guarantees. A CCF is applied to these items and potential future exposures are added for CCR.
- Differences in valuation: Impact of any value adjustment on the carrying amount of assets measured at fair value as per CRR article 34.
- Differences due to expected credit losses: The carrying value of assets is net of credit risk adjustments, while the regulatory exposure value is net of credit risk adjustments after application of IFRS 9 transitional provisions.
- Differences due to CRM: Exposure value under the standardised approach is calculated after deducting CRM whereas accounting value is before such deductions.
- Differences due to CCFs: The effect of CCFs in the exposure amounts for regulatory purposes.

<u>Impediments to fund transfers</u> (Article 436 (f) CRR) (EU LIB)

In line with the requirement of Article 436 of the CRR in accordance with Directive 2013/36/EU, there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries. The ability of subsidiaries to pay dividends or advance monies to MDB Group Limited depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

4 Credit risk and credit risk mitigation ("CRM")

The Group RAS 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.

4.1 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 NPEs. 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 31 December 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	460	460	-	-	-	-
010	Loans and advances	**3,063**	**2,996**	**67**	**70**	**-**	**70**
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-
040	*Credit institutions*	*37*	*37*	-	-	-	-
050	*Other financial corporations*	*161*	*144*	*17*	*38*	-	*38*
060	*Non-financial corporations*	*279*	*243*	*36*	*29*	-	*29*
070	*Of which SMEs*	*164*	*163*	*1*	*7*	-	*7*
080	*Households*	*2,585*	*2,572*	*14*	*3*	-	*3*
090	Debt securities	**1,359**	**1,359**	**-**	**-**	**-**	**-**
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	*223*	*223*	-	-	-	-
120	*Credit institutions*	*476*	*476*	-	-	-	-
130	*Other financial corporations*	*660*	*660*	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-
150	Off-balance-sheet exposures	**284**	**283**	**1**	**1**	**-**	**1**
160	*Central banks*	-	-	-	-	-	-
170	*General governments*	-	-	-	-	-	-
180	*Credit institutions*	-	-	-	-	-	-
190	*Other financial corporations*	*29*	*29*	-	-	-	-
200	*Non-financial corporations*	*129*	*128*	*1*	*1*	-	-
210	*Households*	*126*	*126*	-	-	-	-
220	**Total**	5,165	5,098	68	71	-	71

		g	h	I	j	k	l	m	n	o
	As at 31 December 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	Loans and advances	**(3)**	**(2)**	**(1)**	**(12)**	**-**	**(12)**	**-**	**2,847**	**6**
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	*(1)*	*(1)*	-	*(10)*	-	*(10)*	-	*67*	-
060	*Non-financial corporations*	*(1)*	-	-	*(2)*	-	*(2)*	-	*200*	*5*
070	*Of which SMEs*	-	-	-	*(1)*	-	*(1)*	-	*163*	*5*
080	*Households*	*(1)*	*(1)*	-	-	-	-	-	*2,581*	*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**	**(3)**	**(2)**	**(1)**	**(12)**	**-**	**(12)**	**-**	**2,847**	**6**

Note: The above table excludes NPEs 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 ITS on Supervisory reporting on forbearance and NPEs. The tables also exclude debt securities measured at fair value.

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

As at 30 June 2024		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	**(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**

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

		a	b	c	d	e	f
As at 31 December 2024		**Net exposure value[4]**					
	Amounts in €millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
010	Loans and advances	76	34	245	2,762	-	3,117
020	Debt securities	-	114	942	302	-	1,359
030	**Total**	76	148	1,188	3,064	-	4,476

		a	b	c	d	e	f
As at 30 June 2024		**Net exposure value**					
	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

In this respect, the Group's Non-performing loans ("NPL") ratio as at 31 December 2024 amounted to 2.2%. As shown by the NPL reduction in 2024 when compared to 2023 the Group continues to focus on its NPL ratio via individual borrower strategies aimed at maximising recoveries as well as a strategic decision to significantly de-risk the International Corporate Lending portfolio. The Group constantly monitors the quality of its loan portfolios in line with its credit policy.

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 NPEs. 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 NPEs. An exposure is being classified as non-performing (defaulted) if it meets to the criteria in Article 47a (3) (Article 178) of the CRR.

[4] 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.

EU CQ4: Quality of non-performing exposures by geography

31 December 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***	**4,491**		**70**		**15**		**-**
020	*Malta*	*289*		*7*		*2*		-
030	*Belgium*	*439*		*2*		*1*		-
040	*Germany*	*293*		-		-		-
050	*Netherlands*	*2,407*		*11*		*9*		-
060	*Ireland*	*515*		-		-		-
070	*Other countries*	*548*		*50*		*4*		-
080	***Off-balance-sheet exposures***	**285**		**1**			**-**	
090	*Malta*	*156*		-			-	
100	*Belgium*	*31*		-			-	
110	*Netherlands*	*82*		-			-	
120	*Austria*	-		-			-	
130	*Sweden*	-		-			-	
140	*Other countries*	*17*		*1*			-	
150	Total	**4,776**		**71**		**15**	**-**	**-**

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

The top 5 countries by exposure are listed in the table above, representing more than 88% of total exposure. Immaterial exposure to remaining countries is reflected in the ‘other countries’ category, with individual exposure of less than circa. €548 million.

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**	**-**	**-**

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 NPEs. 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 NPEs. 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

	31 December 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	28		-		-	-
040	Electricity, gas, steam and air conditioning supply	-		-		-	-
050	Water supply	-		-		-	-
060	Construction	66		2		-	-
070	Wholesale and retail trade	9		-		-	-
080	Transport and storage	-		-		-	-
090	Accommodation and food service activities	25		22		1	
100	Information and communication	10		1		-	-
110	Professional, scientific and technical activities	22		-		-	-
120	Financial and insurance activities	-		-		-	-
130	Real estate activities	113		5		1	
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	35		-		-	-
190	Others	-		-		-	-
200	**Total**	**308**		**29**		**3**	**-**

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

	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**	**-**

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 NPEs. Exposures are being classified as forborne according to the criteria in Article 47b of the CRR. An exposure is being classified as non-performing (defaulted) according to the criteria in Article 47a (3) (Article 178) of the CRR.

EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
31 December 2024		**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	8	56	56	36	-	12	11	5
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	*27*	*27*	*27*	-	*10*	-	-
060	*Non-financial corporations*	-	*28*	*28*	*9*	-	*2*	*5*	*5*
070	*Households*	*8*	*1*	*1*	*1*	-	-	*6*	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	1	1	1	-	-	-	-
100	**Total**	**8**	**57**	**57**	**38**	**-**	**12**	**11**	**5**

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**

Disclosure of template EU CQ2 showing the quality of forbearance through the loans and advances that have been forborne more than twice and the non-performing forborne loans and advances that failed to meet the non-performing exit criteria is not required given that the NPL ratio was lower than 5% throughout 2024.

4.2 Exposures with renegotiated terms and the Group's forbearance policy

The contractual terms of an exposure may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified would be derecognised in certain circumstances and the renegotiated loan recognised as a new loan at fair value.

Forbearance measures always aim to return the exposure to a situation of sustainable repayment. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') typically as part of a syndicate lender group, to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

A concession is defined in the EBA final draft ITS (2014) and refers to either of the following actions:

- A modification of the previous terms and conditions of a contract which the debtor was considered unable to comply with due to its financial difficulties ("troubled debt") to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulties; or
- A total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

The revised terms usually applied by the Group include extending the maturity, amending the terms of loan covenants and partial write-offs where there is reasonable financial evidence to demonstrate the borrower's inability to repay the loan in full. The Group's Credit Committees regularly review underlying trading trends on obligors who have availed of on forbearance measures in order to assess potential 'curing' of such measures and document the 'curing' eligibility periods for each name.

The Group considers using a combination of different forbearance measures, including both short-term and long-term time horizons in line with the nature and maturity of the credit facility.

The Group defines 'restructured exposures' as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off, unless certain prescriptive conditions are met.

Typically, the Group initially categorises a forborne exposure as performing and classifies the exposure as forborne non-performing at a later date once unlikely-to-pay indicators are evidenced, as outlined in the Non-Performing and Default Exposure section of the Group's Credit Policy.

For the purposes of supervisory reporting, the definition of forbearance is designed to be reported when credit institutions offer specific measures to help a specific borrower who is experiencing or likely to experience temporary financial difficulties with their repayment obligations. The individual assessment of the borrower's financial difficulties and granting measures tailored to this financial situation of the borrower are critical in terms EBA's definition of forbearance.

4.3 Impairment loss measurement guidelines
(Article 442 (a) – (b) CRR [EU CRB])

The scope of the impairment loss measurement guidelines is 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, as disclosed in note 2.2.4 of the December 2024 Annual Report and Financial Statements, 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 material exposures 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 Local Business Lending assets, the Group is unable to use external credit ratings as all exposures are unrated. Exposures within the Local 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 Local 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 Local 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 Exposure at Default ("EAD") in order to determine any expected shortfalls / credit losses.

For exposures in the Local 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 Probability of Default ("PD") equivalent to 100%.

With respect to the Dutch Mortgages, Securitisation Investment and Securities Investment portfolios, the ECLs on all assets (irrespective of staging) are modelled using statistical models developed by an external vendor. For the Belgian and Maltese Mortgage Lending portfolios, the ECL for the mortgage portfolios is determined using internally developed statistical models. For the Asset Backed Securitisation Investment portfolio and the Consumer Finance receivables portfolio, ECLs are determined utilising historical information and applying applicable credit enhancements.

For the Securities Investment portfolio, recoverable amounts are assessed on a MtM 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 2024 and 2023 there was a financial instrument that was classified as POCI.

Credit quality of performing and non-performing exposures by past due days (Article 442 (c-d) CRR)

Table EU CQ3 provides asset quality information of the Group's on balance sheet exposures and off balance sheet exposures by past due days 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 NPEs.

EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
31 December 2024		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
Amounts in €millions			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	460	460	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	3,063	3,059	4	70	60	-	2	-	8	-	-	70
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	37	37	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	161	161	-	38	37	-	-	-	1	-	-	38
060	*Non-financial corporations*	279	279	-	29	22	-	1	-	6	-	-	29
070	*Of which SMEs*	164	164	-	7	-	-	1	-	6	-	-	7
080	*Households*	2,586	2,581	4	3	1	-	1	-	-	-	-	3
090	Debt securities	1,359	1,359	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	223	223	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	476	476	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	660	660	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	284			1								1
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	29			-								-
200	*Non-financial corporations*	129			1								1
210	*Households*	126			-								-
220	***Total***	**5,165**	**4,878**	**4**	**71**	**61**	**0**	**2**	**0**	**8**	**0**	**0**	**71**

		a	b	c	d	e	f	g	h	i	j	k	l
31 December 2023		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
Amounts in €millions			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	563	563	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	2,933	2,918	14	76	59	-	-	1	4	-	11	76
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	54	54	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	189	189	-	50	50	-	-	-	-	-	-	50
060	*Non-financial corporations*	286	286	-	25	9	-	-	1	4	-	11	25
070	*Of which SMEs*	106	106	-	17	1	-	-	1	4	-	11	17
080	*Households*	2,404	2,390	14	1	-	-	-	-	-	-	-	1
090	Debt securities	1,322	1,322	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	224	224	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	487	487	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	611	611	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	241			1								1
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	25			-								-
200	*Non-financial corporations*	92			1								1
210	*Households*	124			-								-
220	***Total***	**5,058**	**4,803**	**14**	**78**	**61**	**0**	**0**	**1**	**4**	**0**	**11**	**78**

Assessments of lending portfolios and the underlying obligors continue to be made on an ongoing basis, and impairments revisited in light of the changed outlook. During 2024 MeDirect incurred €19.3 million of expected credit losses. This was driven primarily by the amounts written off on loans in the International Corporate Lending portfolio.

Based on the Group's detailed name by name portfolio analysis, provisions were taken on all borrowers whom have defaulted, as well as all non-defaulted borrowers that showed potential future characteristics of unlikeliness to pay. The Group also amended Stage 1 and Stage 2 provisions to reflect rating migrations and updates to the macroeconomic outlook. As a result of its forward looking approach to impairments, the Group believes that it has accounted for all currently expected credit losses for the financial year ended 31 December 2024.

Out of the €10 million past due more than 90 days stated in EU CQ3 above, all are considered as credit impaired. As stated earlier, those exposures classified as past due but not impaired, as disclosed in note 2.2.4 of the December 2024 Annual Report and Financial Statements, would be treated as such as although contractual interest or principal payments is past due, the Group believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Group. However, related credit losses, which may arise, would be partly covered by Stage 1 and Stage 2 credit loss allowances.

As 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. Commission Delegated Regulation (EU) No 183/2014 of 20 December 2013 (“Regulation (EU) No 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 CET1 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 for the International Corporate Lending, Treasury & AAA Collateralised Loan Obligations:

- 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.

For Dutch Mortgages the Bank utilises loan and borrower characteristics (LTV & LTI) as inputs adjusted to incorporate current and forward-looking macroeconomic variables.

For the Retail Mortgage portfolios, the Bank utilises NPL data issued by the NBB adjusted to incorporate forward-looking macroeconomic variables, as well as incorporate LTVs, with historical reference to loss-rates made to determine LGDs.

-

If an asset is transferred from IFRS 9 Stage 2 to Stage 3, a specific Lifetime ECL Impairment Assessment is undertaken. The International 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.

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.

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.

The same approach for Stage 3 mortgages is utilised as for Stage 1 and 2 ECLs, but PDs are floored to 100%.

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 NPL and advances throughout the financial year. The gross carrying value is inclusive of accrued interest.

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

	Amounts in €millions	**Period from 1 January to 31 December 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**	76	60
020	Inflows to non-performing portfolios	53	25
030	Outflows from non-performing portfolios	(59)	(9)
040	*Outflows due write-offs*	*0*	-
050	*Outflow due to other situations*	*59*	*(9)*
060	**Final stock of non-performing loans and advances**	**70**	**77**

The decrease in the loans and debt securities that have defaulted or impaired since the last reporting period is attributable to write offs of non-performing exposures in the International Corporate Lending portfolio.

Disclosure of template EU CR2a showing changes in the stock of NPL and advances and related net accumulated recoveries is not required given that the NPL ratio was lower than 5% throughout 2024.

4.4 Credit risk mitigation

General qualitative information on credit risk mitigation (Article 453 (a-e) CRR) (EU CRC)

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.

However the Group still 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. CRM 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 often the same pool of assets. For this reason, the Group applies risk appetite Loan-to-Cost ("LTC") and LTV limits as a buffer against real estate 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. The Malta Home Equity loan is a type of mortgage offered against RRE property but not necessarily for the purpose of purchasing real estate property, limited to the acceptable uses outlined in the credit framework. For this reason, Home Equity loans would only fall within the scope of the CBM Directive 16 if the purpose is towards funding a RRE property.

Malta Mortgages are offered to retail borrowers for the purchase of RRE in Malta. Such borrowing is provided in line with general market standards and governed by the CBM Directive 16, which covers maximum lending limits for different categories of borrowers and income considerations for DSTIs. Risk weights are also applied in line with section 2 of the CRR.

The Group does mortgage lending in the Netherlands guaranteed by the NHG and buy-to-let mortgages that are risk weighted 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 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 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 CRM 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.

When calculating the risk-weighted exposure amounts under the Standardised Approach in accordance with Article 235 of the CRR, the GA factor that represents the amount of credit risk protection as calculated under Article 233(3), is taken into account. In the case of NHG mortgages, this means that the actual NHG coverage is considered to determine the protected amount.

In addition to the risk-weights and capital charges for NHG-mortgages under Pillar 1, the Group takes into account under Pillar 2 specific risks of NHG-mortgages in its ICAAP.

Lastly, the Group purchases, through a partnership with Allianz Benelux S.A. ("AZB"), 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 Financial Services and Markets Authority and the NBB). The loans are originated following strict guidelines & acceptance criteria, including those related to LTV and DSTIs, in-line with the best practices of professional responsible lenders.

4.4.1 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 1 risks that are based on the Group's accounting records, the Group also carries an assessment of the extra capital proportionate to Pillar 2 risks as part of its annual ICAAP. The ICAAP chapter on EC for credit risk, describes the Group's approach for allocating capital for this risk. Since the Group is not rated, it is not required to allocate internal capital or allocate collateral in the eventuality of a downgrade in its credit rating.

4.4.2 Use of On- and off-balance sheet netting and set-off
(Article 453 (a) CRR)

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. Further information regarding the offsetting policies of the Group can be found in the MDB Group Annual Report and Financial Statements for the financial year ended 31 December 2024.

4.4.3 Main types of collateral, guarantor and credit derivative counterparties
(Article 453 (c-d) CRR)

For the Malta Lending portfolios, collateral held by the Group includes Special Hypothecs and Privileges over residential and commercial real estate, as well financial collateral such as debt securities, insurance and cash on deposit. Generally, the Group also takes a charge over all the borrowers existing and future assets under a General Hypothec.

The Group also holds collateral against mortgage loans under the Belgian and Dutch mortgage portfolios (NHG and Buy-to-Let) in the form of hypothecary rights over immovable assets.

The financial guarantees received by the Group relates to the Dutch NHG mortgage portfolio business as the loans are covered by the NHG which covers up to 90% of the losses that remain after a foreclosure. The NHG Guarantee assumes that a mortgage loan amortises over a 30-year period regardless of the actual loan amortisation profile. Consequently, the credit protection amount of the NHG guarantee on mortgage loans decreases over time, assuming repayment of the guaranteed residential mortgage loan within 30 years and according to the annuity method. Thus, depending on the NHG terms and conditions that apply to the individual mortgage loan, the credit protection provided by the NHG guarantee may only be partial and is decreasing over time.

The Group was not involved in any credit derivative transactions during the year.

4.4.4 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.

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.

Overview of credit risk mitigation techniques *(Article 453 (f) CRR)*

The following table EU CR3 shows a breakdown of unsecured and secured credit risk exposures and credit risk exposures secured by various CRM for all loans and debt securities including the carrying amounts of the total population which are in default. Unsecured exposures represent the carrying amount of credit risk exposures (net of credit risk adjustments) that do not benefit from a CRM technique, regardless of whether this technique is recognised in the CRR. Secured exposures represent the carrying amount of exposures that have at least one CRM mechanism (e.g. collateral and financial guarantees) associated with them. Exposure secured by various CRM analysed in the other columns are the carrying amount of exposures (net of credit risk adjustments) partly or totally secured by collateral and financial guarantees (no credit derivatives in place), whereby only the secured potion of the overall exposure is presented. No overcollateralization is considered.

EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

	31 December 2024	Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	Amounts in €millions	a	b	c	d	e
1	Loans and advances	3,578	2,487	2,487	-	-
2	Debt securities	1,350	9	-	9	-
3	Total	4,927	2,497	2,487	9	-
4	*Of which non-performing exposures*	52	6	6	-	-
EU-5	*Of which defaulted*	52	6	6	-	-

	31 December 2023	Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
	Amounts in €millions	a	b	c	d	e
1	Loans and advances	3,558	2,600	2,600	-	-
2	Debt securities	1,285	37	-	37	-
3	Total	4,842	2,637	2,600	37	-
4	*Of which non-performing exposures*	49	17	17	-	-
EU-5	*Of which defaulted*	49	17	17	-	-

Disclosure of template EU CQ6: Collateral valuation - loans and advances, showing an analysis of loans and advances that are secured by immovable property, split by the LTV of the respective loans and advances, in line with the EBA Guidelines on disclosure of non-performing and forborne exposures, is not required given that the NPL ratio was lower than 5% throughout 2024.

Collateral obtained by taking possession and execution processes (Article 442 (c) CRR)

No collateral was obtained by taking possession of tangible assets.

Quantitative information on the use of the standardised approach

Standardised approach exposure by risk weight before and after credit risk mitigation (Article 444 (e) CRR and Article 453 (g-i) CRR)

The following table shows the credit risk exposure before and post CCFs and CRM obtained in the form of eligible financial collateral and guarantees (no credit derivatives in place) based on the EAD in the standardised approach as well as related RWA and average risk wights broken done by regulatory exposure classes and a split in on- and off-balance sheet exposures.

EU CR4 – standardised approach – Credit risk exposure and CRM effects

	31 December 2024						
	Exposure classes *(Amounts in €millions)*	**Exposures before CCF and before CRM**[5]		**Exposures post CCF and post CRM**		**RWAs and RWAs density**	
		On-balance-sheet exposures	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWAs**	**RWAs density (%)**
		a	b	c	d	e	f
1	Central governments or central banks	212	-	1,831	3	7	-
2	Regional government or local authorities	212	-	212	-	-	-
3	Public sector entities	-	-	-	-	-	-
4	Multilateral development banks	10	-	10	-	-	-
5	International organisations	11	-	11	-	-	-
6	Institutions	187	-	177	-	42	24%
7	Corporates	163	39	163	8	171	100%
8	Retail	161	57	137	6	107	75%
9	Secured by mortgages on immovable property	2,454	95	868	17	439	50%
10	Exposures in default	53	1	52	-	69	132%
11	Exposures associated with particularly high risk	94	92	94	-	141	150%
12	Covered bonds	457	-	457	-	45	10%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	53	-	54	-	53	98%
17	**TOTAL**	**4,066**	**284**	**4,066**	**34**	**1,075**	**26%**

	31 December 2023						
	Exposure classes *(Amounts in €millions)*	**Exposures before CCF and before CRM**		**Exposures post CCF and post CRM**		**RWAs and RWAs density**	
		On-balance-sheet exposures	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWAs**	**RWAs density (%)**
		a	b	c	d	e	f
1	Central governments or central banks	271	-	1,921	6	12	1%
2	Regional government or local authorities	206	-	206	-	-	-
3	Public sector entities	6	-	6	-	-	-
4	Multilateral development banks	10	-	10	-	-	-
5	International organisations	11	-	11	-	-	-
6	Institutions	246	-	209	-	48	23%
7	Corporates	305	53	304	17	321	100%
8	Retail	182	51	148	5	115	75%
9	Secured by mortgages on immovable property	2,154	101	576	18	280	47%
10	Exposures in default	36	-	35	-	45	128%
11	Exposures associated with particularly high risk	69	46	69	-	103	150%
12	Covered bonds	441	-	441	-	44	10%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	34	-	36	9	34	77%
17	**TOTAL**	**3,971**	**251**	**3,971**	**56**	**1,002**	**25%**

[5] **Exposures before CCF and CRM**: This represents the Group's on-balance-sheet and off-balance exposures (respectively) under the regulatory scope of consolidation (in accordance with Article 111 in the CRR), net of specific credit risk adjustments (as defined in the Commission Delegated Regulation (EU) No 183/2014) and write-offs (as defined in the applicable accounting framework), but before (i) the application of CCFs as specified in the same article and (ii) the application of CRM techniques specified in Part Three, Title II, Chapter 4 of the CRR.

