LOMBARD

Lombard Bank Malta p.l.c.

2024

ANNUAL REPORT & FINANCIAL STATEMENTS

LOMBARD

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2024

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Readers are reminded that the official statutory Annual Report and Financial Statements 2024, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and was published by a Company Announcement on the Malta Stock Exchange and can be found on https://www.lombardmalta.com. A copy of the Independent Auditor's report issued on the official statutory Annual Report and Financial Statements 2024 is included within this printed document and comprises the auditor's report in compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (ESEF RTS), by reference to the Capital Markets Rules.

Chairman's Statement to the Members

I am pleased to report that the Lombard Bank Group turned in another solid performance in 2024. Both members of the Group, Lombard Bank Malta p.l.c ('the Bank') and MaltaPost p.l.c, made increased profits in the context of a favourable operating and macroeconomic environment, which contributed to the achievement of the respective business plan targets. The Group's pre-tax profit amounted to €19.4 million compared with €14.5 million in 2023.

At the Bank the determined but prudent pursuit of sustainable growth remained the Board's guiding principle. As I had anticipated last year, the increase in capital resulting from the successful Rights Issue at the end of 2023 permitted the Bank to apply its healthy levels of liquidity to satisfy the demand for credit while remaining compliant with regulatory capital requirements. The Bank's lending operations, as shareholders are aware, are traditionally the largest single source of revenue. Last year was no exception. Interest income from this activity reflected the record increase of €114.4 million in the loan book as average interest rates were broadly unchanged. This was supplemented by inflows from the Bank's money market operations, which benefitted from the prevailing positive interest rates, and by higher net fees and commission income.

These inflows were partly offset by interest paid out on deposits, which increased strongly by €100.6 million in a further demonstration of customer trust. No less than €50 million of this amount were fixed deposits with a five-to-eight-year term which carry more attractive rates, and are therefore more costly for the Bank, but are less volatile and therefore represent a more stable source of funds.

These balance sheet movements gave rise to an 8% increase in the Bank's total operating income to €35.6 million.

The Bank's running costs absorbed just over 54% of this income, much the same as in the previous year. In line with past trends, employee compensation and benefits accounted for about half of total expenditure. While the staff complement was virtually unchanged, the recruitment and retention of qualified employees in a competitive labour market necessarily entailed a higher cost. Compliance with regulatory requirements, and the maintenance and upgrading of card services and IT systems also absorbed considerable human and financial resources.

These income and expenditure movements resulted in a profit before tax of €16.1 million, compared with €13.9 million in 2023, which took the Bank's total equity to a new high of €202.8 million. On the basis of this performance and in line with the proposal made at the time of the Rights Issue to distribute about one-third of annual profits, the Board has decided to recommend an increased gross dividend of 3.40 cent per share.

The growth achieved in 2024 was supported by the Bank's prudent and cautious management culture. This is governed by our structured risk management framework and Risk Appetite Statement and again last year contributed to the maintenance of strong fundamentals. These are reflected primarily in the Total Capital Ratio and the Liquidity Coverage Ratio, which stood at 20.0% and 231.8%, respectively at year end. Both these ratios are well above the minimum regulatory requirements, thus leaving room for further balance sheet growth. The Leverage Ratio, another key indicator of exposure to risk, meanwhile stood at 13.9%, more than four times the required level. Two other risk-mitigating factors were the further progress achieved in credit diversification, particularly the increase in retail lending, mainly home loans, which now accounts for 33% of the loan book; and high levels of collateral, on average equivalent to three times the amount of total lending.

Apart from being characterised by low-risk banking practices, the Bank's business model places equal importance on ensuring long-term sustainability. This for two reasons: first, to meet shareholder and customer expectations; and second, to remain competitive in a fast-changing financial market. To this end, work continued during the year on several initiatives designed to deliver more modern and cost-effective banking services. Most of these projects involve investment in advanced technologies and operational systems. These included a round-the-clock instant payments system, which allows the almost instantaneous transfer of funds between accounts; the replacement of our core banking system, for which agreements are being reviewed and further updating of our KYC Platform and transaction monitoring system, and of our cybersecurity infrastructure. Another aspect of the Bank's efforts to improve the customer banking experience was the further improvement of the facilities at our eleven branches. We are also close to creating new investment opportunities with the launching of bond and equity funds.