The following table provides the EAD per regulatory exposure class are assigned to their standardised risk weights. Unrated items are reported separately.

EU CR5 – standardised approach[6]

31 December 2024

	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	1,831	-	-	-	-	-	-	-	-	3	1,834	1,834
2	Regional governments or local authorities	212	-	-	-	-	-	-	-	-	-	212	212
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development Banks	10	-	-	-	-	-	-	-	-	-	10	10
5	International organisations	11	-	-	-	-	-	-	-	-		11	11
6	Institutions	-	1	-	153	-	23	-	-	-	-	177	41
7	Corporates	-	-	-	-	-	-	-	171	-	-	171	171
8	Retail exposures	-	-	-	-	-	-	142	-	-	-	142	142
9	Exposures secured by mortgages on immovable property	-	-	-	-	665	26	-	193	-	-	885	885
10	Exposures in default	-	-	-	-	-	-	-	19	34	-	52	52
11	Items associated with particular high risk	-	-	-	-	-	-	-	-	94	-	94	94
12	Covered bonds	5	-	452	-	-	-	-	-	-	-	457	5
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	1	-	-	-	-	-	-	53	-	-	55	55
17	**Total**	**2,070**	**1**	**452**	**153**	**665**	**50**	**142**	**436**	**128**	**3**	**4,100**	**3,511**

30 June 2024

	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	1,862	-	-	-	-	-	-	-	-	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**

[6] Amounts presented in this table represent exposure value after CRM and CCF excluding IFRS 9 transitional adjustment. Missing columns relate to risk weight percentages that are not applicable to the Group.

4.5 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Mitigation of settlement risk

For all types of investment transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Furthermore, the Group has a number of master netting agreements covering repurchase transactions and securities with its counterparties.

4.6 Equity exposures in the banking book
(Article 438 (e) CRR)

The Group did not hold any equity exposures on its balance sheet as at 31 December 2024.

5 Counterparty credit risk

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

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 CCR 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 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) and in the European Securities and Markets Authority Technical Standards.

Four approaches may be used under CRD to calculate exposure values for CCR: MtM, original exposures, standardised and Internal Model Method ("IMM"). Exposure values calculated under these approaches are used to determine RWAs. As of 31 December 2024, the Group reported the CCR calculations using the - Simplified Standardized Approach for Counterparty Credit Risk ("SA-CCR") Method (as defined in CRR, 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 CRM (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 the 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 4 '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 and ISDA agreements, alongside associated Credit Support Annex. A bilateral secured financing transaction bearing any CCR not executed under a signed 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 MCC. This list of approved derivative counterparties and associated limits is included in the Group's RAS. The Group's Treasury function monitors market feeds on a daily basis to ensure that any potential downgrade to credit ratings of its counterparties is captured in a timely manner. This ensures that exposure to such counterparties is limited to the current exposure, if necessary.

The RAS 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 RAS 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 CCR impact given a downgrade in its credit rating.

CCR exposures by model approach and development (Article 439 (f,g,k) CRR)

In order to determine the potential future credit exposure, the notional amounts or underlying values, as applicable, are multiplied by the percentages stipulated in the CRR, Table 1 of Article 274(2)(c). These are based on contract type and residual maturities. The following table shows the methods used for calculating the regulatory requirements for CCR exposure including the main parameters for each method.

EU CCR1 – Analysis of CCR exposure by approach

As at 31 December 2024		a	b	c	d	e	f	g	H
	Amounts in €millions	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1EU - Original Exposure Method (for derivatives)		-	-		1.4	-	-	-	-
EU2EU - Simplified SA-CCR (for derivatives)		-	-		1.4	1	1	1	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**-**	**-**	**-**	**-**

As at 31 December 2023		a	b	c	d	e	f	g	H
	Amounts in €millions	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1EU - Original Exposure Method (for derivatives)		-	-		1.4	-	-	-	-
EU2EU - Simplified SA-CCR (for derivatives)		-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**-**	**-**	**-**	**-**

CCR Credit Valuation Adjustment capital charge (Article 439 (h) CRR)

The CRR requires financial institutions to calculate own funds requirements for CVA risk, in accordance with Article 382, which is a capital charge to reflect potential MtM losses due to counterparty migration risk on bilateral OTC derivative contracts. This adjustment reflects potential MtM losses due to counterparty migration risk on bilateral OTC derivative contracts.

The CVA is calculated under the standardised method. Using the regulatory formula, capital required in respect of CVA risk as at 31 December 2024, is calculated to be €0.1 million on a total exposure of €1.2 million.

EU CCR2 – Transactions subject to own funds requirements for CVA risk

As at 31 December 2024	*Amounts in €millions*	a	b
		Exposure value	RWA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	1	-
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	1	-

As at 31 December 2023	*Amounts in €millions*	a	b
		Exposure value	RWA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	-	-
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	-	-

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

The following table shows the CCR 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 CCP are presented separately in table EU CCR8.

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

	31 December 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	123	-	-	-	-	-	-	-	-	-	-	123
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	123	-	-	-	-	-	-	-	-	-	-	123

	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**

CCR exposures after credit risk mitigation (Article 439 (e) CRR)

The following table presents information on the CCR exposure and the composition of collateral used in both derivative transactions and Securities Financing Transactions (“SFTs”).

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

	31 December 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**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CCR exposures to central counterparties (Article 439 (i) CRR)

The following table presents an overview of the 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

	31 December 2024 *Amounts in €millions*	a Exposure value	b RWEA
1	**Exposures to QCCPs (total)**		11
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	302	6
3	(i) OTC derivatives	302	6
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	2	-
9	Prefunded default fund contributions	11	5
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	-	-

	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	-	-

6 External credit assessment institutions

(Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk according to Table 8 EU CRD)

In accordance with the standardised approach, the Group uses credit assessments issued by External Credit Assessment Institutions ("ECAI's") in order to calculate the risk weighted exposure amounts for certain exposure classes, wherever such a credit assessment is available, in accordance with Part Three, Title II, Chapter 2 of the CRR. During the financial year ended 31 December 2024, the Group used the external ratings issued by the following 3 nominated ECAIs: Standard & Poor's ("S&P"), Fitch and Moody's. The relevant ratings to use were determined in particular by Article 138 of the CRR, and these were mapped to the credit quality steps according to Commission Implementing Regulation (EU) 2019/2028 of 29 November 2019 ("Regulation (EU) 2019/2028").

The Group applies the ECAI ratings to the following exposure classes:

- Central governments or central banks;
- Regional governments or local authorities;
- Public sector entities;
- Multilateral development banks;
- International organisations;
- Institutions; and
- Covered bonds.

When calculating the risk-weighted value of the above exposures using ECAI risk assessments, the Group's systems identify the instrument in question and looks up the available ratings in the database according to the rating section rules. The systems then apply the following prescribed credit quality step mapping to derive from the rating the relative risk weight.

The following is a table used by the Group to map the relevant ratings bands to the appropriate credit quality steps as per the above mentioned regulation:

Fitch Rating	Credit Quality Step		Moody's Investors Service Rating	Credit Quality Step		S&P Global Ratings Europe Limited Rating	Credit Quality Step		Risk Weight
AAA	1		Aaa	1		AAA	1		0%
AA	1		Aa	1		AA	1		0%
A	2		A	2		A	2		20%
BBB	3		Baa	3		BBB	3		50%
BB	4		Ba	4		BB	4		100%
B	5		B	5		B	5		100%
CCC	6		Caa	6		CCC	6		150%
CC	6		Ca	6		CC	6		150%
C	6		C	6		C	6		150%
						D	6		150%

There were no changes in the nominated ECAIs and exposures to which the ratings are applied from the prior financial year.

7 Exposure to interest rate risk in the banking book

Qualitative information on interest rate risk in the banking book (Article 448 (1) (c-g) CRR (EU IRRBBA)

IRRBB is the current or prospective risk, to both the Group's capital and earnings arising from movements in interest rates, which affect the Group's non-trading book exposures. This includes gap risk, which arises from the term structure of banking book instruments and basis risk that describes the impact of retained earnings in interest rate for financial instruments that are priced using different interest rate curves.

Interest rate risk that can be economically hedged is transferred to the Treasury team. Hedging is generally executed through natural hedging or through interest rate derivatives. Any interest rate risk that the Treasury team cannot economically hedge remains within the business.

The Group assesses and measures hedge effectiveness of a hedging relationship based on the change in the fair value of the derivative hedging instrument relative to the change in the fair value of the hedged item attributable to the hedged risk.

The Group manages its IRRBB exposures using economic as well as earnings based measures. The Treasury team is mandated to manage the interest rate risk with the Risk team as 2nd LOD independently assessing and challenging the implementation of the framework and adherence to the risk appetite. The Internal Audit team in its role as the 3rd LOD is accountable for providing independent and objective reasonable assurance on the adequacy of the design, operating effectiveness and efficiency of the risk management and internal control systems. The Group ALCO monitors the sensitivity of financial resources and associated metrics to key market parameters such as interest rate curves and oversees adherence to financial resources limits.

A summary of the Group's interest rate gap position on non-trading portfolios is found in the MDB Group Limited Annual Report and Financial Statements for the financial year ended 31 December 2024, in section 2.4.3 - Interest rate risk.

The management of interest rate risk attributable to interest rate repricing gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various interest rate scenarios under the STF meanwhile the extent of the difference between risk factors on the asset side and liability side is monitored through the re-fixing gap analysis. As detailed in Section 2.4.3 on Market Risks, the metrics related to IRRBB are monitored and reported to ALCO on a monthly basis and to senior management on a weekly basis.

Changes in the economic value of equity and net interest income (Article 448 (a-b,d) CRR)

The following table shows the impact on the Group's net interest income in the non-trading book as well as the change in economic value for the banking book positions from interest rate changes under the six standard scenarios defined by the EBA.

The ΔNII and ΔEVE are based on scenarios and assumptions prescribed by the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2022/14):

- Parallel Up,
- Parallel Down,
- Steepener,
- Flattener,
- Short rates shock up, and
- Short rates shock down.

The main assumptions used in the model utilised to measure the benchmarks referred to above are:

- Interest bearing assets are assumed to mature on their expected maturity and are not replaced for the ∆EVE purposes (run off balance sheet);

- Interest bearing assets are assumed to mature on their expected maturity and are replaced on like for like basis for the ∆NII purposes (constant balance sheet);

- The Dutch NHG and Belgian Retail mortgages are assumed to follow a conditional prepayment rate curve over and above the contractual principal payment schedule;

- In addition to the legal floor on Regulated Savings Accounts of MeDirect Belgium, there is an implicit zero floor option on retail customer deposits as the Group will not charge negative rates to the retail segment of its customer base;

- The ∆ NII and ∆ EVE metrics includes the effect of changes in value of the contractual automatic options embedded in the banking book assets;

- Customer deposits follow their behavioural schedule; and

- Sensitivities to behavioural assumptions are measured on a quarterly basis as part of the ICAAP whereas the IRRBB measurement has been validated and adapted to cater for novel characteristics of new product lines.

These assumptions are in line with the general guidelines defined by the EBA.

EVE denotes the current worth of future cash flows in the banking book, reflecting what could be distributed to equity providers under controlled runoff conditions. EVE serves as a regulatory gauge, monitored alongside Total Capital and the Standard Outlier test for sensitivity limits. IRRBB induces fluctuations in expected NII due to interest rate shifts. One method to gauge this risk is through NII sensitivity analysis, which is also a regulatory metric monitored against the Large Decline of NII threshold.

EU IRRBB1 – Changes in the economic value of equity and net interest income under six supervisory shock scenarios

		Changes of the economic value of equity		**Changes if the net interest income**	
	Amounts in €million	December 2024	December 2023	December 2024	December 2023
	Supervisory shock scenarios				
1	Parallel up	1.13	0.8	(0.1)	(4.9)
2	Parallel down	0.60	(0.9)	(4.3)	(0.1)
3	Steepener	(2.9)	5.0		
4	Flattener	1.2	(9.9)		
5	Short rates up	(3.0)	(9.1)		
6	Short rates down	1.9	4.1		

In line with Article 448(1), point (d) of the CRR, there have been no significant changes in assumptions, methodology, or calculation in the IRRBB measurement.

In accordance with Article 448(1), point (g) CRR, the average repricing maturity assigned to non-maturity deposits from retail and non-financial wholesale counterparties inclusive/exclusive of non-core balance is 2.2/6.4 years respectively The longest repricing maturity is 10 years.

The tables in Section 2.4.3 “Interest rate risk” of the Group’s Annual Report and Financial Statements disclose the mismatch of the dates on which interest on financial assets and financial liabilities either will reset to market rates levels or the date on which the instruments mature. Actual cash-flows on reset dates may differ from contractual dates owing possible exercise of behavioural options such as prepayments. In addition, contractual terms may not be representative of the behaviour in respect of financial assets and liabilities.

8 Operational risk exposure

(Article 446 CRR [EU ORA])

8.1 Operational risk – own funds requirements

Operational risk is the risk of loss resulting from people, inadequate or failed internal processes, data or systems, or external events. These risks arise during the day-to-day operations while taking financial risks. Non-financial risks may have an impact on the management of financial risks, for example, inaccurate financial reporting may lead to unexpected capital or liquidity risk, or a trading process failure may result in higher market risk taking. Notable sources of non-financial risks include external, non-authorised activities, errors and omissions including events characterised by a low probability but with a high impact in case of occurrence.

The Group currently uses the basic indicator approach to assess the operational risk regulatory capital requirements and accordingly allocates 15% of average gross income for a three year period in accordance with regulatory requirements. No combined use of different approached is in place. The following table reports the Group's operational risk capital requirements.

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
As at 31 December 2024						
Banking activities		Relevant indicator			Own funds requirements	Risk exposure amount
Amounts in €millions		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	66	89	86	12	151
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	*Subject to TSA:*	-	-	-		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

		a	b	c	d	e
As at 31 December 2023						
Banking activities		Relevant indicator			Own funds requirements	Risk exposure amount
Amounts in €millions		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	56	66	89	11	132
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	*Subject to TSA:*	-	-	-		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

In the Group's ICAAP, the Group assigned a scenario for the identified operational risk themes as identified during the RCSAs. Each of these scenarios were assigned a risk add-on which represented the financial costs the Group could expect to incur if the respective scenarios were to materialise in isolation. This approach is used to inform the final internal capital add-on. Internal data is used to complement the scenario analysis along with expert judgment from within the Group's 1st LOD. The following formula is used to calculate the aggregate risk add-on, together with a set of correlation assumptions.

$$Aggregate\ capital\ requirement = \sqrt{\sum_{i,j}\sum \rho_{i,j} \times RA_i \times RA_j}$$

$$\rho_{i,j} = linear\ correlation\ coefficient\ between\ scenarios\ i\ and\ j; with\ RA_i\ and\ RA_j = Risk\ add-ons.$$

9 Own funds

<u>Own Funds composition, prudential filters and deduction items</u> *(Article 437 (a, d-f) CRR)*

9.1 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 CET1 capital and Tier 2 capital.

9.1.1 Common Equity Tier 1 capital – composition

As at 31 December 2024, CET1 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.

9.1.2 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 International Accounting Standard 32: Financial Instruments – Presentation.

iv. Retained earnings are 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.

9.1.3 Tier 2 capital

Tier 2 capital consists of subordinated liabilities in issue, which rank after the claims of all depositors (including financial institutions) and all other creditors.

As at 31 December 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 2025 early redemption option held by the Group.
- Debt securities, bearing interest payable at 4%, repayable on 5 November 2029, with a 5 November 2025 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 the regulatory capital and to support the execution of the business strategy.

9.2 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.

9.2.1 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	**31 December 2024**	**30 June 2024**	**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	52	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	-	-	
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)	(11)	(10)	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)	(15)	(10)	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)	(6)	(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	(4)	(14)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(36)	(37)	
29	**Common Equity Tier 1 (CET1) capital**	**218**	**218**	
	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**	**218**	
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	12	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	33	35	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**44**	**46**	
	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**	**44**	**46**	
59	**Total capital (TC = T1 + T2)**	**263**	**264**	
60	**Total Risk exposure amount**	**1,329**	**1,315**	
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital	16.4%	16.6%	
62	Tier 1 capital	16.4%	16.6%	
63	Total capital	19.8%	20.1%	
64	Institution CET1 overall capital requirements	10.8%	10.7%	
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical capital buffer requirement	1.0%	1.0%	
67	of which: systemic risk buffer requirement	0.0%	0.0%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.9%	0.9%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.8%	1.8%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	8.04%	8.2%	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	3	7	
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 31 December 2024 was above the TSCR benchmark of 11%.

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

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

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

The CBM in collaboration with the MFSA under the auspices of the Joint Financial Stability Board 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 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.

Capital ratios different to CRR (Article 437 (f) CRR)

The own funds capital ratios of the MDB Group are built upon the CRR regulations.

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	EUR7.6 million	EUR0.6 million
9	Nominal amount of instrument	EUR55.7 million	EUR13.8 million	EUR18.7 million	EUR1.2 million
EU-9a	Issue price	EUR1 per share	EUR0.335 per share	EUR100 per EUR Bond	GBP100 per GBP Bond
EU-9b	Redemption price	N/A	N/A	EUR100 per EUR Bond	GBP100 per GBP Bond
10	Accounting classification	Share capital	Share premium	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	10 June 2004	10 June 2004	27 October 2017 (Note 1)	27 October 2017 (Note 1)
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	N/A	N/A	13 October 2027	13 October 2027
14	Issuer call subject to prior supervisory approval	No	No	N/A (Note 2)	N/A (Note 2)
15	Optional call date, contingent call dates, and redemption amount	No	No	N/A (Note 2)	N/A (Note 2)
16	Subsequent call dates, if applicable	No	No	N/A (Note 2)	N/A (Note 2)
	Coupons/dividends				
17	Fixed or floating dividend/coupon	Floating	N/A	Fixed	Fixed
18	Coupon rate and any related index	N/A	N/A	5% per annum	5% per annum
19	Existence of a dividend stopper	No	No	No	No
EU20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A	Mandatory	Mandatory
EU20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	N/A	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No	No
35	Position in subordination hierarchy in liquidation	Subordinated to MeDirect Bank Malta plc subordinated bonds	Subordinated to MeDirect Bank Malta plc subordinated bonds	Subordinated to senior creditors and depositors	Subordinated to senior creditors and depositors
36	Non-compliant transitioned features	No	No	No	No

Note (1): The subordinated loan capital in Tier 2 capital represents the subordinated unsecured bonds of MeDirect Bank (Malta) plc. They are included as part of Tier II Capital as they fully qualify for the provisions listed under 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 31 December 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 €1.4 million.

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

	Instruments	MeDirect Bank (Malta) plc 4% Subordinated Unsecured Bonds EUR 2029	MeDirect Bank (Malta) plc 4% Subordinated Unsecured Bonds GBP 2029	MDB Group 9.75% subordinated notes EUR 2031
1	Issuer	MeDirect Bank (Malta) plc	MeDirect Bank (Malta) plc	MDB Group Limited
2	Unique identifier	MT0000551300	MT0000551318	XS2296173540
2a	Public or private placement	Public	Public	Public
3	Governing law(s) of the instrument	Maltese Law	Maltese Law	England Law, except conditions 4 and 16(d) that are governed by the law of Malta
3a	Contractual recognition of write down and conversion powers of resolution authorities	No (but extensive disclosure in offering documents as to write down and conversion powers of resolutions authorities under BRRD)	No (but extensive disclosure in offering documents as to write down and conversion powers of resolutions authorities under BRRD)	Yes
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & (Sub) Consolidated	Solo & (Sub) Consolidated	Solo & (Sub) Consolidated
7	Instrument type	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital	EUR22.5 million	EUR2.0 million	EUR11.7 million
9	Nominal amount of instrument	EUR32.2 million	EUR2.8 million	EUR11 million
EU-9a	Issue price	EUR1,000 per EUR Bond	GBP1,000 per GBP Bond	99.052% of face amount
EU-9b	Redemption price	EUR1,000 per EUR Bond	GBP1,000 per GBP Bond	100% of face amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	5 November 2019 (Note 1)	5 November 2019 (Note 1)	10 February 2021 (Note 3)
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	5 November 2029	5 November 2029	10 February 2031
14	Issuer call subject to prior supervisory approval	N/A (Note 2)	N/A (Note 2)	N/A (Note 4)
15	Optional call date, contingent call dates, and redemption amount	N/A (Note 2)	N/A (Note 2)	N/A (Note 4)
16	Subsequent call dates, if applicable	N/A (Note 2)	N/A (Note 2)	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	4% per annum	4% per annum	9.75% per annum
19	Existence of a dividend stopper	No	No	No
EU20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
EU20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down features	No	No	No
35	Position in subordination hierarchy in liquidation	Subordinated to senior creditors and depositors	Subordinated to senior creditors and depositors	Subordinated to senior creditors and depositors
36	Non-compliant transitioned features	No	No	No

Note (1): The subordinated loan capital in Tier 2 capital represents the subordinated unsecured bonds of MeDirect Bank (Malta) plc. They are included as part of Tier II Capital as they fully qualify for the provisions listed under 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 31 December 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 €1.4 million.
Note (2): Redemption of the subordinated loan capital shall take place on 5 November 2029, provided that in the event that a Regulatory Change Event occurs, the Group shall at its sole discretion but subject to the prior approval of the JST, have the option to redeem the subordinated loan capital in full prior to the scheduled redemption date.
Note (3): The fixed rate reset callable subordinated notes due 2031 were issued by MDB Group Limited on 10 February 2031. They are included as part of Tier II Capital as they fully qualify for the provisions listed under 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 31 December 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.

The Tier 2 securities in the preceding table are included in the Group's Own Funds figure following a haircut in accordance with article 87 under Regulation (EU) No 575/2013 equivalent to €13.1 million.

The table below indicates the prudential valuation adjustments for all fair valued assets and liabilities included in Article 4(1) threshold. Such calculation is derived pursuant to Commission Delegated Regulation (EU) 2016/101 of 26 October 2015 ("Regulation (EU") 2016/101"). The Group follows the Simplified Approach for the determination of the additional valuation adjustments in line with Article 4(1) of the Regulation (EU) 2016/101.

EU PV1: Prudent valuation adjustments (PVA)

31 December 2024		a	b	c	d	e	EU e1	EU e2	f	g	h
Amounts in €millions		Risk category					Category level AVA - Valuation uncertainty		**Total category level post-diversification**		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: **Total core approach** in the trading book	Of which: **Total core approach** in the banking book
1	Market price uncertainty	-	-	-	-	-	-	-	-	-	-
2	Not applicable	-	-	-	-	-	-	-	-	-	-
3	Close-out cost	-	-	-	-	-	-	-	-	-	-
4	Concentrated positions	-	-	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-	-	-	-	-	-
8	Not applicable	-	-	-	-	-	-	-	-	-	-
9	Not applicable	-	-	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-	-	-
11	Not applicable	-	-	-	-	-	-	-	-	-	-
12	**Total Additional Valuation Adjustments (AVAs)**								-	-	-

31 December 2023		a	b	c	d	e	EU e1	EU e2	f	g	h
Amounts in €millions		Risk category					Category level AVA - Valuation uncertainty		**Total category level post-diversification**		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: **Total core approach** in the trading book	Of which: **Total core approach** in the banking book
1	Market price uncertainty	-	-	-	-	-	-	-	-	-	-
2	Not applicable	-	-	-	-	-	-	-	-	-	-
3	Close-out cost	-	-	-	-	-	-	-	-	-	-
4	Concentrated positions	-	-	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-	-	-	-	-	-
8	Not applicable	-	-	-	-	-	-	-	-	-	-
9	Not applicable	-	-	-	-	-	-	-	-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-	-	-
11	Not applicable	-	-	-	-	-	-	-	-	-	-
12	**Total Additional Valuation Adjustments (AVAs)**								-	-	-

10 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 CET1 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 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.

- CCR –The Group reported the CCR calculations under the Simplified Standardised approach (as defined in CRR, Article 281).

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

- CVA 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, FX risk and CVA 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. The most significant changes between the two periods were due to an increase in operational risk RWA.

EU OV1 – Overview of total risk exposure amounts

Amounts in €millions		**Total risk exposure amounts (TREA)**		**Total own funds requirements**
		a	**b**	**c**
		31 December 2024	**30 September 2024**	**31 December 2024**
1	Credit risk (excluding CCR)	1,075	1,052	86
2	Of which the standardised approach	1,075	1,052	86
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk – CCR	12	13	1
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	11	13	1
EU 8b	Of which credit valuation adjustment – CVA	-	-	-
9	Of which other CCR	1	-	1
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	92	119	7
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	92	119	7
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	151	132	12
EU 23a	Of which basic indicator approach	151	132	12
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)	7	7	1
29	**Total**	**1,329**	**1,317**	**106**

Capital buffers (Article 440 CRR)

Minimum capital requirements and additional capital buffers

In light of the fact that the Group is supervised by the ECB as part of the SSM, MDB Group is subject to the SREP, which determines the capital requirement by the ECB.

MDB Group is required to meet a 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 Pillar 2 Requirement. 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 OCR, in addition to TSCR, which includes the Combined Buffer Requirement.

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

In respect of the Group, Banking Rule BR/15 “Capital Buffers of Credit Institutions authorised under the Maltese Banking Act (Cap. 371)” (“BR/15”), requires additional buffers, namely the ‘capital conservation buffer’, the ‘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 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 2022 and 2025. The following table shows the buffer applicable in the period 2024 – 2025:

Year	**2024**	**2025**
Appliable buffer rate	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 CBM set a 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 RRE.

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 1.1% as at 31 December 2024. 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 buffer[7]

	31 December 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	0.94%	0.00%
	Belgium	363	6	369	11	-	11	141	13.04%	1.00%
	Canada	-	1	1	-	-	-	-	0.02%	0.00%
	Czech Republic	-	-	1	-	-	-	-	0.01%	1.25%
	Denmark	5	2	7	-	-	-	-	0.03%	2.50%
	Finland	20	6	26	-	-	-	3	0.26%	0.00%
	France	134	107	241	2	1	3	43	3.97%	1.00%
	Germany	118	68	186	3	1	4	47	4.31%	0.75%
	Ireland	-	8	8	-	-	-	1	0.11%	1.50%
	Italy	25	25	50	1	-	1	15	1.39%	0.00%
	Luxembourg	51	32	83	5	-	5	61	5.66%	0.50%
	Malta	317	-	318	21	-	22	269	24.86%	0.00%
	Netherlands	2,157	64	2,221	29	1	30	371	34.29%	2.00%
	Norway	37	2	39	-	-	-	4	0.37%	2.50%
	Portugal	1	2	2	-	-	-	-	0.04%	0.00%
	Spain	21	27	48	1	-	1	13	1.24%	0.00%
	Sweden	35	20	55	2	-	2	29	2.69%	2.00%
	Switzerland	-	5	6	-	-	-	1	0.08%	0.00%
	United Kingdom	22	84	106	3	1	4	45	4.15%	2.00%
	United States	14	65	79	1	1	2	24	2.20%	0.00%
	Japan	-	1	1	-	-	-	-	0.01%	0.00%
	Slovakia	31	-	31	-	-	-	3	0.29%	1.50%
020		**3,450**	**529**	**3,978**	**80**	**6**	**87**	**1,081**	**100.00%**	

[7] Missing columns since the Group does not use the IRB approach and does not hold a trading book.

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		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%
	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%
	Italy	34	27	61	2	-	2	25	2.24%	0.00%
	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%
	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%
	Slovakia	31	-	31	-	-	-	3	0.28%	1.50%
020		**3,383**	**611**	**3,994**	**80**	**9**	**88**	**1,104**	**100.00%**	

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

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

EU CcyB2 - Amount of institution-specific countercyclical capital buffer

		As at 31 December 2024
		A
1	Total risk exposure amount (€millions)	**1,329**
2	Institution specific countercyclical buffer rate (%)	**1.07%**
3	Institution specific countercyclical buffer requirement (€millions)	**14**

		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

11 Exposure to securitisation positions
(Article 449 CRR)

Objectives in relation to securitisation activity (Article 449 (a) CRR) (EU SECA)

Article 4 (1) (61) CRR defines which types of transactions and positions must be classified as securitisation transactions and securitisation positions for regulatory reporting.

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 Group acts as an investor on the securitisation markets as it invests in CLO transactions and asset-backed securitisations originated and managed by third-party entities. These investments in third party securitisations through the purchase of tranches from the third party-issued securitisations together with the structured notes referred to above constitute the Group's Securitisation Investments portfolio and the Asset-Backed Securitisation portfolio.

The due diligence process before committing to investments in securitisation transaction tranches usually includes all of the following: a) a comparison and review of the proposed securitisation investment against the Group's risk thresholds b) a review of the reputation and track record of the collateral manager c) an assessment of the risk characteristics associated with the underlying collateral pool d) an analysis of all the structural features of the securitisation transaction that could materially impact its performance. The result of this due diligence is summarised in a credit review document (the 'credit memo') which then requires approval by an appropriate level of credit authority.

In 2019, as part of its derisking strategy, the Group established a structured entity, Grand Harbour CLO 2019-1 Designated Activity Company ("GH1-2019"). This structured entity issued structured notes to third party investors which were structured into separate tranches carrying different levels of risks depending on the seniority (credit rating of the tranche). MeDirect Malta acquired a 5% vertical slice of each of the tranches for "Risk Retention" purposes in accordance with Article 6 30 (a) of the EU Securitisation Regulation. The investment in GH1-2019 was the only Group's securitisation exposure where the Group was the originator but this investment was repaid during 2024.

Monitoring of investment in tranches within a publicly rated securitisation transaction originated and managed by a third party, with a public investment grade rating assigned by reputable agency

AAA CLO risks and ABS ("Asset-Backed Securities") risks are monitored on an ongoing basis and in a timely manner, including performance information, exposures type, the percentage of loans at each rating level in particular proportion of CCC assets, default rates, prepayment rates, collateral quality tests (such as Weighted Average Rating Factor and Diversity Score), portfolio profile tests and coverage tests.

As part of its monthly risk management report, the Risk function provides an overview of all its investments portfolio where the credit quality of all investments is monitored and the deterioration of the asset base, if any, is reported. Also on a quarterly basis as part of risk weight calculation the Treasury team obtains from the Moody's structured finance portal the default percentage as well as the attachment and detachment points. Furthermore, bi-annually as part of the credit review, the AAA CLO and ABS portfolio is reviewed. Monthly risk threshold metrics are also distributed in the monthly risk report to senior management.

RWA calculation approaches for securitisation positions (Article 449 I CRR) (EU SECA)

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 SEC-SA is used to calculate all of the risk-weighted exposure amounts for the Securitisation portfolio and the SEC-ERBA is used to calculate all of the risk-weighted exposure amounts for the Asset-Backed Securitisation portfolio. None of the securitisation positions of the Group are deducted from Own Funds or risk weighted at 1250%.

From a regulatory point of view the investment in securitisations is risk weighted by looking through to the underlying assets of the securitisation structure.

<u>External rating agencies used for securitisations</u> (Article 449 (h) CRR (EU SECA)

The Group does not use credit assessment of ECAIs as it has not nominated any ECAIs for the calculation of the risk weighted exposure amounts of securitisation exposures.

<u>Nature of other risks in securitised assets</u> (Article 449 (b) CRR) (EU SECA)

Overall, the securitisation positions are exposed to the performance of diverse asset classes, including primarily corporate senior secured loans for the Securitisation investments portfolio and consumer finance, auto loans and mortgage loans receivables for the Asset-Backed Securitisation investments portfolio. MeDirect is active in the more senior tranches. Similar to other credit assets, securitised trading volume is linked to global growth and geopolitical events which affect liquidity and can lead to lower trading volume, as observed during the crisis. Current and proposed changes to regulation and uncertainty over final implementation may lead to increased volatility and decreased liquidity/trading volumes across securitised products. Other potential risks that exist in securitised assets are prepayments, default and loss severity.

<u>Securitisation Special Purpose Entity ("SSPE")-related activities</u> (Article 449 (d + f) CRR) (EU SECA)

In respect of securitisation tranches 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 Significant increase in credit risk ("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.

A*) Investment in tranches within a publicly rated securitisation transaction 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 Asset-Backed Securities 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 securitisation transactions managed by 3rd parties is expressed through a number of limits and indicators.

B) Securitisation vehicles originated by the Group and included in the regulatory scope of consolidation

These consist of Dutch Mortgage special purpose securitisation vehicles originated by the Bank

In May 2020, January 2021 and November 2022, MeDirect Belgium successfully securitised part of its Dutch Mortgage portfolio through a RMBS. As part of these transactions, a sub-portfolio of the Dutch Mortgage portfolio amounting to was sold to Bastion 2020-1, Bastion 2021-1 and Bastion 2022-1 respectively, special purpose securitisation vehicles established in the Netherlands, which are controlled by MeDirect Belgium. Further details on these special purposed securitisation vehicles is provided in note 20 to the MDB Group financial statements.

MeDirect Belgium, in line with article 6 of the EU Securitisation Regulation, undertook to retain, on an ongoing basis, a material net economic interest in the securitisation transactions. This implies that the Group retains substantially all risks and rewards pertaining to the activities of these securitisation structures and hence to the assets, liabilities and related income and expenditure attributable to the structures and as such, all assets, liabilities and related income and expenditure of the SSPEs are reflected in the Group's Financial Statements.

The Group has retained substantially all risks and rewards pertaining to the activities of Bastion 2020-1, Bastion 2021-1 and Bastion 2022-1 and hence to assets, liabilities and related income and expenditure attributable to these entities, and as such, all assets, liabilities and related income and expenditure have been reflected within the Group's consolidated Financial Statements and thus the exposures held by MeDirect Malta and MeDirect Belgium in these entities are eliminated on consolidation.

On April 30, 2025, the Bank successfully closed Bastion 2025-1 NHG, its fourth and largest Dutch Residential Mortgage-Backed Securities transaction, backed by a portfolio of Dutch prime NHG mortgage loans. The Bank retained both the Class A1 notes and the Class A2 notes amounting to €616.7 million and €76.6 million respectively, providing the Bank with a contingency funding source and offering the potential to secure external funding through future remarketing. These notes have been assigned a AAA(sf) rating by DBRS and a AAA(sf) rating by Fitch. Furthermore, on the first optional redemption date at the end of April 2025, the Bank fully redeemed the remaining outstanding notes of its first RMBS transaction, Bastion 2020-1 NHG, equivalent to €278.8 million.

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

The Group did 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.

<u>Financial support to securitisation vehicle</u> (Article 449 (e) CRR)

The Group did not provide any implicit support to securitisations vehicles it has originated in terms of Article 248(1). In consequence, for 2024 there was no need to report any position according to Article 250 (3) CRR.

<u>Accounting policies for securitisations</u> (Article 449 (g) CRR) (EU SECA)

The most relevant accounting policies for the securitisations and asset-backed securitisations purchased and the securitisation originated by the Group, are disclosed in the 2024 Annual Report and Financial Statements and are mainly “Consolidation”, “Financial Assets” and “Financial liabilities”.

The Group determines classification and measurement of financial assets based on the assessment of both the business model within which the financial assets are held as well as through a review of the contractual terms of each financial asset to determine if cash flows are solely payments of principal and interest (“SPPI”) as per IFRS 9. Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at amortised cost.

These financial assets are initially measured at fair value, which is generally the cash consideration to originate or purchase the asset including any direct and incremental transaction costs, upon recognition. Financial assets measured at amortised cost comprised the Group’s investments in the GH1-2019 structured note tranches, with the exception of the equity tranche which was measured at fair value through profit or loss (“FVTPL”),before these tranches were repaid, as well as a portion of the Group’s investments in securitisations managed by third-party entities. All these investments are classified under the Securitisation Investment and asset-backed securitisations portfolio.

On disposal of any investments under the securitisation and asset-backed securitisations Investment portfolio, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

As at 31 December 2024, the Group’s Securitisation Investment portfolio measured at amortised cost, inclusive of accrued interest, comprises the CLO transactions managed by third-party entities, amounting to €515 million (2023: €611 million) and the asset-backed securitisations acquired in 2024 amounting to €145 million.

As at 31 December 2024, credit loss allowances in respect of exposures classified under these investments measured at amortised cost amounted to €241 thousand (2023: €176 thousand) for the Group.

The IFRS 9 ECL recognised on securitisations where the Group acts as an investor with an exposure value of €660 million (2023: €591 million) was negligible (< €1 million). None of the above exposures are past due.

As disclosed in note 8 to the consolidated Financial Statements for the financial year ended 31 December 2024, during the year investments in tranches within publicly rated CLO SE originated and managed by a third party with an amortised cost of €131 million (2023: €169 thousand) matured.

There were no disposals of investments in tranches within publicly rated CLO SE originated and managed by a third party. Thus there were no realised gains or losses in respect of such investments.

<u>Internal assessment approach</u> (Article 449 (i) CRR (EU SECA)

There are no securitisations positions subject to the Internal Assessment Approach as of 31 December 2024. For a description of the RWA calculation approaches used for securitisation positions please refer to the Section “RWA calculation approaches for securitisation positions (Article 449 (c) CRR) (EU SECA)”.

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

The following tables provide an analysis of the securitisation exposures by looking through to the underlying exposures. It details the total non-trading book securitisation exposures split by exposure type that have been securitised in MeDirect’s capacity as the originator and finally positions which have been purchased through investment activities as investor. The exposures held by the Group all consist of traditional wholesale securitisation exposures. The originator columns contain the retained positions as at 30 June 2024 and show the retention of the contribution to the originated amount. During the financial year ended 31 December 2024, the Group invested into ‘AAA’ rated Class A notes of securitisation transactions (ABS / RMBS) of consumer finance, auto loans and mortgage loans receivables from Dutch and German markets.

EU-SEC1 - Securitisation exposures in the non-trading book[8]

31 December 2024 *Amounts in €millions*		a	b	c	d	e	f	g	l	m	n	o
		Institution acts as originator							Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS		
			Of which SRT		Of which SRT							
1	**Total exposures**	-	-	-	-	-	-	-	-	660	-	660
2	Retail (total)	-	-	-	-	-	-	-	-	145	-	145
3	residential mortgage	-	-	-	-	-	-	-	-	42	-	42
4	credit card	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	104	-	104
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	-	-	-	-	515	-	515
8	loans to corporates	-	-	-	-	-	-	-	-	515	-	515
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-

30 June 2024 *Amounts in €millions*		a	b	c	d	e	f	g	l	m	n	o
		Institution acts as originator							Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS		
			Of which SRT		Of which SRT							
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	-	-	-	-	-	-	-	-	-	-	-

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 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 consisted of traditional wholesale securitisation exposures.

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

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

EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator[9]

31 December 2024 *Amounts in €millions*		a	b	C	d	e	h	I	EU-p
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)	RWEA (by regulatory approach)	Capital charge after cap
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-SA	SEC-SA	SEC-SA
1	**Total exposures**	-	-	-	-	-	-	-	-
2	Traditional transactions	-	-	-	-	-	-	-	-
3	Securitisation	-	-	-	-	-	-	-	-
4	Retail	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	-	-	-	-	-
7	Of which STS	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

30 June 2024 *Amounts in €millions*		a	b	C	d	e	h	I	EU-p
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)	RWEA (by regulatory approach)	Capital charge after cap
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-SA	SEC-SA	SEC-SA
1	**Total exposures**	-	-	-	**19**	**-**	**19**	**20**	**2**
2	Traditional transactions	-	-	-	19	-	19	20	2
3	Securitisation	-	-	-	19	-	19	20	2
4	Retail	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	19	-	19	20	2
7	Of which STS	-	-	-	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-

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.

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

EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor [10]

		a	b	c	d	e	h	m	EU-p	i	n	EU-p
31 December 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 <125 0% RW	1250 % RW/ deductions	SEC-SA	SEC-SA	SEC-SA	SEC-ERBA	SEC-ERBA	SEC-ERBA
1	Total exposures	**660**	-	-	-	-	**515**	**77**	**6**	**145**	**15**	**1**
2	Traditional securitisation	660	-	-	-	-	515	77	6	145	15	1
3	Of which securitisation	660	-	-	-	-	515	77	6	145	15	1
4	Of which retail underlying	145	-	-	-	-	-	-	-	145	15	1
5	Of which wholesale	515	-	-	-	-	515	77	6	-	-	-
6	Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-
8	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior	-	-	-	-	-	-	-	-	-	-	-
15	Of which non-senior	-	-	-	-	-	-	-	-	-	-	-

		a	b	c	d	e	h	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 <125 0% 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	-	-	-	-	-	-	-	-	-	-	-

10 Columns in relation to SEC-IRBA 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 following table presents the outstanding nominal amounts where the Group acted as originator and the related specific credit risk adjustments in accordance with Article 110 CRR. None of the exposures had 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 as at 30 June 2024 corresponded to the share of the Group's contribution to the securitised assets. These investments were repaid in December 2024.

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

31 December 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**	-	-	-
2	Retail (total)	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	-	-	-
8	loans to corporates	-	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	-	-	-
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

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	-	-	-

12 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 CET1 capital that they use to meet their leverage ratio requirements to also meet their Pillar 1 and Pillar 2 capital requirements.

The total leverage ratio exposures includes derivatives, 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 tables provides a summary of the Group's leverage ratio exposure and the leverage ratio calculation determined in accordance with the requirements stipulated by Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 ("Regulation (EU) 2016/200").

The EU LR1 - LRSum 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	**31 December 2024**	**30 June 2024**
1	Total assets as per published financial statements	5,074	5,100
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)
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	1	-
9	Adjustment for securities financing transactions (SFTs)	20	6
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	49	69
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	(219)	(257)
13	**Total exposure measure**	**4,925**	**4,899**

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.

EU LR2 - LRCom: Leverage ratio common disclosure

	Amounts in €millions	CRR leverage ratio exposures	
		a	b
		31 December 2024	**30 June 2024**
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	4,882	4,845
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(27)	(21)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**4,855**	**4,823**
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	245	305
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	45	41
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)	(289)	(346)
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**	**1**	**-**
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	20	6
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**	**20**	**6**
19	Off-balance sheet exposures at gross notional amount	285	287
20	(Adjustments for conversion to credit equivalent amounts)	(235)	(218)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**49**	**69**
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	218
24	**Total exposure measure**	**4,925**	**4,899**
25	Leverage ratio (%)	**4.4%**	**4.5%**
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.4%	4.5%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.4%	4.5%
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	-	-
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)	4,925	4,899
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)	4,925	4,899

31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.4%	4.5%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4.4%	4.5%

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	**31 December 2024**	30 June 2024
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	4,901	4,851
EU-2	Trading book exposures	-	-
EU-3	Banking book exposures, of which:	4,901	4,851
E-4	Covered bonds	457	468
EU-5	Exposures treated as sovereigns	444	474
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	-	-
EU-7	Institutions	335	427
EU-8	Secured by mortgages of immovable properties	2,454	2,243
EU-9	Retail exposures	160	172
EU-10	Corporates	164	288
EU-11	Exposures in default	53	23
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	835	755

Factors that had an impact on the leverage ratio (Article 451 (1) (e) CRR) (EU LRA)

Compared to the ratio as at June 2024, the leverage ratio has decreased by 0.1% during the six month period ended 31 December 2024. This slight decrease in the leverage ratio is attributable to a higher asset base as a result of continued investment in all the mortgage portfolios and the securities portfolio.

Process used to manage the risk of excessive leverage (Article 451 (1) (d) CRR) (EU LRA)

The Group has maintained a leverage ratio above the 3% minimum requirement. The Group has no appetite for approaching this threshold, however is willing to accept some volatility to this ratio if suitable lending or investment opportunities arise to allow the Group to diversify its lending portfolio, provided that the overall goal of maintaining significant headroom to the regulatory minimum is not threatened. The RAS includes early warning indicators and limits for the leverage ratio with a defined escalation process in case of risk of excessive leverage. In such instances, management is required to provide an action plan whilst keeping the Board updated with progress as outline in the Group's RAF. The leverage ratio is reported to ALCO, EXCO and the Group's Board on a regular basis. This ensure senior management are kept informed of any changes, in particular deterioration of the leverage ratio.

13 Asset encumbrance

(Article 443 CRR)

Qualitative information on unencumbered assets (EU AE4)

The disclosure on asset encumbrance is a requirement introduced by BR 07 transposing the provisions of the EBA guidelines. The objective of this disclosure is to facilitate an understanding of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is defined as encumbered if it has been pledged as collateral against an existing liability, and as a result is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

The disclosure is not designed to identify assets which would be available to meet the claims of creditors or to predict assets that would be available to creditors in the event of a resolution or bankruptcy.

As stated in paragraph 24 of the EBA Guidelines (EBA/GL/2014/14), "institutions should provide additional interim information to those listed in paragraph 23 when the result of their assessment for the need to provide disclosures in Part Eight of Regulation (EU) No 575/2013 more frequently than annually shows that this additional information is necessary to convey their comprehensive risk profile to market participants".

In this respect, the Group believes that an analysis of asset encumbrance is critical to assess the ability of the Group to handle funding stress, and its ability to switch from unsecured to secured funding under stressed conditions.

The amounts disclosed in the following table represent the median values, being the rolling quarterly medians over the previous twelve months, determined by interpolation, in accordance with the Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 ("Regulation (EU) 2017/2295"). Therefore the sum of sub components does not necessarily add up or would not agree with those disclosed in the Group's Annual Report and Financial Statements.