Other projects are related to the Bank's regulatory responsibilities, such as the updating of reporting systems; the alignment of our policies with emerging regulations such as DORA; and implementation of the Action Plan to achieve compliance with ESG obligations. The ongoing initiatives I have mentioned together constitute an integral part of the gradual transformation of the Bank in accordance with the objectives of the Business Plan 2023 – 2025.

As I remarked in my introduction, MaltaPost p.l.c. also contributed to the Group's positive performance in 2024. Our subsidiary in fact registered a pre-tax profit of €4.7 million, compared with €2.3 million the previous year. The continued evolution of the company into a tech-driven postal services provider is clearly producing the desired results. Greater operational efficiencies were derived from strategic investments in logistics and e-commerce services, in the company's digital infrastructure and in making more services available online. The approval of some tariff increases by the regulator also impacted the profit figure positively. Meanwhile, MaltaPost's focus on green technologies and on meeting its ESG obligations continued apace. Among developments in this area were further additions to the company's fleet of electrically-operated vehicles and improvements in the existing photovoltaic system. We believe that MaltaPost is well positioned to exploit new opportunities for innovation and growth while meeting its sustainability objectives and offering efficient postal services, and increasingly also financial and insurance products.

You will recall that I have often spoken about the heavy burden of regulation. For a small bank like ours, the growing cost of compliance is exacerbated by the insufficient application of the principle of proportionality to take account of the Bank's small size and conservative business model. It now seems that regulators have finally acknowledged that regulation has become excessively onerous and is stifling innovation at the expense of competitiveness. Earlier this year the ECB and the EC announced the imminent introduction of a significant easing of regulation, including a far-reaching simplification of legislation on sustainable finance reporting and due diligence. In Malta similar thinking seems to be developing within the national regulator. This was embodied in the recent floating of a proposal whereby supervision of less complex banks in the EU would be scaled according to each bank's size and risk profile, avoiding a repressive one-size-fits-all approach. The implied radical change in banking regulation is welcome. It now remains for the new thinking to be translated into meaningful action.

On this occasion last year I said that the Board would continue to give close attention to the long-outstanding matter of the disposal by the Qualifying Shareholder of its shares in the Bank. We have in fact stepped up our efforts in this regard while reaffirming our belief that this is in the best interest of all stakeholders of the Group. Apart from providing clarity to prospective investors, such a development is particularly desirable in the context of the structural changes that are likely to materialise in the Maltese banking industry in the near term.

Looking back on another successful year during which all our key objectives were achieved, the Board believes that we can face the future with confidence. We shall continue to apply the Bank's time-tested business model to the generation of sustainable growth for the benefit of our shareholders, customers and staff. Apart from our belief that the Bank's strategy is well suited to the evolving characteristics of the domestic financial market and the expectations of the Maltese community we serve, our measured optimism is also comforted by the positive outlook for the domestic economy, even though we do not discount the possibility of unexpected challenges arising from geo-political events abroad.

In conclusion, on behalf of the Board I would like to express my gratitude to the Bank's staff and management team, ably led by the Chief Executive Officer, Joseph Said, for their decisive role in delivering the past year's encouraging results and in holding high the reputation of the Lombard brand. I would also like to thank my fellow directors and all our stakeholders for their loyalty and support.

Michael C. Bonello
Chairman

The results for the financial year ended 31 December 2024 combine the financial performance of Lombard Bank Malta p.l.c. and Redbox Limited which is the company holding the Bank's shares in MaltaPost p.l.c.

Summary Overview - 2024

The year 2024 was generally a positive one in that besides an overall improved financial performance, the targets set in the 2023 Rights Issue Prospectus were all achieved.

Our larger capital base and the widening of our market presence brought a higher number of relationships and business across the main income lines of commercial, retail and transaction banking as well as wealth management. Growth was always aligned with our approach to business and strategic priorities, which are underscored by prudence and measured progress.