The encumbered assets consist of investments used for repo funding and pledged securities. Repo transactions are covered by a GMRA and involve the sale of financial assets with a simultaneous agreement to repurchase at a pre-determined price at a future date. The pledged securities transactions are pledged in favour of the ECB for the purposes of existing and potential long term re-financing operations and also in favour of the Depositor Compensation Scheme ("DCS").

The Group continues to recognise encumbered assets since all the risks and rewards of the assets will be substantially retained in a manner that does not result in the encumbered assets being derecognised for accounting purposes. There are no differences between pledged and transferred assets in accordance with the applicable accounting frameworks and the encumbered assets presented in these disclosures.

The Group does not encumber any of its own debt securities issued, however may as necessary encumber collateral received.

MeDirect Belgium has encumbered a part of its Dutch mortgage portfolio for issuing ABS like RMBS. The pool of assets that secures these transactions exceeds the value of the issued securities, meaning that the securities are over-collateralised. Refer to note 7 and note 20 of the MDB Group Annual Report and Financial Statements for further details of the mortgage loan portfolio that have been securitised through the RMBS transactions and the debt securities in issue as a result of these RMBS transactions. The Group, at times, may encumber certain debt securities issued by Bastion that are held by MeDirect Belgium, to secure external funding.

The following is a summary of the asset encumbrance as at the end of the reporting period, the majority of which are denominated in euro:

- Balances held with central banks include reserve deposits of the Group relating to the Minimum Reserve Requirement in terms of Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 ("Regulation (EC) No 1745/2003").

- Part of the Group's loans and advances to financial institutions and investments were pledged as collateral as part of the cooperation with the Blauwtrust Group and Allianz to purchase newly originated Dutch and Belgian mortgages respectively.

- The Group has loans and advances to financial institutions that are held for the purposes of margin requirements on hedging instruments attributable to the Dutch Mortgage lending business, and are hence considered encumbered.

- Loans and advances to financial institutions and investment securities have been pledged by MeDirect to a derivatives clearing fund held by Eurex, of which MeDirect Malta is a member. The clearing fund protects members against losses until they leave the clearing fund.

- MeDirect Malta also holds investment securities in the form of HQLA with Saxo Bank as collateral for trading purposes.

- Investment securities held by the Group were pledged as a "payment commitment" in favour of the Maltese DCS.

- CLO transactions pledged in favour of third parties in collateral upgrade transactions, where the Group instead received liquid assets as described in LCR Delegated Act.

Furthermore, certain investment securities are held with Eurex to serve as collateral against the provision of borrowing facilities.

Refer to notes 6 and 8 of the MDB Group Annual Report and Financial Statements for further quantitative details in respect of such asset encumbrance. Further details on encumbered assets, including information regarding the evolution of encumbrance throughout the financial period are available in note 2.3.5 to the MDB Group Limited Annual Report and Financial Statements for the financial year ended 31 December 2024.

The unencumbered assets disclosed in the following table under item 'Other assets' include loans and advances, cash and short term funds, property, plant and equipment, intangible assets, tax assets and other assets. The majority of these assets consist of the International Corporate Lending, the Maltese Business Lending and the Maltese Mortgage portfolios, the Belgian Mortgage portfolio and the Dutch Mortgage portfolio that is not covering the ABS issued as part of the RMBS transactions.

Quantitative information on encumbered assets

The following tables set out a breakdown of on- and off-balance sheet items, broken down between encumbered and unencumbered.

EU AE1 - Encumbered and unencumbered assets

	31 December 2024	Carrying amount of encumbered assets		Fair value of encumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
	Amounts in €millions	010	030	040	050
010	**Assets of the disclosing institution[11]**	**1,466**	**126**		
030	Equity instruments	-	-		
040	Debt securities	211	126	204	120
050	of which: covered bonds	103	103	98	98
060	of which: securitisations	82	-	82	-
070	of which: issued by general governments	24	-	23	23
080	of which: issued by financial corporations	185	108	178	103
090	of which: issued by non-financial corporations	-	-	-	-
120	Other assets	1,268	-		

	31 December 2024	Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which EHQLA and HQLA		of which EHQLA and HQLA
	Amounts in €millions	060	080	090	100
010	**Assets of the disclosing institution**	**3,648**	**612**		
030	Equity instruments	-			
040	Debt securities	1,168	612	1,139	565
050	of which: covered bonds	360	360	345	345
060	of which: securitisations	583	-	564	-
070	of which: issued by general governments	205	-	200	-
080	of which: issued by financial corporations	967	384	938	365
090	of which: issued by non-financial corporations	-	-	-	-
120	Other assets	2,444	-		

	31 December 2023	Carrying amount of encumbered assets		Fair value of encumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
	Amounts in €millions	010	030	040	050
010	**Assets of the disclosing institution**	1,979	253		
030	Equity instruments	-	-	-	-
040	Debt securities	510	253	478	233
050	of which: covered bonds	181	181	164	164
060	of which: securitisations	220		212	
070	of which: issued by general governments	61	-	59	59
080	of which: issued by financial corporations	443	186	413	168
090	of which: issued by non-financial corporations	-			\
120	Other assets	1,468	-		

[11] The terminology "disclosing institution" is referring to MDB Group Limited

31 December 2023		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which EHQLA and HQLA		of which EHQLA and HQLA
	Amounts in €millions	060	080	090	100
010	**Assets of the disclosing institution**	2,966	3532		
030	Equity instruments	-	-	-	-
040	Debt securities	816	532	770	430
050	of which: covered bonds	255	257	234	234
060	of which: securitisations	390		378	
070	of which: issued by general governments	135		130	-
080	of which: issued by financial corporations	675	329	640	300
090	of which: issued by non-financial corporations	-			
120	Other assets	2,204	-		

EU AE2 - Collateral received and own debt securities issued

31 December 2024		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
	Amounts in €millions				
130	**Collateral received by the disclosing institution**	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and securitisations issued and not yet pledged**			-	-
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	1,466	-		

31 December 2023		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
	Amounts in €millions				
130	**Collateral received by the disclosing institution**	-	-	-	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	-	-
170	of which: covered bonds	-	-	-	-
180	of which: securitisations	-	-	-	-
190	of which: issued by general governments	-	-	-	-
200	of which: issued by financial corporations	-	-	-	-
210	of which: issued by non-financial corporations	-	-	-	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and securitisations issued and not yet pledged**			-	-
250	**TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	1,979	-		

The following table shows selected amounts for encumbered on- and off-balance sheet assets against the corresponding liabilities that have given rise to the encumbrance. Refer to section on “Qualitative information on unencumbered assets” for a description of encumbered assets and matching liabilities.

EU AE3 - Sources of encumbrance

	31 December 2024	**Matching liabilities, contingent liabilities or securities lent**	**Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered**
	Amounts in €millions	010	030
010	**Carrying amount of selected financial liabilities**	896	1,360

	31 December 2023	**Matching liabilities, contingent liabilities or securities lent**	**Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered**
	Amounts in €millions	010	030
010	**Carrying amount of selected financial liabilities**	1,295	1,607

14 Remuneration policy and practices

(Article 450 CRR [EU REMA])

Information on remuneration policy and practices is disclosed in the Remuneration Report within the Annual Report.

The Group's remuneration policy was developed in conjunction with the Group's principal shareholder and the Nomination and Remuneration Committee of the Group. The Board of directors, management functions and the Nomination and Remuneration Committee of the Group worked closely to ensure that the remuneration policy is consistent with and promotes sound and effective risk management.

The remuneration elements for all Group MRTs are detailed in the tables below in accordance with Article 450 CRR.

MRTs are classified as follows:

• Supervisory function

The supervisory function consists of non-executive directors of the board of the banks in the scope of consolidation. They are responsible for providing a monitoring role and thus their remuneration is not performance based and is not linked to the Group's results. Non-executive directors are non-employees and receive a fee for their services as directors. They are not eligible to receive a base salary, fixed pay allowance, pension or any variable pay.

The fee levels payable reflect the time commitment and responsibilities required of a non-executive director. It is determined based on remuneration levels for directors of similar financial companies and takes into account factors such as time invested and responsibilities.

• Management function

The management function consists of members of the board of directors who have executive functions, may be responsible for certain business units and includes all executive directors of any board of the banks in the scope of consolidation. Throughout the year members of the management function were awarded a performance bonus delivered in cash and share linked instruments. For the purposes of meeting the requirements of Appendix 5.1 of the Listing rules, senior executives represent the executive directors.

• Retail and Corporate Banking

This category would include the following people that would benefit from a performance bonus delivered in cash and instruments.
- Chief Officer, Heads and key personnel of retail and corporate banking material business units/business lines.
- Staff members responsible for initiating credit proposals or structuring credit products which relate to material credit risk exposures.

• Corporate functions

Heads and key personnel within Finance, Administration, Treasury and Human Resources are included in this category and they benefit from a performance bonus delivered in cash. This category includes all functions that have responsibilities for the whole institution at the consolidated level and for subsidiaries with such functions at the solo level.

• Independent control functions

As described in the EBA's guidelines on internal governance, this category would consist of the Heads and key personnel active in the independent control functions such as the internal audit, compliance and risk functions of the Group and subsidiaries. They benefit from performance bonuses. Compensation of control functions is not directly tied to the results of any business unit but should provide incentives for such staff to deliver the best performance in their role. The Group's remuneration practices shall ensure that no material conflict of interest arise in respect or remuneration for staff in the Group's control functions.

EU REM1 - Remuneration awarded for the financial year

Year ended 31 December 2024

		Remuneration in €millions	a MB Supervisory function	b MB Management function	C Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff	8	8	13	6
2		Total fixed remuneration	1	3	2	1
3		Of which: cash-based	1	3	2	1
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	1	5	11	6
10		Total variable remuneration	-	-	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		1	3	3	1

Year ended 31 December 2023

		Remuneration in €millions	a MB Supervisory function	b MB Management function	C Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff	7	8	14	7
2		Total fixed remuneration	1	3	2	1
3		Of which: cash-based	1	3	2	1
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	6	11	7
10		Total variable remuneration	-	1	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		1	4	2	1

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

Year ended 31 December 2024		a	b	c	d
	Remuneration in €millions	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	1	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	1	-	-	1
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Year ended 31 December 2023		a	b	c	d
	Remuneration in €millions	MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

As per Article 450 of the CRR, MeDirect confirms that there was remuneration that was subject to deferral, that will vest over a maximum period of five years and that is subject to malus or clawback provisions.

EU REM3 - Deferred remuneration

Year ended 31 December 2024

	Remuneration in €millions	a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year *	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	1	-	-	-	-	-	1	-
8	Cash-based	-	-	-	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	1	-	-	-	-	-	1	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	-	-	-	-	-	-	-	-
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	1	-	-	-	-	-	1	-

* Defined as remuneration awarded before the financial year which vested in the financial year (including where subject to a retention period).

Year ended 31 December 2023

	Remuneration in €millions	a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year *	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	1	-	1	-	-	-	-	-
8	Cash-based	-	-	-	-	-	-	-	-
9	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	1	-	1	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	-	-	-	-	-	-	-	-
20	Cash-based	-	-	-	-	-	-	-	-
21	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	1	-	1	-	-	-	-	-

EU REM4 - Remuneration of 1 million EUR or more per year

Year ended 31 December 2024		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1

Year ended 31 December 2023		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
2	1 500 000 to below 2 000 000	1

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

Year ended 31 December 2024		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						-
	Remuneration in €millions	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**35**
2	**Of which: members of the MB**	8	8	16							
3	**Of which: other senior management**				-	7	-	6	-	-	
4	**Of which: other identified staff**				-	-	-	1	5	-	
5	**Total remuneration of identified staff**	1	3	4	-	1	-	1	1	-	
6	**Of which: variable remuneration**	-	-	-	-	-	-	-	-	-	
7	**Of which: fixed remuneration**	1	3	4	-	1	-	1	1	-	

Year ended 31 December 2023		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						-
	Remuneration in €millions	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**36**
2	**Of which: members of the MB**	7	8	15							
3	**Of which: other senior management**				-	8	-	6	-	-	
4	**Of which: other identified staff**				-	-	-	1	6	-	
5	**Total remuneration of identified staff**	1	4	5	-	2	-	1	1	-	
6	**Of which: variable remuneration**	-	1	1	-	-	-	-	-	-	
7	**Of which: fixed remuneration**	1	3	4	-	1	-	1	1	-	

15 Recruitment and diversity policy statement

The Group recognises that a robust and professional approach to recruitment and selection helps it to attract and appoint individuals with the necessary skills and attributes to support its business goals. All prospective staff members are subject to a rigorous selection process, taking into account the key activities, tasks and skills required for the position. Multiple interviews are conducted, and the candidate's knowledge, experience, skills, temperament and competency are evaluated against other candidates.

The Group's aim is to develop an effective and efficient recruitment process that recruits the best talent, helps employees identify their potential, promotes a transparent, merit-based selection process and develops a cost effective recruitment process. The Group endeavours to ensure that all appointments (at any level) are made based on the actual knowledge, skills, expertise and merit of the individual involved, in compliance with local legislation and in adherence to the Group diversity policy.

The Group's diversity policy states that its objectives are to ensure that the Group:
- has a workforce profile that delivers competitive advantage through the ability to garner a deep understanding of customer needs;
- has an inclusive workplace where every individual can succeed regardless of gender, cultural identity, age, physical ability, religious beliefs, family status and sexual orientation; and
- leverages the value of diversity for all the Group's stakeholders to deliver the best customer experience, improved financial performance and a stronger corporate reputation.

To achieve these objectives the Group sets goals for achieving diversity and the Board will:
- assess annually both the objectives and progress in achieving them;
- assess pay equity on an annual basis;
- encourage and support the application of diversity into practice across the business; and
- endeavour to provide employment opportunities for people with disabilities.

With those goals in mind, the Group aims to promote equal opportunities for all employees and to ensure that they are treated fairly and consistently. All candidates are assessed against various selection criteria designed to match the requirements of the position to the skills and experience of an applicant, including professional qualifications and expertise, any past work experience in relation to the requirements of the job, key capabilities, adaptability and flexibility, cultural fit, open mindedness, level of self-motivation and proactivity. The Group is committed to attracting, developing and retaining diverse leaders. Diversity of thought provides tangible business benefits, including innovation, risk mitigation, better problem solving and improved customer service. To ensure that the Group can foster these talents in an inclusive culture, it continues to recruit and develop the best person for the job, regardless of gender, age, race, family or caring responsibilities, disability and sexual orientation, identity or preference.

Kindly refer to the Non-Financial Information report in the Annual Report.

Recruitment and diversity policy for board members (Article 435 (2) (b) and (c) CRR) (EU OVB)

All Board appointments are made based on merit, taking into account the skills, experience, independence, and knowledge required for the Board to function effectively as a whole. The Group acknowledges and values the advantages of establishing a diverse and inclusive Board, viewing diversity as a crucial element in sustaining a competitive edge. A diverse Board will leverage the differences in skills, industry experience, backgrounds, and other distinctions among Directors. These differences will be considered when determining the optimal composition of the Board, and efforts will be made to achieve a balanced representation whenever feasible.

Regarding the representation of underrepresented genders, the Group commits to ensuring that female representation on both the Group and Belgium Boards reaches a minimum of 20%. Continuous efforts are being made to enhance female representation through replacements or additions. If necessary, search firms are engaged to help meet these diversity objectives. It is important to note that these targets may be adjusted in response to any structural changes arising from the revised strategic plan.

The following outlines the changes in directorships that occurred during the financial year and after the conclusion of the reporting period:

MDB Group Limited and MeDirect Bank (Malta) plc

Michael Bussey officially stepped down from his role as Chair of the Board on December 11, 2024. He has been succeeded by Bart Bronselaer, who was appointed as a director of MeDirect Malta on 27 November 2024 and MDB Group Limited on 4 December 2024 and took on the position of Chair of the Boards of Directors effective December 11, 2024.

Bart Bronselaer continued to serve as the Chair of the MeDirect Belgium Risk and Compliance Committee until February 19, 2025, the date on which Jean Dessain received his Fit and Proper approval from the regulatory body.

Izabela Banas was appointed as Group CFO on 4 September 2024, replacing Radoslaw Ksiezopolski who resigned on 15 July 2024.

Jean-Claude Maher resigned from his position as Executive Director and COO of MeDirect Belgium, effective from 1 February 2025. He was appointed as Group CEO on 13 March 2025 and appointed as a director of MeDirect Malta on 13 March 2025 and of MDB Group Limited on 17 March 2025. The resignation of the previous CEO Arnaud Denis was effective as of January 31, 2025.

MeDirect Bank SA

Jean-Marcel Phe Funchal was appointed as CFO and Executive Director on 14 May 2024 and on 1 January 2024, Marija Fenech, the CRO, was officially appointed as an Executive Director.

Jean-Claude Maher resigned from his position as Executive Director and COO of MeDirect Belgium, effective from 1 February 2025. He was appointed as Group CEO on 13 March 2025.

Jean Dessain was appointed as an Independent Non-Executive director on 19 February 2025. John Zarb ceased to be a director of MeDirect Belgium given that his term expired on 29 May 2025.

For an overview of the directors and other key officers of the Group and MeDirect Belgium, their expertise, actual knowledge and skills, kindly refer to the following links:

https://www.medirect.com.mt/about-us/our-team/

https://www.medirect.be/about-medirect/our-team

16 Number of directorships held by board members

(Article 435 (2) (a) CRR) (EU OVB)

As of 31 December 2024, the table below outlines the number of additional directorships held by members of MeDirect Malta's Board. This excludes roles in companies ultimately owned by Anacap Financial Partners II L.P., personal patrimony or management companies, and non-profit associations. It is important to note that executive and non-executive directorships within the same group are considered as a single directorship.

Directors as at 31 December 2024		Number of other directorships held
Bart Bronselaer[12]	Independent Non-Executive Chairman	1 NED
John Zarb	Independent Non-Executive Director	2 NED
Dina Quraishi	Independent Non-Executive Director	-
Philip Campbell English	Non-Executive Director	-
Arnaud Denis	Executive Director	-
Izabela Banas	Executive Director	-
Lisa Fergus	Executive Director	-

[12] Directorship approved by the Financial Services and Markets Authority (FSMA).

Appendix A – List of templates

Appendix B - CRR 2 References

CRR Ref.	High-level summary	Applicable to MeDirect Yes/No	Compliance reference
Article 431: Scope of disclosure requirements			
431 (1)	Requirement to publish Pillar 3 disclosures	Yes	MDB Group publishes these Pillar 3 disclosures
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	No	No specific permissions in respect of the calculation of specific operational risk granted to the Group.as it does not use the Advanced Measurement Approaches for operational risk
431 (3)	Institution must have a policy covering frequency of disclosures, their verification, comprehensiveness and overall appropriateness. Additionally, Institution must have written attestation of at least one member of the management body or senior management that the required disclosures have been made.	Yes	The Group compiles the Additional Regulatory Disclosures in accordance with the requirements emanating from the CRR, BR07 and relevant EBA guidelines. Refer to Section 1.1 – "Pillar 3 Disclosure Policy" and section 1.3 – "Attestation by the directors".
431 (4)	Quantitative disclosures must be accompanied by qualitative narrative and any other supplementary information required to understand the disclosures.	Yes	Evidenced throughout these Pillar 3 disclosures.
431 (5)	Explanation of ratings decision upon request	No	Not applicable for MeDirect.
Article 432: Non-material, proprietary or confidential information			
432 (1)	Institutions may omit information that is not material if certain conditions are respected.	No	MeDirect complies with all relevant disclosure requirements. No information is omitted due to being considered proprietary or confidential as is noted in Section 1.1 – "Pillar 3 Disclosure Policy" of this Report. No item required to be disclosed was purposely fully omitted.
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	No	
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.	No	
Article 433: Frequency of disclosure			
433	Disclosures must be published once a year at a minimum, and more frequently if necessary.	Yes	Compliance with this provision is covered by the Group's policy. Refer to Section 1 "Introduction".
Article 433a: Disclosure by large institutions			
433a1	Disclosures under specified articles must be made on an annual, semi-annual or quarterly basis as is identified in this article.	Yes	Required disclosures are published annually at a minimum, with quarterly disclosures for key elements and metrics including Own Funds, RWA, Capital Requirements and Leverage.
433a2	Non-listed G-SIIs are required to disclose information relating to specified articles on an annual or semi-annual basis as identified in this article.	No	MeDirect is not a G-SII
433a3	Large institutions subject to articles 92a or 92b must make additional disclosures on a semi-annual or quarterly basis as identified in this article.		
Article 433b: Disclosures by small and non-complex institutions			
433b (1)	Disclosures under specified articles must be made on an annual or semi-annual basis as is identified in this article.	No	MeDirect is a large institution.
433b (2)	Non-listed small and non-complex institutions are required to disclose information relating to specified articles on an annual basis as identified in this article		

Article 433c: Disclosures by other institutions			
433c (1)	Disclosures under specified articles must be made on an annual, semi-annual basis as is identified in this article.	No	MeDirect is a large institution.
433c (2)	Non-listed other institutions are required to disclose information relating to specified articles on an annual basis as identified in this article.		
Article 434: Means of disclosures			
434 (1)	To include of disclosures in one appropriate medium, or provide clear cross-references.	Yes	Most disclosures are contained within this document. Any cross-references to accounting or other disclosures are clearly signposted in this document. Signposting directs the reader to the MDB Group December 2024 Annual Report where appropriate. Refer to Section 1.1 – "Pillar 3 Disclosure Policy". All documents are available on the following website: https://www.medirect.com.mt/about-us/investor-relations/
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate.		
Article 434a: Uniform disclosure formats			
434a	EBA shall develop implementing technical standards specifying uniform disclosure formats and associated instructions in accordance with the disclosures required under CRR.	Yes	Evidenced throughout this Report via standardised templates and tables applicable to MeDirect. Also refer to Appendix A.
Article 435: Risk management objectives and policies			
435 (1) (a)	Disclose information on strategies and processes; organisational structure, reporting systems and risk mitigation/hedging.	Yes	Refer to Section 2 "Risk Management"
435 (1) (b)	Disclose information on structure and organisation of risk management function.		
435 (1) (c)	Disclose information on risk reporting and measurement systems.		
435 (1) (d)	Disclose information on hedging and mitigating risk.		
435 (1) (e)	declaration approved by the management body on the adequacy of risk management arrangements with regard to the institution's profile and strategy.	Yes	Refer to Section 2.5 "Risk statement"
435 (1) (f)	Inclusion of a concise risk statement approved by the Board.	Yes	Refer to 2.3 "Management of key risks", Section 2.4 "Information on risk management, objectives and policies by category of risks" and Section 2.5 "Risk Statement". This statement covers the principal risks.
435 (2)	Information on governance arrangements, including information on Board composition and recruitment, and Risk and Compliance Committees.	Yes	See Section 2.1 "Risk governance" and Section 15 "Recruitment and diversity policy statement" in this report for a description of the Risk Policies and Governance. See also Statement of Compliance with the principles of good corporate governance of the MDB Group December 2024 Annual Report which contains information on Board composition, experience and recruitment.
435 (2) (a)	Number of directorships held by the directors.	Yes	See Section 16 "Number of directorships held by Board Members" .
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	Yes	See Section 15 "Recruitment and diversity policy statement"
435 (2) (c)	Policy on diversity of Board membership and results against targets.	Yes	Section 15 "Recruitment and diversity policy statement"
435 (2) (d)	Disclosure of whether a dedicated Risk and Compliance Committee is in place, and number of meetings in the year.	Yes	Refer to Section 2.3 "Management of key risks" and Section 2.4 "Information on risk management, objectives and policies by category of risks" and the Statement of Compliance with the principles of good corporate governance of the MDB Group December 2024 Annual Report.

.435 (2) (e)	Description of information flow on risk to Board.	Yes	Refer to Section 2.3 “Management of key risks”.
Article 436: Scope of application			
436 (a)	Name of institution	Yes	Refer to Section 1.1 “Pillar 3 Disclosure Policy” and Section 3 “Scope of application of the regulatory framework.
436 (b)	Reconciliation between consolidated financial statements prepared under the applicable accounting framework and the consolidated financial statements prepared under the requirements of the regulatory consolidation. This should outline differences between scopes, and legal entities included in consolidation, whether entities are fully or proportionally consolidated and whether the holdings are deducted from own funds.	Yes	Refer to Section “Reconciliation of regulatory own funds to the IFRS balance sheet” in Section 3 “Scope of application of the regulatory framework”. Refer to Table EU LI3 in Section 3 “Scope of application of the regulatory framework”.
436 (c)	Breakdown of assets and liabilities of consolidated financial statements prepared under regulatory requirements, broken down by risk type.	Yes	Refer to Table EU LI1 in Section 3 “Scope of application of the regulatory framework”.
436 (d)	Reconciliation identifying main source of differences between carrying value under regulatory scope of consolidation and the exposure amount used for regulatory purposes.	Yes	Refer to Table EU LI2 in Section 3 “Scope of application of the regulatory framework”.
436 (e)	Breakdown of amounts of constituent elements of prudent valuation adjustment for, by risk type, exposures from trading and non-trading books which are adjusted per Articles 34 and 105.	Yes	Refer to Table EU PV1 in Section 9.2.1 “Composition of Own Funds”.
436 (f)	Impediments to transfer of funds between parent and subsidiaries	No	See Section 9.2 “Own funds – other disclosures”. No impediments to transfer of funds between group entities.
436 (g)	Capital shortfalls in any subsidiaries outside of scope of consolidation	No	No subsidiaries fall outside the scope of consolidation of MDB Group.
436 (h)	Making use of articles on derogations from a) prudential requirements or b) liquidity requirements for individual subsidiaries/entities.	No	MeDirect does not make use of derogations from prudential requirements or liquidity requirements for individual subsidiaries/entities.
Article 437: Own funds			
437	Institutions shall disclose the following information regarding their own funds:	Yes	Tables and templates noted below.
437 (a)	A full reconciliation of Common equity tier 1 items, Additional tier 1 items, Tier 2 items and filters and deductions to own funds of the institution and to the statutory balance sheet in the audited financial statements.	Yes	See Section 9.2 “Own funds – other disclosures” and table EU CC1 within this section. Refer to Table EU CC2 in Section 3 “Scope of application of the regulatory framework”.
437 (b)	A description of the main features of capital instruments issued by the institution	Yes	See Section 9.1 “Total available capital” and Section 9.2 “Own funds – other disclosures”. Also refer to tables EU CCA in the latter section.
437 (c)	The full terms and conditions of all capital instruments issued by the institution.		
437 (d)	Disclosure of the nature and amount of the following	Yes	See Section 9.2 “Own funds – other disclosures” and Table EU CC1 within this section.
437 (d) (i)	Each prudential filter applied;		
437 (d) (ii)	Each capital deduction made;		
437(1)(d) (iii)	Items not deducted from capital.		
437 (e)	A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential	No	See Section 9.2 “Own funds – other disclosures” and Table EU CC1 within this section.

	filters and deductions to which those restrictions apply.		
437 (f)	A comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation.	No	Regulation applied - Refer to sections 9.1 "Total available capital" and Table EU CC1 within Section 9.2 "Own funds – other disclosures".
Article 437 a: Disclosure of own funds and eligible liabilities			
	Institutions subject to Articles 92a or 92b should disclose the following:	No	MeDirect is not a G-SII.
437 (a)	Composition of own funds and eligible liabilities, their maturity and their main features.		
437 (b)	Ranking of eligible liabilities in the creditor hierarchy.		
437 (c)	Total amount of issuance of eligible liabilities instruments and amount of those issuances included in eligible liabilities items.		
437 (d)	Total amount of excluded liabilities referred to in article 72a(2).		
Article 438: Disclosure of own funds requirements and risk-weighted exposure amounts			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Yes	Disclosure of approach on assessing adequacy capital requirements are contained in Section 2.4.2 "Capital adequacy" and Section 10 "Capital requirements".
438 (b)	Own funds requirements based on supervisory review process per Article 104(1)(a), including composition of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments.	Yes	Refer to Section 10 "Capital requirements".
438 (c)	Upon demand from relevant component authority, result of the ICAAP process.	No	No such demand from the relevant competent authority.
438 (d)	Total risk-weighted exposure amount and corresponding total own funds requirement, broken down by risk categories, and explanation of effect on calculations resulting from application of capital floors.	Yes	The Group uses the Standardised Approach - Refer to Section 10 "Capital requirements" and Table EU OV1.
438 (e)	On and off-balance sheet exposures, the RWA amounts and associated expected losses for specialised lending.	No	MeDirect does not have exposures for specialised lending
438 (f)	Exposure value and RWA exposure amount of own funds held in insurance and reinsurance undertakings, or insurance holding company that institutions do not deduct from own funds when calculating capital requirements.	No	MeDirect does not have exposures to own funds held in insurance and reinsurance undertakings, or insurance holding company.
438 (g)	Supplementary own funds requirement and capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC	No	MeDirect does not have own funds requirements calculated in accordance with the Article and directive noted in this paragraph.
438 (h)	Variations in risk weighted exposure amounts of current period compared to preceding period resulting from use of internal models, including outline of key drivers.	No	Tables EU CR8, EU CCR7 and EU MR2-B are not applicable to MeDirect.
Article 439: Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures, including exposures to central counterparties.	Yes	The Group manages its CCP mainly through margins. Refer to Section 5 "Counterparty credit risk".
439 (b)	Description of policies related to guarantees and other credit risk mitigants.	Yes	Refer to Section 5 "Counterparty credit risk".
439 (c)	Description of policies related to general and specific wrong-way risk.	Yes	Refer to Section 5 "Counterparty credit risk".
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	No	The Group is not an externally rated entity, thus the Group does not have rating triggers.
439 (e)	Amount of segregated and unsegregated collateral received and posted per type of	Yes	Refer to Section 5 "Counterparty credit risk" and Table EU CCR5 within this section.

	collateral, both for derivatives and securities.		
439 (f)	Derivative exposures before and after credit risk mitigation.	Yes	The Group applies a Standardised method. Refer to Section 5 “Counterparty credit risk” and Table EU CCR1 within this section.
439 (g)	Securities financing exposures before and after credit risk mitigation.	Yes	Refer to Section 5 “Counterparty credit risk” and Table EU CCR1 within this section.
439 (h)	Exposure values and credit risk mitigation effects and associated risk exposures for credit valuation adjustment capital charge.	Yes	Refer to Section 5 “Counterparty credit risk” and Table EU CCR2 within this section.
439 (i)	Exposure value and risk exposures to central counterparties	Yes	Refer to Section 5 “Counterparty credit risk” and Table EU CCR8 within this section.
439 (j)	Notional amounts and fair value of credit derivative transactions.	No	No credit derivative hedges in place throughout the period
439 (k)	The estimate of alpha where permission received to use own estimate.	No	No own estimate of alpha
439 (l)	Separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452.	No	MeDirect does not use the IRB approach.
439 (m)	For institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance sheet derivative business as calculated in accordance with Article 273a(1) or (2)	No	Not appliable to MeDirect.
Endnote	Where central bank provides liquidity assistance in the form of collateral swaps, component authority may exempt institutions from requirements of points (d) and (e).	No	Not appliable to MeDirect.
Article 400: Capital buffers			
440 (1) (a)	Geographical distribution of relevant credit exposures.	Yes	Refer to Section 10 “Capital requirements” and table EU CCyB1 within this section.
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.	Yes	Refer to Section 10 “Capital requirements” and table EU CCyB2 within this section.
Article 441: Indicators of global systemic importance			
441	Disclosure of the indicators of global systemic importance	No	The Group is not separately identified as a globally significant institution.

Article 442: Disclosure of exposures to credit risk and dilution risk			
442 (a)	Disclosure of bank‘s definitions of past due and impaired.	Yes	Refer to Section 2.4.1 “Credit risk” and “Section 4.3 “Impairment loss measurement guidelines”.
442 (b)	Approaches for calculating specific and general Credit risk adjustments.	Yes	Refer to Section 4.3 “Impairment loss measurement guidelines” that provide a complete description of the Impairment loss measurement guidelines, definitions and approaches adopted.
442 (c)	Amount and quality of performing, nonperforming and forborne exposures for loans, debt securities and off-balance sheet exposures, including impairment, provisions and fair value changes.	Yes	Refer to Section 4.1 “Credit quality analysis” and tables EU CR1, EU CR1-A, EU CQ4 and EU CQ5 within this section.
442 (d)	Ageing analysis of accounting past due exposures.	Yes	Refer to Section 4.3 “Impairment loss measurement guidelines” and table EU CQ3 within this section.
442 (e)	Gross carrying amounts of defaulted and non-defaulted exposures, accumulated credit risk adjustments, write-offs and net carrying amounts.	Yes	Refer to Section 4.1 “Credit quality analysis” and tables EU CR1, EU CR1-A, EU CQ4 and EU CQ5 within this section. Also Refer to Section 4.4.4 “Collateral evaluation and management” and table CQ6 within this section.

			Disclosure of template EU CQ2 not required given that the NPL ratio was lower than 5% throughout 2024.
442 (f)	Changes in gross defaulted on- and off balance sheet exposures, including information on opening and closing balances, gross amount reverted to non-defaulted status or subject to a write-off.	Yes	Refer to Section 4.3 “Impairment loss measurement guidelines” and table EU CR2 within this section. Disclosure of template EU CR2a not required given that the NPL ratio was lower than 5% throughout 2024.
442 (g)	Breakdown of loans and debt securities by residual maturity.	Yes	Refer to Section 4.3 “Impairment loss measurement guidelines” and table EU CR1-A within this section.
Article 443: Disclosure of encumbered and unencumbered assets			
443	Disclosures on encumbered and unencumbered assets	Yes	Refer to Section 13 “Asset encumbrance” and tables EU AE1, EU AE2 and EU AE3.
Article 444: Disclosure of the use of the standardised approach			
444 (a)	Names of the nominated ECAIs and ECAs, and reasons for any changes in nominations.	Yes	Refer to Section 6 “External credit assessment institutions”.
444 (b)	Exposure classes associated with each ECAI or ECA.	Yes	Refer to Section 6 “External credit assessment institutions”.
444 (c)	Description of the process for transfer of issuer and issue credit ratings onto items not included in the trading book.	Yes	Refer to Section 6 “External credit assessment institutions”.
444 (d)	Mapping of external rating to credit quality steps	Yes	Refer to Section 6 “External credit assessment institutions”. The Group compiles mapping of each nominated ECAI with the credit quality steps according to the standard association published by EBA.
444 (e)	Exposure value pre- and post-credit risk mitigation, by credit quality step.	Yes	Refer to Section 4.4.4 “Collateral evaluation and management” and tables EU CR4 and EU CR5 within this section.
Article 445: Disclosure of exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	No	Refer to Section 2.2.5 “Market risk”. Table EU MR 1 is not applicable to the Group. The Group has no RWAs in relation to interest rate risk, equity risk, foreign exchange risk and commodity risk.
Article 446: Disclosure of operational risk management			
446 (a)	Disclosure of the approaches for the assessment of own funds requirements for operational risk.	Yes	Refer to Section 8 “Operational risk exposure” and table EU OR 1 within this section.
446 (b)	Where institution makes use of it, description of methodology set out in Article 312(2), including relevant internal and external factors being considered.	No	The Group uses the basic indicator approach.
446 (c)	In the case of partial use, the scope and coverage of the different methodologies used.	No	
Article 447: Disclosure of key metrics			
447 (a)	Composition of own funds and own funds requirements.	Yes	Refer to Section 1.2 “Key metrics” and table EU KM1 within this section.
447 (b)	Total risk exposure amount.		
447 (c)	Amount and composition of additional own funds required to be held.		
447 (d)	Combined buffer requirement which institutions are required to hold.		
447 (e)	Leverage ratio and total exposure measure		
447 (f)	The following information on the liquidity coverage ratio:		

	(i) average(s) of liquidity coverage ratio based on end of month observations over preceding 12 months. (ii) average(s) of total liquid assets, after applying haircuts, in the liquidity buffer. (iii) average liquidity outflows, inflows and net liquidity outflows based on end of the month observations over the preceding 12 months		
447 (g)	The following information on the net stable funding requirement: (i) NSFR ration and end of each quarter of the relevant period. (ii) Available stable funding at end of each quarter of the relevant period. (iii) Required stable funding at the end of each quarter of the relevant period.		
447 (h)	The own funds and eligible liabilities ratios and their components, numerator and denominator	No	The Group is not a G-SII.
Article 448: Disclosure of exposure to interest rate risk on positions not held in the trading book			
448 (1)	Institutions shall disclose the following quantitative and qualitative information:		
448 (1) (a)	Changes in economic value of equity for the current and previous disclosure periods.	Yes	Refer to Section 7 “Exposure to interest rate risk in the banking book” and table EU IRRBB1 in that section.
448 (1) (b)	Changes in the net interest income calculated under the two supervisory shock scenarios for the current and previous disclosure periods.	Yes	Refer to Section 7 “Exposure to interest rate risk in the banking book” and table EU IRRBB1 in that section.
448 (1) (c)	Description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and net interest income.	Yes	Refer to Section 2.4.5 “Market risk” and Section 7 “Exposure to interest rate risk in the banking book”.
448 (1) (d)	Explanation of the significance of the risk measures, and of any significant variations of those risk measures since the previous disclosure date.	Yes	Refer to Section 7 “Exposure to interest rate risk in the banking book”.
448 (1) (e)	Descriptions of how institution defines, measures, mitigates and controls interest rate risk of their non-trading book, including: (i) description of specific measures used to evaluate changed in economic value of equity and net interest income. (ii) description of key modelling and parametric assumptions used in measurement systems that would differ from common modelling and parametric assumptions for calculating changes in the economic value of equity and net interest income. (iii) description of the interest rate shock scenarios used to estimate interest rate risk. (iv) recognition of the effect of hedges against those interest rate risks. (v) an outline of how often the evaluation of interest rate risk occurs.	Yes	Refer to Section 7 “Exposure to interest rate risk in the banking book”.
448 (1) (f)	Description of overall risk management and mitigation strategies for those risks.	Yes	Refer to Section 2.4.5 “Market risk” and Section 7 “Exposure to interest rate risk in the banking book”.
448 (1) (g)	Average and longest repricing maturity assigned to non-maturity deposits.	Yes	Refer to Section 7 “Exposure to interest rate risk in the banking book”.
448 (2)	By way of derogation, the requirements set out in (c) and (e)(i)-(iv) shall not apply to institutions that use the standardised or simplified standardised methodologies.	Yes	Refer to Section 7 “Exposure to interest rate risk in the banking book”.
Artcile 449: Exposure to securitisation positions			
449 (a)	Description of securitisation and resecuritisation activities, including risk management and investment objectives, role in securitisation and re-securitisation	Yes	See Section 11 on “Exposure to securitisation positions”.

	transactions, whether simple, transparent and standardised (STS) securitisations are used, and the extent to which securitisation transactions are used to transfer the credit risk of securitised exposures to third parties with a separate description of the synthetic securitisation risk transfer policy.		
449 (b)	Type of risks exposed to in securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions.	Yes	See Section 11 on “Exposure to securitisation positions”.
449 (c)	Approaches to calculation of RWA for securitisations mapped to types of exposures.	Yes	See Section 11 on “Exposure to securitisation positions” and table EU-Sec 3 within this section.
449 (d)	List of SSPEs falling into any of the following categories, with description of types of exposures to SSPEs: (i) SPPEs which acquire exposures originated by the institutions; (ii) SSPEs sponsored by the institutions; (iii) SSPEs and other legal entities for which the institutions provide securitisation-related services; SSPEs included in the institution’s regulatory scope of consolidation.	Yes	See Section 11 on “Exposure to securitisation positions”.
449 (e)	List of any legal entities relating to the institution that have disclosed that they have provided support.	No	The Group does not provide implicit support, directly or indirectly.
449 (f)	List of any legal entities affiliated with the institution and that invest in securitisations originated by the institution or in securitization positions issued by SSPEs sponsored by the institution.	No	No legal entities affiliated with the Group has investments in securitisations originated by the Group.
449 (g)	Summary of the accounting policies for securitisation activity, including where there is a relevant distinction between securitization and re-securitisation.	Yes	See Section 11 on “Exposure to securitisation positions”.
449 (h)	The names of ECAIs used for securitisations and the types of exposure for which each agency is used.	No	See Section 11 on “Exposure to securitisation positions”. The has not nominated any ECAIs for the calculation of the risk weighted exposure amounts of securitisation exposures.
449 (i)	Where applicable, a description of the internal assessment approach, including structure of the process and the relation between internal assessment and external ratings of the relevant ECAI, the control mechanisms for the internal assessment process including discussion of independence, accountability and internal assessment process review, the exposure types to which the internal assessment process is applied, and the stress factors used for determining credit enhancement levels.	Yes	See Section 11 on “Exposures to securitisation positions”.
449 (j)	Carrying amount of securitisation exposures for the trading and non-trading books, including information on whether institutions have transferred significant credit risk, for which institutions act as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and nonSTS transactions and broken down by type of securitisation exposures.	Yes	See Section 11 on “Exposures to securitisation positions” and table EU-SEC3 within this Section. The Group does not have STS or synthetic positions.
449 (k)	For non-trading book activities, the following information: (i) the aggregate amount of securitisation positions where institution act as originator or sponsor and the associated RWAs and capital requirements, including exposures deducted from own funds or risk weighted	Yes	See Section 11 on “Exposures to securitisation positions” and table EU-SEC3 within this Section. The Group does not have STS or synthetic positions.

	at 1250%, both synthetic and traditional and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into risk weight or capital requirement bands; (ii) the aggregate amount of securitisation positions where institution act as investor and the associated RWAs and capital requirements, including exposures deducted from own funds or risk weighted at 1250%, both synthetic and traditional and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into risk weight or capital requirement bands.		
449 (l)	For exposures securitised by the institution, the amount of exposures in default and the amount of specific credit risk adjustments made by the institution during the current period.	Yes	See Section 11 on “Exposures to securitisation positions” and table EU-SEC5 within this Section.
Article 449a: Disclosure of environmental, social and governance risks (ESG risks)			
	From 28 June 2022, large institutions which have securities that are traded on a regulated market of any Member State, shall disclose information on ESG risks.	Yes	Please refer to the ESG Pillar 3 disclosures within this document and the 2024 non-financial information report and to that are available on the MeDirect website.

Article 450: Remuneration ploicy			
450 (1) (a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;.	Yes	Refer to “Remuneration policy statement” section in the Remuneration report within the MDB Group Annual Report.
450 (1) (b)	Information on link between pay and performance;		
450 (1) (c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;		
450 (1) (d)	the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;	Yes	Refer to “Personnel expenses” note in the MDB Group December 2024 Annual Report and Financial Statements.
450 (1) (e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;	Yes	Refer to “Remuneration policy statement” section in the Remuneration report within the MDB Group Annual Report.
450 (1) (f)	the main parameters and rationale for any variable component scheme and any other non-cash benefits;		
450 (1) (g)	Aggregate quantitative information on remuneration, broken down by business area	Yes	Refer to Section 14 “Remuneration policy and practices” and table EU REM5 within this section.
450 (1) (h)	(h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed and variable	Yes	Refer to Section 14 “Remuneration policy and practices” and tables EU REM1 and EU REM3 within this section.

	remuneration, and the number of beneficiaries; (ii) the amounts and forms of variable remuneration, split into cash, shares, share linked instruments and other types separately for the part paid upfront and the deferred part; (iii) the amount of deferred remuneration awarded for previous performance periods, split into vested and unvested portions; (iv) the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments; (v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards; (vi) the severance payments awarded in previous periods, that have been paid out during the financial year; (vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;		
450 (1) (i)	the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	Yes	Refer to Section 14 “Remuneration policy and practices” and tables EU REM4 within this section.
450 (1) (j)	Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management	No	Upon demand, the Bank will provide to the Member State or competent authority, the total remuneration for each member of the management body or senior management.
450 (1) (k)	For the purposes of point (k) of the first subparagraph of this paragraph, institutions that benefit from such a derogation shall indicate whether they benefit from that derogation on the basis of point (a) or (b) of Article 94(3) of Directive 2013/36/EU. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.	No	The Group does not benefit from such derogations.
450 (2)	For large institutions, the quantitative information on the remuneration of institutions’ collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.	Yes	Refer to “Personnel expenses” note in the MDB Group December 2024 Annual Report and Financial Statements.
Endnote	Institutions shall comply with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to Regulation (EU) 2016/679 of the European Parliament and of the Council.	Yes	MeDirect complies with the requirements set out in this Article in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities.
Article 451: Disclosure of the leverage ratio			
451 (1)	Institutions that are subject to Part Seven shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 and their management of the risk of excessive leverage:	Yes	Tables and templates identified below

451 (1) (a)	Leverage ratio,	Yes	Refer to Section 12 “Leverage” and table EU LR2 - LRCom within this section.
451 (1) (b)	Breakdown of total exposure measure, including reconciliation to financial statements	Yes	Refer to Section 12 “Leverage” and tables EU LR1 - LRSum, EU LR 3- LRSpl and EU LR2 - LRCom within this section.
451 (1) (c)	Where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a (1) and the adjusted leverage ratio calculated in accordance with Article 429a (7);	Yes	Refer to Section 12 “Leverage” and table EU LR2 - LRCom within this section.
451 (1) (d)	Description of the risk management approach to mitigate excessive leverage.	Yes	Refer to Section 2 “ Risk management, objectives and policies” and Section 12 Leverage
451 (1) (e)	Description of factors that impacted the leverage ratio during the year.	Yes	Refer to Section 12 “Leverage”.
451 (2)	Public development credit institutions to disclose the leverage ratio without the adjustment to total exposure measure determined per Article 429a(1)(d).	No	Not applicable to MeDirect.
451 (3)	In addition to points (a) and (b), large institutions shall disclose the leverage ratio between breakdown of total exposure measure per Article 429(4) based on averages calculated in accordance with Article 430(7).	No	Not applicable to MeDirect.
Article 451a: Disclosure of liquidity requirements			
451a 1	Institutions shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management.	Yes	Templates and tables identified below
451a 2	Institutions shall disclose the following in relation to their liquidity coverage ratio:	Yes	Templates and tables identified below
(a)	Average(s) of the liquidity coverage ratio based on end of month observations over the preceding 12 months for each quarter of the disclosure period.	Yes	Refer to Section 2.4.3 “Liquidity and Funding Risk” and table EU LIQ1.
(b)	Average(s) of total liquid assets after applying relevant haircuts included in the liquidity buffer based on end of month observations over the preceding 12 months for each quarter of the disclosure period.		
(c)	Averages of liquidity outflows, inflows and net liquidity outflows, based on end of month observations over the preceding 12 months for each quarter of the relevant disclosure period.		
451a 3	Institutions shall disclose the following information in relation to the net stable funding ratio (NSFR):	Yes	Refer to Section 2.4.3 “Liquidity and Funding Risk” and table EU LIQ2.
(a)	Quarter end figures of the NSFR.		
(b)	Overview of the amount of available stable funding.		
(c)	Overview of the amount of required stable funding.		
451a 4	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk.	Yes	Refer to Section 2.4.3 “Liquidity and Funding Risk”
Article 452: Disclosure of the use of the IRB approach to credit risk			
452 (a)	Permission for use of the IRB approach from authority.	No	The Group does not use the IRB approach.
452 (b)	For each exposure class, the percentage of total exposure value of each exposure class subject to the Standardised Approach, as well as the part of each exposure lass subject to a roll out plan. Where institutions have received permission to use own LGDs and		

	conversion factors for their risk weighted exposure calculations, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that permission.		
452 (c)	The control mechanisms for rating systems at different stages of the model development, controls and changes, which shall include information on: (i) relationship between the risk management function and the internal audit function. (ii) rating system review. (iii) procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models. (iv) procedure to ensure the accountability of the functions in charge of developing and reviewing the models.		
452 (d)	Role of the functions involved in the development, approval and subsequent changes of the credit risk models.		
452 (e)	Scope and main content of the reporting related to credit risk models.		
452 (f)	Description of the internal ratings process by exposure class, including the number of key models used and a brief discussion of the main differences between models within the same portfolio, covering: (i) definitions, methods and data for estimation and validation of PD, including information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods. (ii) where applicable, the definitions, methods and data for estimation and validation of LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure. (iii) where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables.		
452 (g)	As applicable, the following information in relation to exposure classes: (i) gross on-balance sheet exposure. (ii) off-balance sheet exposure prior to the relevant conversion factor. (iii) exposure after applying the relevant conversion factor and credit risk mitigation. (iv) any model, parameter or input relevant for the understanding of the risk weighting and the resulting exposure amounts disclosed across enough obligor grades to allow for a meaningful differentiation of credit risk. (v) separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk weighted exposure amounts, and for exposures for which institutions do not use such estimates, the values referred to in pints (i) - (iv) subject to that permission.		
452 (h)	Estimates of PDs against the actual default		

	rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.		
Use of credit risk mitigation techniques			
453 (a)	Core features of policies and processes for use of on- and off-balance sheet netting.	Yes	Refer to section “Collateral Valuation” in Section 2.4.1 “Credit risk” and Section 4.4 “Credit risk mitigation” (Section 4.4.2 “Use of On- and off-balance sheet netting and set-off” and 4.4.3 “Main types of collateral guarantor and credit derivative counterparties”)
453 (b)	Core features of policies and processes for how collateral valuation is managed.	Yes	
453 (c)	Description of types of collateral used to mitigate credit risk.	Yes	Refer to Section 4.4 “Credit risk mitigation” and specifically Section 4.4.3 “Main types of collateral guarantor and credit derivative counterparties” for the types of eligible collateral held for each exposure class.
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness	Yes	The Group did not enter into any credit derivative hedges and did not receive any guarantees to cover part of its exposures except for the guarantee implied in the NHG Dutch mortgages. Refer to Section 4.4.4 “Collateral evaluation and management”.
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	Yes	Refer to Section 4.4 “Credit risk mitigation“
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value not covered by eligible collateral and the exposure value covered by eligible collateral.	Yes	Refer to Section 4.4.4 “Collateral evaluation and management” and table EU CR3 within this section.
453 (g)	Corresponding conversion factor and credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effects.	Yes	Refer to Section 4.4.4 “Collateral evaluation and management” and table EU CR4 within this section.
453 (h)	For institutions using the Standardised approach, the on and off-balance sheet exposure values before and after conversion factors and associated credit risk mitigation.	Yes	Refer to Section 4.4.4 “Collateral evaluation and management” and table EU CR4 within this section.
453 (i)	For institutions using the Standardised approach, the risk weighted exposures and ratio between exposure value and value after applying conversion factor and credit risk mitigation.	Yes	Refer to Section 4.4.4 “Collateral evaluation and management” and table EU CR4 within this section.
453 (j)	For institutions using the IRB approach, the risk weighted exposures amount before and after the credit risk mitigation impact of credit derivatives. Where institutions used their own LGDs and conversion factors, this should be disclosed separately.	No	The Group does not apply the IRB approach.
Article 454: Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	No	The Group does not use Advanced Measurement Approaches for operational risk.
Article 455: Use of internal market risk models			
455 (a)	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following	No	The Group does not use internal market risk models.
(i)	Characteristics of the market risk models.		
(ii)	Methodology and description of comprehensive risk measure and incremental risk charge.		
(iii)	Stress tests applied to the portfolios.		
(iv)	Methodology for back-testing and validating the models.		
455 (b)	Scope of permission for use of the models.		
455 (c)	Policies and processes to determine which exposures are to be included in the trading		

	book, and to comply with prudential valuation requirements.		
455 (d)	the highest, the lowest and the mean over the reporting period and as per the period end, of:		
(i)	daily value-at-risk measures		
(ii)	stressed value-at-risk measures		
(iii)	incremental default and migration risk and for the specific risk of the correlation trading portfolio		
455 (e)	The elements of the own fund calculation		
455 (f)	Weighted average liquidity horizons of portfolios covered by models.		
455 (g)	Comparison of end-of-day VaR measures compared with one-day changes in portfolio's value.		
Article 468: Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic			
468 (5)	The amounts of own funds, CET 1 capital and Tier 1 capital, the total capital ratio and the leverage ratio if the treatment in this article was not applied.	No	Refer to Section 1.2 "Key metrics"
Introduction of IFRS 9			
473 (a)	Institutions that have decided to apply the transitional arrangements set out in this Article shall disclose the amounts of own funds, CET 1 capital and Tier 1 capital, the total capital ratio and the leverage ratio they would have in case they were not to apply this Article. Institutions shall publicly disclose any decision taken in accordance with this Subparagraph 9.	Yes	Refer to Section 1.2 "Key metrics" and sub section "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds".

Appendix C – List of Regulatory References

Reference	Full regulatory description
BR/07	Banking Rule BR/07 "Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Maltese Banking Act (Cap. 371)"
BR/09	Banking Rule BR/09 “Measures Addressing Non-Performing Exposures and Forborne Exposures”
BR/15	Banking Rule BR/15 “Capital Buffers of Credit Institutions authorised under the Maltese Banking Act (Cap. 371)”
Regulation (EU) No 183/2014	Commission Delegated Regulation (EU) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments
Regulation (EU) 2015/61	Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions
Regulation (EU) 2016/101	Commission Delegated Regulation (EU) 2016/101 of 26 October 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for prudent valuation under Article 105(14)
Regulation (EU) 2017/208	Commission Delegated Regulation (EU) 2017/208 of 31 October 2016 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for additional liquidity outflows corresponding to collateral needs resulting from the impact of an adverse market scenario on an institution's derivatives transactions
Regulation (EU) 2017/2295	Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets
Regulation (EU) 2020/2176	Commission Delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items
Regulation (EU) No 680/2014	Commission Delegated Regulation (EU) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments
Regulation (EU) 2016/200	Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council
Regulation (EU) 2019/2028	Commission Implementing Regulation (EU) 2019/2028 of 29 November 2019 amending Implementing Regulation (EU) 2016/1799 as regards the mapping tables specifying the correspondence between the credit risk assessments of external credit assessment institutions and the credit quality steps set out in Regulation (EU) No 575/2013 of the European Parliament and of the Council
Regulation (EU) 2021/637	Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295
Regulation (EU) No 1024/2013	Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions
CRD	Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC
CRD V	Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures
EBA/GL/2014/14	Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013
EBA/GL/2018/06	EBA Guidelines on management of non-performing and forborne exposures
EBA/GL/2020/12	Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic
EBA/GL/2022/14	Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions’ non-trading book activities
Regulation (EC) No 1745/2003	Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 on the application of minimum reserves
Regulation (EU) No 575/2013	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC
Regulation (EU) 2017/2395	Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State
EU Securitisation Regulation	Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012

CRR	Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012
Regulation (EU) 2020/873	Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic

Appendix D – List of Abbreviations

ABS	Asset-Backed Securities	RMF	The Risk Management Framework
ALCO	Asset & Liability Committee	RRE	Residential Real Estate
Allianz / AZB	Allianz Benelux S.A/N.V.	FX	Foreign Exchange
ALM	Asset and Liability Management	GH I	Grand Harbour I B.V.
Basel	Basel Committee on Banking Supervision	GH1-2019	Grand Harbour CLO 2019-1 Designated Activity Company
BCBS	Basel Committee on Banking Supervision	GMRA	Global Master Repurchase Agreement
BRCC	Board Risk and Compliance Committee	G-SII	Global Systemically Important Institution
CCF	Credit conversion factor	HQLA	High-Quality Liquid Assets
CCP	Central Counterparty	IAF	Internal Audit Function
CCR	Counterparty Credit Risk	ICAAP	Internal Capital Adequacy Assessment Process
CRR	Capital Requirements Regulation 2	IFRS	International Financial Reporting Standards
CEO	Chief Executive Officer	ILAAP	Internal Liquidity Adequacy Assessment Process
CER	Climate-related & Environmental Risk	IMM	Internal Model Method
CET 1	Common Equity Tier 1	IRRBB	Interest Rate Risk in the Banking Book
CFO	Chief Financial Officer	ISDA	International Swaps and Derivatives Association
CLO	Collateralised Loan Obligation	ITS	Implementing Technical Standards
CLO SE	Collateralised Loan Obligation Structured Entity	JST	Joint Supervisory Team
CRM	Credit Risk Mitigation	KPI	Key Performance Indicator
CRO	Chief Risk Officer	KRI	Key Risk Indicator
CSRBB	Credit Spread Risk in the Banking Book	LCR	Liquidity coverage ratio
CVA	Credit Valuation Adjustment	LGD	Loss Given Default
DCF	Discounted Cash Flow	LOD	Line of Defence
DCS	Depositor Compensation Scheme	LoR	Lender of Record
DSTI	Debt service to income ratio	LTC	Loan-to-Cost
EAD	Exposure at Default	LTV	Loan-To-Value
EBA	European Banking Authority	MCC	Management Credit Committee
EC	Economic Capital	MFSA	Malta Financial Services Authority
ECAIs	External Credit Assessment Institutions	MREL	Minimum Requirement for Own Funds and Eligible Liabilities
ECB	European Central Bank	MRTs	Material risk-takers
ECL	Expected Credit Loss	MtM	Mark-to-Market
ESG	Environmental, Social and Governance	NBB	National Bank of Belgium
Eurex	Eurex Clearing AG	NHG	Nationale Hypotheek Garantie
EV	Enterprise Value	NII	Net Interest Income
EVE	Economic Value of Equity	NPEs	Non-Performing Exposures
EXCO	Executive Committee	NPL	Non-performing loans
FVTPL	Fair value through profit or loss	NRC	Nominations and Remuneration Committee
NSFR	Net stable funding ratio	RWAs	Risk weighted assets
OCR	Overall Capital Requirement	S&P	Standard & Poor's
OpsCo	Operations Committee	SA-CCR	Standardized Approach for Counterparty Credit Risk
ORM	Operational Risk Management	SEC-ERBA	Securitisation External Ratings-Based Approach
OSI	On-site Inspection	SEC-IRBA	Securitisation Internal Ratings-Based Approach
O-SII	Other Systemically Important Institution	SEC-SA	Securitisation Standardised Approach
OTC	Over-The-Counter	SFTs	Securities Financing Transactions

P2G	Pillar 2 Guidance	SICR	Significant increase in credit risk
PD	Probability of Default	SPPI	Solely Payments of Principal and Interest
POCI	Purchased or Originated Credit-Impaired	SREP	Supervisory Review and Evaluation Process
PV01	Price Value of a Basis Point	SSM	Single Supervisory Mechanism
QCCP	Qualifying Central Counterparties	SSPE	Securitisation Special Purpose Entity
RAF	The Risk Appetite Framework	sSyRB	Sectoral Systemic Risk Buffer
RAL	Risk Appetite Limit	STF	Stress Testing Framework
RAS	Risk Appetite Statement	TSCR	Total SREP Capital Requirement
RCSA	Risk & Control Self-Assessment	WACC	Weighted Average Cost of Capital
RMBS	Residential Mortgage-Backed Securities		

Pillar III disclosures report – Environmental, Social and Governance Risks

31 December 2024

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Glossary

Abbreviation / Terminology	Description
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.
Capital Requirements Regulation ("CRR")	Regulation 575/2013, dated on 27.06.2013, amended by "CRR" II (2019/8769, May 2019) and "CRR" III (2024/163, May 2024)
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
Carbon Neutrality	It refers to the idea of having a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks.
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.
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.
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), EU business restrictions, taxes and levies, bank restrictions, sectors interdependences.
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.
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.
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)
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.
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.
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)
Global Reporting Initiative ("GRI") Standards	Global Reporting Initiative (GRI), a non-profit entity that provides a widely recognised framework for sustainability reporting. It helps organisations by providing them with the global common language to communicate sustainability impacts.

	GRI - About GRI
Greenhouse Gas (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
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
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)
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.
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
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.
Sustainable Finance Disclosure Regulation ("SFDR")	Regulation 2019/2088, dated on 09.12.2019 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.
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 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.
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.

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[13] amending the technical standards set forth in Implementing Regulation (EU) 2021/637[14] 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, breach 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 and materiality of individual non-financial topics across ESG in accordance with the market and its stakeholders’ expectations. The results of the double materiality assessment have guided the Group's ESG Strategy and the selection of topics reported in its first Non-Financial Report in accordance with the GRI standards.

MeDirect is currently implementing the Group ESG Strategy - On the path to sustainability for 2022-2025 - that is based on four strategy pillars.

13 Implementing Regulation 2022/2453 shall apply from 1 January 2025 and will remain valid until 30 December 2025, after which it will be repealed by Commission Implementing Regulation (EU) 2024/3172 laying down implementing technical standards for the application of CRR with regard to public disclosures by institutions of the information referred to in Part Eight, Titles II and III, of that Regulation, and repealing Commission Implementing Regulation (EU) 2021/637. [Implementing regulation - EU - 2024/3172 - EN - EUR-Lex]

14 Implementing Regulation (EU) 2021/637 is repealed with effect from 31 December 2025.

Four strategy pillars

Governance

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

Environment

- Lower carbon business
- Green products
- Climate risk resilience

Employees

- Attractive workplace
- Diversity and inclusion
- Professional development

Society

- Community engagement
- Social inclusion
- Social 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[15] on the 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, whose 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 has re-updated the CER Materiality Assessment to consider more environmental risks.

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.

Proposals outlined in the Omnibus Regulation published in February 2025 are being followed by institutions as proposed changes relate to the applicability timeline and in-scope criteria.

The Group is committed to review the implementation of 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[16], 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.

In 2025, MeDirect will consider 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.

15 ESG and Sustainability Strategy - MeDirect

16 Global, Trusted, Actionable Business Sustainability Solutions | EcoVadis

2. Qualitative information on environmental, social and governance risks

2.1. Qualitative information on environmental risks

2.1.1. Business strategy and processes

Article 449a of Regulation (EU) 575/2013 (1) ('CRR') - Table 1 (a-d)

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.

The Group defined in its ESG Strategy 2024/2025 (pillar III) 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)
    - Achieve carbon neutral operation (5-10Y)
    - Achieve a climate neutral Group (own and corporate clients' emissions) by 2050

2. Indirect impact
    - Exclusion list of environmentally sensitive sectors for which no financing will be provided
    - Maximum 12% limit of Group assets relate to sectors highly contributing to climate change[17]
    - 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 Q4 2023-Q1 2024, 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. In Q1 2025, the Group measured its GHG emissions for 2024 following the aforementioned methodology.

Between 2023 and 2024, the Group has managed to decrease its scope 1 carbon emissions by 1.1% and its scope 1 and 2 (own) direct and indirect emissions by 15.1% using the location-based methodology. However, following the market-based methodology the sum of the scope 1 and 2 emissions increased by 2.5%.

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 started considering the adoption of science-based intermediate targets for its financed emissions. The formulation of a holistic ESG Strategy, including a decarbonisation strategy with intermediate emission targets, is planned for the second half of 2025.

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

As of December 2024, the Group had two corporate borrowers engaged in activities that fall under the scope of the climate change transition risk alignment metrics: one is a Maltese SME that operates a fuel station and distributes fuel to contractors and to ships onshore with a gross carrying amount exposure of 0.450 million euro. The corporate client supplies fuel to third parties, and it is not involved in the combustion of fuel. In Q1 2025, the NACE code of this Maltese corporate borrower was reassessed for a potential reclassification to NACE code G47.99, which is PACTA excluded sector. For more information, refer to the quantitative section, template 3 of this report.

[17] 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 III reporting instructions (inclusion of allocation of the holding companys' 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.

The other one is a borrower in our International Corporate Lending portfolio engaged in activities classified under NACE code C29.10 -which falls under the scope of the PACTA climate change transition risk alignment metrics- with a gross carrying amount exposure of 5.4 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 and Maltese corporate borrowers. During 2024, the Group has carried out an internal assessment to analyse the nature of unknown share of EPC certificates in its portfolios of loans collateralised with immovable properties. Out of 19 Malta Corporate Lending facilities collateralised with immovable property with unknown EPCs as of December 2024, six EPCs have been retrieved and two facilities have been closed. Efforts are ongoing to retrieve the remaining unknown EPCs with the implementation of an EPC remediation map that is updated on a monthly basis. In the Malta mortgage lending portfolio, 17 loans with unknown EPCs are legacy loans and will mature by December 2027, with the other 23 loans with unknown EPCs being refinancing facilities. For the Malta mortgage lending portfolio, an EPC remediation map is in place and, as part of the monthly risk monitoring and reporting, any missing EPC ratings are queried with lending operations for its retrieval and added to the EPC remediation map. 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. MeDirect Malta launched the Green Project Milestone in 2024, which provides preferential rates to clients who enhance their properties to achieve greater energy efficiency.

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. During 2024, the MeDirect Malta continued with its efforts to match client's sustainability preferences with mutual funds which it offers under the advisory service. The Advisory team was provided with a training session on how to use the data being obtained through the suitability assessments.

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 8 and 9 of the SFDR) offered by the Group to its customers reached 90% as of December 2024. Moreover, as part of the Maltese Bank entity's advisory investment mandate, more than 50% of the funds on the Whitelist incorporate sustainability objectives (SFDR Articles 8 and 9).

At the end of December 2024, 12.78% of the Group's treasury portfolio was invested in green bonds[18], 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.

In 2025, a new ESG risk screening process for the treasury book will be considered.

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, as defined in pillar III 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 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 ESG 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. For more information regarding the collection of the ESG questionnaires among corporate borrowers, please refer to section on the quantitative information of this report, template 9 on Banking Book Taxonomy Alignment Ratio ("BTAR").

As of December 2024, the Group will start reporting on the BTAR, template 9, for all its corporate borrowers, irrespective of whether the clients are subject to NFRD reporting. From the ESG questionnaires distributed during 2024, it can be reported that limited data is available on taxonomy eligible and taxonomy aligned assets of both ICL and Malta corporate lending clients. Most of the clients did not report any data and therefore, the assessment is limited. For more information, refer to the quantitative section below on template 9.

As a result, during 2025, the Group plans to start a dedicated engagement process with Maltese corporate borrowers, which are mostly small to medium-sized unlisted companies, to provide information on Taxonomy eligible/aligned assets and on transition pathways for high ESG risk rated clients.

[18] 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.

MeDirect has also incorporated CER into the collateral valuation process both for acute and chronic environmental physical risks for all its mortgage portfolios. 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 process, 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. This is ensured through the verification of compliance with the MeDirect Suppliers and Business Partners Code of Conduct that sets out the fundamental sustainability standards and principles expected from MeDirect vendors.

During 2024, 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. However, the response rate was low.

The Group is in the process of incorporating ESG due diligence in the pre-contractual (selection stage), contractual and post-contractual process in relation to the onboarding of key suppliers and business partners. Standard ESG clauses will be considered for incorporation in all contracts with key suppliers and business partners to ensure compliance with the MeDirect Suppliers and Business Partners Code of Conduct. In addition, during the monitoring and periodic reviews, key suppliers and business partners will be expected to reverify their compliance with the MeDirect Suppliers and Business Partners Code of Conduct. This process is planned to start in 2025.

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. Further assessments of the impacts of CER into the Group's Business Continuity Plan ("BCP") and incident response planning will be included in annual updates of these frameworks. The Group also incorporated in its operational framework CER impacting its operational centres and reputation.

The Business Continuity Policy includes an extreme natural disaster scenario whereby the Malta operation is damaged (not accessible for 3 days). The Group incorporated in its Operational Risk Procedure damage to physical assets and operational losses resulting from, for example, natural disaster, flood or damage caused by controversial activities of the clients, suppliers and business partners associated with severe social and environmental damage. The impact on capital of such events is considered to be marginal.

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 in accordance with the Group's Policy Standard.

2.1.2. Governance

Article 449a of Regulation (EU) 575/2013 (1) ('CRR') - Table 1 (e-i)

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, • Bi-annual 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: • Bi-annual 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. Upon request, the Chair of ESG Committee provides 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 Enterprise Risk Management Committee.	No specific/regular reporting.
Enterprise Risk Management Committee (ERMC)	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. Monthly reporting, if required, by the Chair of the ESG Committee. Discussion on the Risk Appetite Statement – ESG, as part of the ICAAP and ILAAP package.
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/reviewed at ESG Committee: • ESG Strategy • ESG/CER action plans • Annual Non-Financial report • Bi-annual 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 an invitee on demand of the Review and Approval of Products and Services ("RAPS") Committee (formerly the Prior Notice Unit). The RAPS is responsible for assessing new products and services 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 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 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 and taxonomy information, 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, the SFDR disclosures, and the Pillar III ESG report that is disclosed twice a year. The Group also discloses the Non-Financial report based on GRI standards on a voluntary basis.

The Group will be subject to the Article 8 Taxonomy reporting and the Corporate Sustainability Reporting Directive. Proposals outlined in the Omnibus Regulation published in February 2025 are being followed by institutions as proposed changes relate to the applicability timeline and in-scope criteria.

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

Moreover, the Group engages with Morningstar, Inc. for the data on ETFs and Mutual Funds for Advisory and Discretionary services offered by the Group. 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. As of 2025, the Group aims to more formally demonstrate the impact of individual performance on total variable compensation of key employees' against both qualitative and quantitative ESG objectives outlined in the ESG Strategy that includes ESG and Climate Risk initiatives and taking into account the nature and responsibilities of each individual's role. 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.

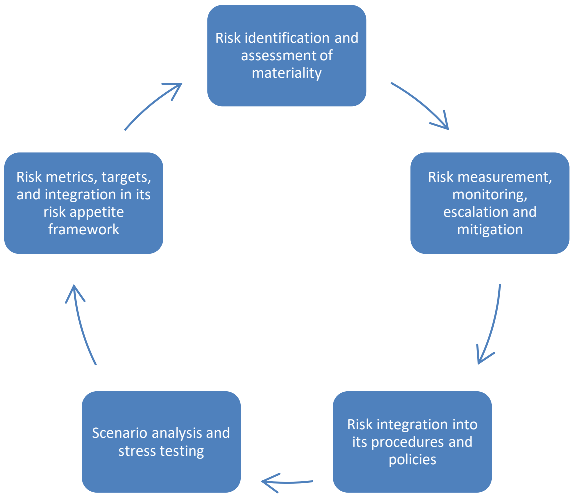
The Group commits to review the ESG qualitative and quantitative performance objectives set for key senior managers at least on an annual basis. In the last quarter of 2024, the Group launched a new Human Resources tool that provides a dashboard with the key milestones of the ESG objectives, giving more visibility and enhancement to the annual performance review of the employees. Implementation of this process began 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

Article 449a of Regulation (EU) 575/2013 (1) ('CRR') - Table 1 (j-r)

Integration of sustainability criteria, including environmental factors, in the Risk Management 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.

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.

In the last quarter of 2024, the Group formulated 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 that the Group might be exposed to during its course of business.

Additionally, the Group updated the transmission channels table to document clearly the transmission channel between C&E risks and traditional financial and non-financial risk categories. The Sustainability Risk Appetite Statement includes a sub-section on greenwashing risk.

Table: ESG Risk Taxonomy

Type of ESG Risk	Risk Drivers	Risk	Description
Climate Physical Risk	Acute	Heatwaves	Daily maximum temperature of more than five consecutive days exceeds the average maximum temperature by 5°C
		Droughts	Prolonged dry period in the natural climate cycle caused by a lack of rainfall
		Floods	Abnormal accumulation of water above the ground caused by high tide, heavy rain, melting snow or rapid runoff from paved areas
		Heavy precipitation	Abnormal rain/snow/hail fall in a specific location
		Wildfires	Unplanned, unwanted fire burning in a natural area, such as a forest, grassland, or prairie
		Severe storms	Strong sustained wind, complemented by heavy precipitation (rain, hail or snow) and lightning
	Chronic	Soil erosion	Accelerated removal of topsoil from the land surface through water, wind and tillage
		Sea level rise	Increase in the level of the world's oceans due to the effects of global warming
Environmental risks	Natural hazard	Biodiversity loss	Unique living organisms that inhabit Earth, and the interactions among them
	Water stress / pollution	Water stress	Water scarcity either because supplies are insufficient, or infrastructure is inadequate
	Pollution	Air quality decrease	Pollutants (e.g., greenhouse gases, toxic chemicals) pose risks. Air pollution is the release of harmful substances into the atmosphere by human activity
	Land degradation	Contaminated Sites	Sites contaminated by improper handling or disposal of toxic and hazardous materials and wastes or where toxic materials may have been deposited as a result of natural disasters or acts of terror
Climate Transition Risk	Technological advancement	Technology change	Technological advancement bringing new challenges of adaptation by existing companies
	Policy & regulation	Environmental regulations	Changes in environmental related laws and regulations impacting the banking industry For example, legislation on energy performance of buildings that introduces minimum energy performance standards
	Market sentiment	Change in market sentiment	Changes in supply and demand conditions for certain products and services offered by the bank as a result of C&E risks and opportunities
Social Risk	Human rights violations	Child labour	Exploitation of children for work that deprives them of their childhood, potential, and dignity. This concerns the value chain of organisations
		Modern slavery/forced labour	Modern slavery encompasses various forms of coercion where individuals are forced to work against their will
		Infringements of rights of local communities/ indigenous populations	Infringements on the rights of local communities or indigenous populations often occur through land appropriation, resource exploitation, and lack of consultation in decision-making processes / lack of community engagement. Such actions can lead to loss of livelihoods, cultural erosion, and social disintegration
	Workplace violations	Breaches of employee rights/labour rights	Violations such as unfair dismissal, denial of the right to unionize, inadequate wages, and unsafe working conditions. These breaches undermine workers' dignity and can lead to severe economic and psychological consequences
		Unethical and illegal working conditions	Environments where labour laws are violated, leading to exploitation of workers. This includes inadequate pay, excessive working hours, unsafe environments, and lack of benefits
		Employee discrimination	Unfair treatment based on characteristics such as race, gender, age, disability, or sexual orientation. This can manifest in hiring practices, promotions, pay disparities, or workplace harassment

	Consumers rights violations	Restrictions on or abuse of consumers' rights	Deceptive practices such as false advertising or lack of transparency regarding product/service information. This may include also mis-selling of financial products, leading to loss of customer trust and potential regulatory fines
		Data Privacy and Security	Inadequate protection of customer data leading to breaches, regulatory penalties, and loss of trust in the bank's ability to safeguard sensitive information
Governance Risk	Inappropriate oversight	Lack of appropriate board oversight	This risk arises when a board fails to effectively supervise management, leading to potential mismanagement or unethical practices. Insufficient oversight can result in poor decision-making, financial losses, and reputational damage
		Lack of diversity at board or governing body level	Risks associated with lack of independence, diversity, or transparency within the board, which may impair decision-making and lead to governance failures
		Inadequate external or internal audit	Weak auditing processes can lead to undetected financial discrepancies, fraud, or compliance failures. Inadequate audits may result in significant financial losses and legal repercussions for organisation
		Conflict of interest	Lack of transparency, oversight and management of conflict of interest at the highest governance body
	Inappropriate/ Insufficient Remuneration/ Compensation	Transparency and integrity concerning remuneration	Lack of transparency in executive and non-executive compensation can erode trust among stakeholders and lead to perceptions of inequity (income gap) within the organisation
		Lack of scrutiny of executive pay	When executive compensation is not adequately scrutinised, it can lead to excessive pay packages that do not reflect performance or company health
	Legal	Tax and bribery and corruption	Organisations that do not implement robust compliance measures regarding tax obligations and anti-bribery laws expose themselves to significant legal risks. Engaging in corrupt / unethical practices can result in severe penalties, reputational harm, and loss of stakeholder trust
		Regulatory Compliance	Failure to adhere to local and international regulations, including anti-corruption laws, which can result in legal penalties and loss of banking licenses
	Data protection	Poor safeguards on personal data / IT security	Inadequate protections for personal data can lead to data breaches, resulting in legal liabilities, financial losses, and reputational damage
	Labour	Discriminatory employment practices	Discrimination in hiring, promotion, or workplace treatment undermines employee morale and can lead to legal challenges. Failure to address discriminatory practices can also damage the reputation among customers and stakeholders
		Inadequate protection for whistleblowers	Establishing clear whistleblower policies encourages transparency and accountability within the organisation
		Workplace harassment	Failure to address workplace harassment can create a toxic environment that affects employee well-being and productivity. Ignoring this issue can lead to legal consequences and high turnover rates
		Discrimination and bullying	Workplace discrimination and bullying not only harm individual employees but also negatively impact overall organisational culture
		Health and safety concerns for the workforce	Neglecting health and safety standards expose organisations to liability risks, including injuries or fatalities among employees

Moreover, the table below describes the main transmission channels between sustainability risks, including CER, and traditional risk categories. The influence of ESG on credit, market, liquidity/funding, operational and reputational risk, among other risks, may depend on the severity of climate and environmental-related changes, regulatory actions and evolving market sentiment. The potential impact that greenwashing practices may have on other risks is also outlined in the transmission channels table.

In 2025, the Group plans to further update the transmission channels table to cover the Social and Governance risk factors.

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

Climate Transition Risk		
Risks	**C&E Risks Hazards**	**Transmission Channel**
Credit Risk	Technology change Environmental regulations Change in market sentiment	Transition risks can reduce the ability of retail and corporate lending clients to cover their contractual obligations resulting in lower repayment capacity, credit losses, increase of probability of default (PD) and loss given default (LGD).
Market Risk	Technology change Environmental regulations Change in market sentiment	Transition risks can affect employment in certain industries impacted by the changes in technology, regulations and/or market sentiment, resulting in higher unemployment, lower direct tax revenue for governments and therefore, lower repayment capacity of government debt. It can drive repricing and impact valuation of equities, fixed income products (e.g. increased sovereign risk on some markets through increasing sovereign debt and reducing access to capital market), commodities and derivatives resulting in securities sell-off, interest rates, FX and credit spreads volatility. It can impact the Group's financial assets revaluation and income.
Liquidity Risk	Technology change Environmental regulations Change in market sentiment	Transition risk can impact the client's profitability (e.g. new ESG regulatory requirements or restrictions) and reduce pool of liquid funds deposited. It can impact the Group's funding base through outflows, availability and cost of funding due to changing clients' and market sentiment towards climate-neutral assets and/or due to new environmental/climate policies. Sudden revaluation of securities (e.g. due to market sentiment) may lower the value of the Group high quality liquid assets (HQLA) affecting liquidity buffer. ESG ratings downgrades may discourage investors and increase financing costs and refinancing risk.
Operational Risk	Technology change Environmental regulations Change in market sentiment	Transition risk can lead to business continuity risk due to liquidity/reputational risk materialising from evolving market sentiment. Technological change and new environmental regulations can lead to higher adaptation costs (e.g. higher insurance costs) impacting Group operational costs.
Reputational Risk	Technology change Environmental regulations Change in market sentiment	May arise from the materialisation of the above risks impacting reputation of the Group on the market and perception of the clients, regulators, stakeholders, market participants and rating agencies. Change in market sentiment may result in reputational risk if companies fail to innovate and transition to a sustainable business. New environmental regulations put pressure on companies to comply and adapt their business practices. Failure or delay in doing so may result in reputational risk for the bank. Late adopters of green technologies can be harmful to their reputation, lose market advantage and can detract investors' attention.
Litigation Risk	Environmental regulations	Litigation risk consists 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 directors hip duties (vi) Stakeholder activism Not complying with the guidelines, norms, and regulations related to ESG/CER transformation may result in regulatory actions and market participants' litigation actions (e.g. lawsuits).

Climate Physical Risk		
Risks	**C&E Risks Hazards**	**Transmission Channel**
Credit Risk	Floods Heavy precipitation Severe storms Soil erosion Sea level rise	Physical risks can reduce the ability of retail and corporate clients to cover their contractual obligations due to existing lending contracts due to depreciation/erosion of collateral values (e.g., stranded assets, property damage due to physical weather events, etc.). It can impact the Group through credit losses, increase of probability of default (PD) and loss given default (LGD) due to geographical location of the collateral.
Market Risk	Heatwaves Floods Heavy precipitation Severe storms Soil erosion Sea level rise	Physical risks can impact the Group's financial assets revaluation/pricing leading to less net interest income. It can result in country risk due to physical hazards impacting companies' profitability, leading to higher unemployment, as well as impacting the country's infrastructure leading to lower government debt repayment capacity.
Liquidity Risk	Floods Heavy precipitation Severe storms Soil erosion Sea level rise	Physical risks can impact the client's profitability and reduce pool of liquid funds deposited / increase in demand for funds (bank run) due to renovations required on damaged property caused by physical weather events. It can impact the Group funding base through outflows, availability and cost of funding due to impact of physical weather events. Sudden revaluation of securities (e.g. due to stranded assets) may lower the value of the Group high quality liquid assets (HQLA) affecting liquidity buffer. ESG ratings downgrades (e.g. lower EPC) may discourage investors and increase financing costs and refinancing risk. The impact on the country's infrastructure (mentioned under market risk) can lead to lower government debt repayment capacity, leading in turn to HQLA devaluation and deterioration of the Liquidity Coverage Ratio (LCR).
Operational Risk	Floods Heavy precipitation Severe storms Soil erosion Sea level rise	Physical risks can lead to damage to the bank's operational centers, clients service delivery disruption and business continuity risk as a result of physical weather events. It can lead to higher energy, water and insurance costs impacting Group's operational costs.
Reputational Risk	Heatwaves Droughts Floods Heavy precipitation Severe storms Soil erosion Sea level rise	Reputational Risk may arise from the materialisation of the above risks impacting reputation of the Group on the market and perception of the clients, regulators, stakeholders, market participants and rating agencies.
Litigation Risk		Litigation risk consists 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 directors hip duties (vi) Stakeholder activism

Environmental Risk		
Risks	**C&E Risks Hazards**	**Transmission Channel**
Credit Risk	Biodiversity loss Water stress Air quality decrease Contaminated Sites	Environmental risks can reduce the ability of corporate clients working in the agricultural sector to cover their contractual obligations due on existing lending contracts due to reduced agricultural productivity and supply chain disruptions as a result of biodiversity loss. It can increase default rates due to health impacts resulting from bad air quality and water scarcity. Contaminated sites will plummet property values, leading to a reduced collateral value.
Operational Risk	Biodiversity loss Water stress Air quality decrease Contaminated Sites	Environmental risks can lead to disruptions in supply chains due to biodiversity loss, operational disruptions due to water scarcity and contamination clean-up, as well as potential health-related workforce disruptions due to a decrease in air quality.
Reputational Risk	Biodiversity loss Water stress Air quality decrease Contaminated Sites	Reputational Risk may arise from the materialisation of the above risks impacting reputation of the Group on the market and perception of the clients, regulators, stakeholders, market participants and rating agencies. Environmental risks can lead to negative public perception and loss of client trust, which impact negatively the reputation of the bank.
Litigation Risk	Biodiversity loss Air quality decrease Contaminated Sites	Litigation risk consists 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 involvement towards financing inefficient energy buildings leading to loss of air quality and construction sites impacting biodiversity due to being within/on areas of ecological importance, as well as contaminated sites.

Greenwashing Risk		
Risks	**Risks Hazards**	**Transmission Channel**
Reputational Risk	Greenwashing practices	Reputational risk may arise due to miscommunication to the public, mis-selling of products, and ongoing litigation or legal actions due to alleged greenwashing by clients.
Operational Risk (including Litigation risk)		Litigation or legal actions against the Bank and associated losses, fines or penalties imposed through regulatory or judicial proceedings.
Strategic and Market Risk		Risk to business model due to loss of confidence by market participants, and loss of income resulting from misconduct.
Liquidity and funding Risk		Reputational damage resulting in reduced access or less favourable market funding.
Credit Risk		Impact of greenwashing practice conducted by counterparties may weaken their creditworthiness and therefore, impact their ability to honour their financial commitments toward the Bank.
Market Risk		Greenwashing controversies may impact the market price of financial instruments.
Prudential and Conduct Risk		Greenwashing practices may impact the financial soundness of the Bank.

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 mitigating 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 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.

In 2025, the scope of the exclusion list will be extended to cover all corporate customers in Malta, not only corporate lending customers. This will be complemented by a new process for MeDirect Malta to assess ESG risk of corporate customers at onboarding stage.

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. As of December 2024, the exposure to sectors contributing significantly to climate change is 5.66% of Group's assets.

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 lending 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.

During the last quarter of the 2024, MeDirect Bank Malta formulated an ESG scorecard to be used by the Malta corporate lending, involved in real estate and construction sectors, 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 and associated engagement process is planned for 2025.

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 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 clients using external, public data providers information. An IT tool will be developed in 2025 to automate the negative news searches currently conducted manually by the corporate banking unit.

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.

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.

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 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 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.

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 with respect to the risk impact horizon. The time horizon refers to actual years in terms of risk impact: 1-3 years, 3-10 years and 10+ years.

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.

In December 2024, the Group updated the CER Materiality Assessment to incorporate additional environmental risks. The latest assessment 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.

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

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. These scenarios stress the returns of the underlying borrowers under different regulatory scenarios and adjust the expected risks for the Group. 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 2024.

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.

In 2025 ICAAP and ILAAP revisions, the Group enhanced the ICAAP stress testing scenarios and have also included CER in the liquidity stress testing. 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.

Reported data points in Section 3, quantitative information, were collected on a best-effort basis. It is expected that more accurate and reliable data points will be collected as more and better data sources become available (e.g., as a result of the 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

Article 449a of Regulation (EU) 575/2013 (1) ('CRR') - Table 2 (a-c)

The Group's employees, counterparties and society in general are an important pillar 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, equity 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 asset. 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%[19]
- 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) were adopted, including, among others:

- Equal pay gap assessment and 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

[19] Replaced with the introduction of the eNPS analysis every 6 months (target: +10 to +30 or higher) and the monthly wellbeing survey (target: average score in all four categories of 3.5 or higher).

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, ESG 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 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, as outlined in the Group's Occupational Health and Safety policy. The policy sets out the basic rules relating to health and safety, 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. 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 RAPS is responsible for assessing new products and services, as part of the new products and services review and approval 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 ambitions 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. For the 2024 voluntary/charitable activities and sponsorships plan, refer to section 6 of the Non-Financial Report that is published on the bank's website.

In accordance with the Group's Anti-Bribery and Corruption policy and procedures, the Group seeks to ensure 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 was also provided to all employees and this will take place on a yearly basis. Moreover, specific departmental training was provided in 2024, as deemed necessary by the Sustainability function. 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

Article 449a of Regulation (EU) 575/2013 (1) ('CRR') - Table 2 (d-g)

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 commits 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. Pillar 2 - Employees of the ESG Strategy establishes the primary objectives in this area:

- Attractive workplace
- Diversity, equity 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. It may depend on professional qualifications, expertise and experience required for the position, role, complexity of responsibilities, responsibility for team management, impact on financial results of the Group, among other factors.

The Group aims to determine variable compensation of its key 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

Article 449a of Regulation (EU) 575/2013 (1) ('CRR') - Table 2 (h-m)
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 MeDirect Group Sustainability Risk Policy defines 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 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.

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 formulated 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. A dedicated Sustainability Risk Appetite Statement was also adopted, including sub-sections on social risk and greenwashing risk. In 2025, the Group plans to update transmission channels table to incorporate more explicit social risks.
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 its corporate clients for any controversial activity associated with severe environmental or social damage that might impact the Group's stability, reputation and future liability and litigation risks. In 2025, the scope of the exclusion list applied on corporate lending customers will be extended to cover all corporate clients in Malta. This will be complemented by a new process for MeDirect Malta to assess ESG risk of corporate clients at onboarding stage.

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 (health & safety, labour relations) and community engagement, 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 has formulated an ESG scorecard to be used by the Malta corporate lending (for real estate and construction sectors only) 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.

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 was to assess the service providers' ethical standards and codes of conduct, including ethical, social responsibility, and child labour prohibition considerations. Very few responses were received from the first set of distribution. More efforts are planned as part of the enhanced due diligence process planned for 2025.

The Group is in the process of incorporating ESG due diligence in the pre-contractual (selection stage), contractual and post-contractual process in relation to the onboarding of key suppliers and business partners. Standard ESG clauses will be considered for incorporation in all contracts with key suppliers and business partners to ensure compliance with the MeDirect Suppliers and Business Partners Code of Conduct. In addition, during the monitoring and periodic reviews, key suppliers and business partners will be expected to reverify their compliance with the MeDirect Suppliers and Business Partners Code of Conduct. This process is planned to start in 2025.

Reputational and Operational, including litigation, risk management

All clients 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.

ESG/CER-related negative news checks are planned to be incorporated as part of the corporate client screening process, as from 2025 onwards. This is part of the new process for MeDirect Malta to assess ESG risk of corporate clients at onboarding stage.
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. 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 Group Enterprise Risk Management Committee and to the Board Risk and Compliance Committee, when necessary
- 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)

Refer to the Non-Financial Report for more information regarding the metrics linked to the ESG Strategy commitments.

2.3.1. Governance

Article 449a of Regulation (EU) 575/2013 (1) ('CRR') - Table 3 (a-c)

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 implemented 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)

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. Refer to the Non-Financial report, Section 3 on Governance, for more information.

In 2024, the Group has enhanced the process around the distribution to and collection of ESG questionnaires from its corporate clients, and its suppliers and business partners by means of electronic distribution. The information obtained through the ESG questionnaires allow the bank to assess the counterparties' ESG performance/profile.

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

Article 449a of Regulation (EU) 575/2013 (1) ('CRR') - Table 3 (d)

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 formulated 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. A dedicated Sustainability Risk Appetite Statement was also adopted, including sub-sections on governance risk and greenwashing risk. In 2025, the Group plans to update transmission channels table to incorporate more explicit social risks.

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 corporate 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 borrowers to provide information describing their approach to ESG, non-financial reporting and sustainability risks, including governance risk. ESG factors are also analysed during annual corporate portfolio reviews and screening.

During the last quarter of the 2024, MeDirect Bank Malta formulated 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.

Moreover, the Group plans to formulate new processes for its corporate clients at onboarding stage and its business partners and suppliers at procurement stage, as well as during the lifecycle of the relationship, to assess ESG risk of its counterparties.

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 III ESG implementing technical standards and instructions on prudential disclosures on ESG risks defined by the EBA[20], as presented in the below tables. The ESG information disclosed in this Pillar III report is not necessarily aligned with MeDirect Group's Non-Financial Report as it follows the 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 III 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	To be reported as from 2023 YE Group Pillar III Report	Reported as from 2023 YE Group Pillar III Report
7	Mitigating actions: Assets for the calculation of GAR	Yes	To be reported as from 2023 YE Group Pillar III Report	Reported as from 2023 YE Group Pillar III Report
8	GAR (%)	Yes	To be reported as from 2023 YE Group Pillar III Report	Reported as from 2023 YE Group Pillar III Report
9	Mitigating actions: BTAR	Yes	To be reported as from 2024 YE Group Pillar III Report	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 is determined after the operating company and its underlying business activity as stated in the instructions for ESG prudential disclosures. Approximately 12.58% of the Group's corporate lending exposure at the end of December 2024 is classified as activities of the holding companies. Most of the exposure to holding companies is included in the Dutch professional Buy-To-Let mortgage portfolio for legal entities.

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 corporate loans and Maltese corporate loans.

MeDirect analysed its international corporate lending portfolio, Maltese corporate lending portfolio and Dutch professional Buy-To-Let mortgage portfolio, including loans, advances and bonds. These portfolios represent approximately 9.77% of the Group's assets as of December 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 to avoid financing sectors that might be associated with potentially negative effects on the environment in line with MeDirect's exclusion list.

[20] Annex II - Instructions for ESG prudential disclosures templates

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 III 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 such as sustainability 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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Sector/subsector	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	287.1	0.5	0.0	16.6	45.2	-4.3	-0.3	-3.5	44,141.7	40,551.2	100	168.3	23.3	94.3	0.0	7.2
2	A - Agriculture, forestry and fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
3	B - Mining and quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
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	39.6	0.0	0.0	9.5	0.4	-0.4	-0.1	-0.1	20,300.3	19,970.0	100	38.4	0.0	0.0	0.0	3.4
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	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.8	4.4	100	2.7	0.0	0.0	0.0	4.9
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	11.9	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	447.0	446.6	100	11.9	0.0	0.0	0.0	3.2
22	C.22 - Manufacture of rubber products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	C.23 - Manufacture of other non-metallic mineral products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.9	30.9	100	0.0	0.0	0.0	0.0	1.0
24	C.24 - Manufacture of basic metals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,793.2	1,792.5	100	0.4	1.2	0.0	0.0	6.1
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.	0.4	0.0	0.0	0.0	0.4	-0.1	0.0	-0.1	50.0	2.8	100	0.4	0.0	0.0	0.0	1.0
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17,473.7	17,371.1	100	5.4	0.0	0.0	0.0	4.9
30	C.30 - Manufacture of other transport equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	C.31 - Manufacture of furniture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	C.32 - Other manufacturing	17.6	0.0	0.0	9.5	0.0	-0.2	-0.1	0.0	499.6	321.6	100	17.6	0.0	0.0	0.0	2.7
33	C.33 - Repair and installation of machinery and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	D - Electricity, gas, steam and air conditioning supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
40	F - Construction	69.2	0.0	0.0	0.0	2.1	-0.3	0.0	-0.2	3,151.7	2,452.0	100	44.6	3.3	21.3	0.0	7.0
41	F.41 - Construction of buildings	66.6	0.0	0.0	0.0	2.1	-0.3	0.0	-0.2	2,993.8	2,308.2	100	42.0	3.3	21.3	0.0	7.2
42	F.42 - Civil engineering	-	-	-	-	-	-	-	-			-	-	-	-	-	-
43	F.43 - Specialised construction activities	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	157.9	143.8	100	2.6	0.0	0.0	0.0	2.6
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	16.7	0.5	0.0	7.1	1.0	-0.2	-0.2	0.0	7,017.9	6,042.1	100	16.7	0.0	0.0	0.0	2.7
45	H - Transportation and storage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	H.53 - Postal and courier activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
51	I - Accommodation and food service activities	27.5	0.0	0.0	0.0	21.8	-1.4	0.0	-1.4	8,843.0	8,820.1	100	21.9	0.7	5.0	0.0	4.7
52	L - Real estate activities	134.1	0.0	0.0	0.0	19.9	-1.9	0.0	-1.8	4,828.8	3,267.0	100	46.7	19.2	68.1	0.0	9.6
53	Exposures towards sectors other than those that highly contribute to climate change*	208.7	0.0	0.0	36.5	22.0	-9.4	0.0	-8.7				141.7	0.0	66.9	0.0	6.3
54	K - Financial and insurance activities	62.4	0.0	0.0	0.0	10.1	-8.3	0.0	-8.2				21.3	0.0	41.1	0.0	10.9
55	Exposures to other sectors (NACE codes J, M - U)	146.3	0.0	0.0	36.5	11.9	-1.1	-0.1	-0.5				120.4	0.0	25.9	0.0	4.4
56	TOTAL	495.8	0.5	0.0	53.1	67.1	-13.7	-0.3	-12.2	44,141.7	40,551.2	100	310.0	23.3	161.3	0.0	6.9

[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 underlying business activity (indirect exposure). NACE exposure of corporate lending includes allocation of the activities of holding companies (K.64.2) based on the underlying business activity prepared using expert approach following Pillar III implementing technical standards on prudential disclosures on ESG risks.

NOTE: Buy To Let (BTL) mortgage loans offered to corporate clients (legal entities) to finance purchase of residential immovable property were reported under NACE code L- Real estate activities in the H1 2024 Pillar III report. These were restated in the December 2024 Pillar III report as some facilities were reclassified from NACE code L to NACE codes F, K, M and R. This reclassification follows a detailed internal assessment conducted on the classification of BTL professional mortgage loans offered to legal entities. This reclassification largely justifies the decrease of exposure to NACE code L from EUR 173.1m in H1 2024 to EUR 134.1m as of December 2024.

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 is 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 0.450 million euros as of December 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)[21], 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).
- 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 using official classification.
- 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.

When a loan is collateralised 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	2,753	226	632	994	384	161	59	443	320	712	336	213	201	138	388	-
2	Of which Loans collateralised by commercial immovable property	58	3	5	6	0	0	0	4	0	6	0	0	0	0	49	-
3	Of which Loans collateralised by residential immovable property	2,695	223	627	988	384	161	59	440	320	706	336	213	201	138	340	-
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	1,844	110	452	859	304	119	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 -retail and corporate- EPC label is classified as "without EPC label of collateral" given there is no official EPC classification in Malta. Malta corporate loans collateralised by commercial and residential immovable properties are included in rows 2 and 3 respectively.

[21] EU Energy Efficiency Directive (EU/2023/1791) introduces new obligations for EU financial institutions to track and assess the energy performance of the buildings or projects they finance, and report the volume of investments and loans supporting energy efficiency improvements. The 2023 Directive will repeal the 2012 Directive, and it must be transposed into national law by 11 October 2025.

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. All mortgages in this portfolio are collateralised by residential immovable properties.

Dutch Buy-to-let mortgages are collateralised by both residential and commercial immovable property. The exposures by energy efficiency level are attributed to rows 2 and 3 accordingly.

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. All mortgages in this portfolio are collateralised by residential immovable properties.

Information on EPC certificates is documented 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]

The objective of this template is to disclose how the bank's financing activities align with the climate targets, assess transition risk of its corporate lending exposures and provide stakeholders with comparable data on the decarbonisation progress of the corporate borrowers under the scope of the PACTA.

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 5.853 million euros.

One client is a Maltese SME engaged in the distribution of fuels -NACE code G46.12- with an exposure of 0.45 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.

In Q1 2025, the NACE code of this Maltese corporate borrower was reassessed for a potential reclassification to NACE code G47.99, which is a PACTA excluded sector. The reassessment included the breakdown of the client's sales to understand the business concentration. The result of the assessment indicated that the majority of its sales (>80%) are concentrated within the supplies of fuel to various contractors, vessels and fisherman. The remaining percentage (ca. 15%) of its sales are through petrol station and a smaller percentage (>2%) of its sales are through the supply of fuels to vessels in local territorial waters. The corporate client supplies fuel to third parties, and it is not involved in the combustion of fuel. As a result, the NACE code was reclassified to G47.99.

The other client is a North American manufacturer of motor vehicles -NACE code C29.10- with an exposure of 5.4 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 2024 versus its Net Zero target for 2050 is 45.14%. After internal analysis carried out by MeDirect, the company's emissions are below 5,926 MtCO2e of the pathway to achieve the 2030 near-term target. In its 2024 sustainability report, the client restated its base year (2019) scope 1 and scope 2 emissions, from 165,911 MtCO2e to 125,987 MtCO2e. The client did not provide additional information on the driver of the baseline emissions restatement. 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	0.45	-	-	-	-
3	Automotive	C29.10	5.40	MtCO2e	2024	45.14%	80,173.55
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)

NOTE: Alignment metric restated from tCO2e reported in H1 2024 Pillar III report to MtCO2e reported in December 2024 Pillar III report.

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 2022 Pillar III disclosures, following Pillar III 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 portfolios, MeDirect reviewed its **mortgage portfolios** collateralised with the properties in Malta, Belgium and the Netherlands, which together represent 54.8% of the Group's assets at the end of December 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. Those facilities located in areas deemed to have high environmental physical risk as per the CER materiality assessment are disclosed in columns c-o.

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	39.55	-	-	-	-	-	-	-	-	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	69.22	-	-	6.25	-	14.94	6.25	-	-	-	-	0.00	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	16.71	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	134.11	-	-	38.19	-	15.19	30.08	8.12	-	-	-	0.00	-	-
10	Loans collateralised by residential immovable property	2694.88	3.79	5.97	169.69	1248.03	25.27	1333.34	77.23	16.92	14.49	3.40	-0.74	-0.17	-0.23
11	Loans collateralised by commercial immovable property	58.18	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE: Rows 10 and 11 comprise of the Malta retail mortgages, Malta corporate lending collateralised with immovable properties, Belgian mortgage receivables, Dutch NHG mortgage receivables, and Dutch Buy-To-Let mortgage portfolio. NACE exposure of corporate lending includes allocation of the activities of holding companies (K.64) based on the underlying business activity prepared using expert judgement following Pillar III 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 codes F and L. The table was updated based on verified and revisited data.

MeDirect has exposures to loans collateralised by immovable properties in three geographies: Netherlands, Belgium and Malta. For each geography, a table with the exposures subject to physical risk is presented below. The sum of the three geographies does not match the total exposure by NACE code in the summary table above because the Bank has exposures to corporate loans in its ICL portfolio to non-financial entities in other geographies which are included in rows 1-9 of the summary table. These exposures to corporate loans to non-financial entities in other geographies are not collateralised by immovable property and are not considered to be exposed to physical environmental risks.

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	16.41	-	-	6.25	-	14.94	6.25	-	-	-	-	0.00	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	8.07	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	56.19	-	-	38.19	-	15.19	30.08	8.12	-	-	-	0.00	-	-
10	Loans collateralised by residential immovable property	2196.82	3.79	1.22	124.26	1065.34	25.90	1100.46	77.23	16.92	8.82	1.92	-0.15	-0.07	-0.02
11	Loans collateralised by commercial immovable property	9.6	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE: Table includes Dutch NHG mortgage receivables and Dutch Buy-To-Let mortgage portfolio. Buy-To-Let mortgage loans to Dutch legal entities are disclosed both under row 10 and NACE codes F and L, following internal reclassification of NACE codes. One facility in the ICL portfolio with EUR 8.07m exposure classified under NACE code G is a company based in the Netherlands. This loan is not collateralised with immovable property and no physical risk is assessed for this facility.

For the 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 with exposures to chronic risks such as sea level rise and biodiversity loss.

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	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	7.09	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Loans collateralised by residential immovable property	366.80	0.00	4.76	45.44	182.69	22.73	232.89	0.00	0.00	5.67	1.47	-0.59	-0.09	-0.22
11	Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE: Table includes Belgian mortgage receivables portfolio. One facility in the ICL portfolio with EUR 7.09m exposure classified under NACE code G is a company based in Belgium. This loan is not collateralised with immovable property and no physical risk is assessed for this facility.

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 with exposures to chronic risks, such as sea level rise and biodiversity loss.

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	4.31	-	-	-	-	-	-	-	-	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	52.80	-	-	-	-	-	-	-	-	-	-	-	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.54	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	67.80	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Loans collateralised by residential immovable property	131.26	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Loans collateralised by commercial immovable property	48.59	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Repossessed collaterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

NOTE: The rows 10 and 11 include Malta retail mortgage portfolio and Malta 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. Rows 1-9 include Maltese all corporate loans -both collateralised and not collateralised by immovable property- arranged by NACE code.

The **international corporate lending portfolio** accounts for approximately 4.36% of the Group's assets as at December 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 3.02% of the Group's assets as at December 2024) and concentrated, with 78.64% 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.

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 on whether their exposures are in line with the Taxonomy criteria, thereby enhancing transparency and accountability in ESG risk reporting.

Table 6. Summary of GAR KPIs

	KPI			% coverage (over total assets)*
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	6.68%	0.0001%	6.68%	90.71%
GAR flow	12.71%	0.0000%	12.71%	54.61%

* % 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
	Million EUR	Disclosure reference date T															
		Total gross carrying amount	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)			
					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	2,658	307	-	-	-	0	0	-	-	-	2,658	307	-	-	-
2	**Financial corporations**	405	81	9	-	-	-	0	0	-	-	-	81	9	-	-	-
3	Credit institutions	405	81	9	-	-	-	0	0	-	-	-	81	9	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	405	81	9	-	-	-	0	0	-	-	-	81	9	-	-	-
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)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Loans and advances				-	-	-	-	-	-	-	-			-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
24	**Households**	2,577	2,577	298	-	-	-						2,577	298	-	-	-
25	of which loans collateralised by residential immovable property	2,577	2,577	298	-	-	-						2,577	298	-	-	-
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	2,658	307	-	-	-	0	0	-	-	-	2,658	307	-	-	-
	Assets excluded from the numerator for GAR calculation (covered in the denominator)																
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	468															
34	Loans and advances	468															
35	Debt securities	-															
36	Equity instruments	-															
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	28															
38	Loans and advances	28															
39	Debt securities	-															
40	Equity instruments	-															
41	Derivatives	175															
42	On demand interbank loans	268															
43	Cash and cash-related assets	239															
44	Other assets (e.g. Goodwill, commodities etc.)	441															
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	4,602															
	Other assets excluded from both the numerator and denominator for GAR calculation																
46	Sovereigns	265															
47	Central banks exposure	207															
48	Trading book	-															
49	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	472															
50	**TOTAL ASSETS**	5,073															

NOTE: No exposure to NFRD corporate clients. Only exposure to non-NFRD retail/corporate clients reported in the table. For the Dutch mortgage portfolio, the exposure is split between Buy-to-let loans granted to non-NFRD legal entities (corporates) and Buy-to-let loans granted to households (retail).

The Annex to the Commission draft delegated act supplementing the Taxonomy Regulation[22] 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 classified as Taxonomy aligned, 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 31 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. Adopting a conservative approach, the exposure to loans collateralised with properties built after 31 December 2020 with an EPC label A+++ is not considered taxonomy aligned because these properties have an EP score of 0-50 kWh/m^2 and it cannot be determine which loans have an EP score lower than 40 kWh/m^2, given the actual EP scores at a loan level are not available. For the loans on the acquisition of buildings built before 31 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 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 31 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 31 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 31 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.
No counterparty in our Maltese and International corporate lending portfolios reports under NFRD. In the H1 2024 Pillar III ESG report, one counterparty in the corporate lending portfolio reported under NFRD, however this loan was fully repaid as of December 2024. The taxonomy information of the counterparties in the corporate lending portfolio is reported under BTAR template 9.

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

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**	57.76%	6.68%	-	-	-	0.00%	0.00%	-	-	-	57.76%	6.68%	-	-	-	90.71%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	57.76%	6.68%	-	-	-	0.00%	0.00%	-	-	-	57.76%	6.68%	-	-	-	90.71%
3	Financial corporations	19.98%	2.29%	-	-	-	0.02%	0.00%	-	-	-	19.98%	2.29%	-	-	-	7.99%
4	Credit institutions	19.98%	2.29%	-	-	-	0.02%	0.00%	-	-	-	19.98%	2.29%	-	-	-	7.99%
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Households	100.00%	11.57%	-	-	-						100.00%	11.57%	-	-	-	50.80%
11	of which loans collateralised by residential immovable property	100.00%	11.57%	-	-	-						100.00%	11.57%	-	-	-	50.80%
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.

[22] 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**	84.84%	12.71%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	84.84%	12.71%	0.00%	0.00%	0.00%	54.61%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	84.84%	12.71%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	84.84%	12.71%	0.00%	0.00%	0.00%	54.61%
3	Financial corporations	18.83%	2.39%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	18.86%	2.39%	0.00%	0.00%	0.00%	10.20%
4	Credit institutions	18.83%	2.39%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	18.86%	2.39%	0.00%	0.00%	0.00%	10.20%
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Households	100.00%	15.08%	0.00%	0.00%	0.00%						100.00%	15.08%	0.00%	0.00%	0.00%	44.41%
11	of which loans collateralised by residential immovable property	100.00%	15.08%	0.00%	0.00%	0.00%						100.00%	15.08%	0.00%	0.00%	0.00%	44.41%
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 . The proportion of taxonomy aligned assets in 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 (Banking Transition Asset Ratio) [Template 9]

The objective of this template is to disclose the extent to which the bank holds assets that -not included in the Green Asset Ratio disclosure- qualify as mitigating actions against climate change transition risks in accordance with the EU Taxonomy Regulation (Regulation (EU) 2020/852).

According to Annex XL of Commission Implementing Regulation (EU) 2022/2453[23] amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637, the first disclosure reference date of Template 9 'Mitigating actions: Assets for the calculation of BTAR' is 31 December 2024.

In H1 2024, the Group started retrieving taxonomy information of its counterparties in the Malta and International Corporate Lending portfolios through the distribution of an ESG questionnaire and through public sustainability disclosures.

Table 9.1. Mitigating actions: Assets for the calculation of BTAR

		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
1	**Total GAR Assets**	2,982	2,658	307	-	-	-	0	0	-	-	-	2,658	307	-	-	-
	Assets excluded from the numerator for GAR calculation (covered in the denominator) but included in the numerator and denominator of the BTAR																
2	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	468	0	0	-	-	-	0	0	-	-	-	0	0	-	-	-
3	Loans and advances	468	0	0	-	-	-	0	0	-	-	-	0	0	-	-	-
4	of which loans collateralised by commercial immovable property	50	0	0	-	-	-						0	0	-	-	-
5	of which building renovation loans	-	-	-	-	-	-						-	-	-	-	-
6	Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	28	0	0	-	-	-	0	0	-	-	-	0	0	-	-	-
9	Loans and advances	28	0	0	-	-	-	0	0	-	-	-	0	0	-	-	-
10	Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	**TOTAL BTAR ASSETS**	3,478	2,658	307	-	-	-	0	0	-	-	-	2,658	307	-	-	-
	Assets excluded from the numerator of BTAR (covered in the denominator)																
13	Derivatives	175															
14	On demand interbank loans	268															
15	Cash and cash-related assets	239															
16	Other assets (e.g. Goodwill, commodities etc.)	441															
17	**TOTAL ASSETS IN THE DENOMINATOR**	4,602															
	Other assets excluded from both the numerator and denominator for BTAR calculation																
18	**TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR**	472															
19	**TOTAL ASSETS**	5,073															

[23] Implementing regulation - 2022/2453 - EN - EUR-Lex

Table 9.2a BTAR % – KPIs on stock

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
% (compared to total covered assets in the denominator)		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				
				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	BTAR	57.76%	6.68%	-	-	-	0.00%	0.00%	-	-	-	57.76%	6.68%	-	-	-	75.58%
2	GAR	57.76%	6.68%	-	-	-	0.00%	0.00%	-	-	-	57.76%	6.68%	-	-	-	90.71%
3	EU Non-financial corporations not subject to NFRD disclosure obligations	0.02%	0.00%	-	-	-	0.02%	0.00%	-	-	-	0.05%	0.00%	-	-	-	9.22%
4	of which loans collateralised by commercial immovable property	0.00%	0.00%	-	-	-						0.00%	0.00%	-	-	-	0.98%
5	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
5	Non-EU country counterparties not subject to NFRD disclosure obligations	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	0.56%

Table 9.2b BTAR % – KPIs on flows

		q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
% (compared to total covered assets in the denominator)		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				
				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	BTAR	53.69%	9.57%	-	-	-	0.01%	0.00%	-	-	-	53.69%	9.57%	-	-	-	54.97%
2	GAR	77.44%	13.80%	-	-	-	0.01%	0.00%	-	-	-	77.45%	13.80%	-	-	-	38.11%
3	EU Non-financial corporations not subject to NFRD disclosure obligations	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	12.85%
4	of which loans collateralised by commercial immovable property	0.00%	0.00%	-	-	-						0.00%	0.00%	-	-	-	1.46%
5	of which building renovation loans	-	-	-	-	-						-	-	-	-	-	-
5	Non-EU country counterparties not subject to NFRD disclosure obligations	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	0.00%	0.00%	-	-	-	4.01%

Table 9.3. Summary table – BTAR %

	KPI			% coverage (over total assets)*
	Climate change mitigation (CCM)	Climate change adaptation (CCA)	Total (CCM + CCA)	
BTAR stock	6.68%	0.00%	6.68%	75.58%
BTAR flow	9.57%	0.01%	9.57%	54.97%

All active facilities in the International Corporate Lending portfolio as of December 2024 are not subject to NFRD and are reported under BTAR. More than half have publicly published or privately shared sustainability information with MeDirect through the ESG questionnaire. Nevertheless, only one ICL client disclosed taxonomy information for whom the percentage of taxonomy eligible and taxonomy aligned activities is zero.

For the Malta corporate lending portfolio, composed mainly of small and medium, unlisted enterprises, MeDirect has distributed ESG questionnaire to obtain taxonomy information. Less than half of the active facilities in the Malta corporate lending portfolio completed the ESG questionnaire. Out of these borrowers, one borrower disclosed zero exposure taxonomy eligible activities, another borrower disclosed exposure to taxonomy eligible activities, and the remaining borrowers did not disclose information on their exposure to taxonomy eligible activities. None of the borrowers disclosed any exposure to taxonomy aligned activities.

During 2025, MeDirect plans to start a dedicated engagement process with Maltese corporate borrowers, which are mostly small to medium-sized unlisted companies, to provide information on Taxonomy eligible/aligned assets.

Buy-To-Let mortgage loans granted to Dutch legal entities are included under BTAR in the row ‘EU Non-financial corporations (not subject to NFRD disclosure obligations)’. These entities are SMEs whose main activity is the acquisition and exploitation of real estate properties in the Dutch market. No taxonomy information was retrieved from these clients and the taxonomy eligible and aligned activities were considered to be ‘nil’ in the December 2024 BTAR submission due to lack of information. In 2025, MeDirect plans to retrieve taxonomy information from the Buy-to-let legal entities.

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 10. 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	82.23	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	16.82	Yes	Yes	Green home loans in the Belgian (14.277m) and Maltese (2.541m) 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	16.82	Yes	Yes	
13		Of which building renovation loans	-	-	-	-
14		Other counterparties	-	-	-	-