While higher interest rates from the prevailing monetary policies of the ECB in 2024 were a positive influence on the profitability of banks, particularly those benefitting from high liquidity, we applied our liquidity to the granting of credit always within the limits of our appetite. Benefit from these higher rates on residual liquidity was passed on to our customers via longer-term deposits. This higher deposit cost, together with maintaining keen rates on our commercial and retail lending, kept our net interest margins in check.

The Maltese economy continued to perform well, maintaining growth rates among the highest in Europe primarily driven by services, exports and domestic demand. This positive macro-economic environment was a catalyst for resilient performance on both sides of our balance sheet. The NPL ratio, strictly calculated in terms of Banking Rules, rose over that of last year. That said we are confident that we have a healthy credit portfolio and remain focused on maintaining a sound loan book, never compromising on our lending principles while also securing conservative collateral positions, as appropriate.

Engagements with the regulator were several, particularly in areas concerning the adoption of CRR3, DORA and CSRD. In this regard, considerable resources, time and effort continued to be directed towards meeting deadlines. ESG-related initiatives remained consistent with the general regulatory mandates and internal sustainable finance targets.

MaltaPost remains an important contributor to the Group's financial performance. The transformative process of our subsidiary proceeded as planned. Following months of discussions, the Malta Communications Authority approved an Automated Tariff Revision Mechanism, which allows MaltaPost to carry out tariff revisions for those services falling under the Universal Service Obligation allowing better financial planning at MaltaPost. E-commerce business continued to underpin the strategy for growth, where further investment in the last-mile parcel delivery activity was made. For the financial year ended September 2024, MaltaPost realised a pre-tax profit of €4.7million (2023: €2.3million).

Review of Financial Performance

The Lombard Bank Group (*'the Group'*) registered a strong performance for FYE2024 with Group Profit before Tax reaching €19.42 million, an increase of 34% over the previous year.

Loans and Advances to Customers rose to €872.68 million generating a 13% increase in gross interest revenues of €38.14 million. Higher money market interest rates also contributed to the growth in interest income. Interest Expense was up by 39% reflecting both a higher volume of customer deposits, which exceeded €1,120 million, and the impact of higher rates offered on customer deposits. Net Interest Income rose by 5% to €27.26 million over the previous year.

Net Fee and Commission Income increased by 23% to reach €6.37 million, driven by higher activity across most business lines.

Group Employee Compensation and Benefits rose by 9% to €26.53 million, while Group operating costs were reduced by 10% to €24.43 million - a reflection of effective cost management and enhanced operational efficiencies. The Bank's Cost Efficiency Ratio was 54.5% (FYE2023: 53.9%), influenced by higher cost of human resources and continued investment in IT systems. For the Group, the ratio was 73.5% (FYE2023: 77.7%), reflecting the nature of the postal services industry, which is characterised by high volume, low margins, and significant human resources requirement.

Impairment Allowances, as determined by International Financial Reporting Standard 9 (IFRS 9), stood at €9.03 million. The change in 'expected credit losses' (ECL) resulted in a net release of €0.93 million compared to a net charge of €1.26 million in the previous year. This release mainly resulted from lower charges on customer loans and advances classified in Stages 1 and 2 and was spread across the lending portfolio.

Liquidity and Own Funds

The Bank relies on a diversified liquidity funding base which has proven to be relatively stable, largely from local retail deposits, with emphasis placed on long-term tenors.

Total Assets stood at €1,388.42 million (2023: €1,265.13 million), while Equity Attributable to the Shareholders of the Bank stood at €209.45 million. Net Asset Value (NAV) per share stood at €1.36 (2023: €1.23). Return on Assets (ROA) stood at 0.9% (2023: 0.8%) while post-tax Return on Equity (ROE) was 5.6% (2023: 5.6%).

Treasury Management

While positive interest rates provided opportunities to apply liquidity in interest-earning instruments, our main objective remained capital protection. We engaged mostly in short-term interbank transactions and only with reputable counterparties and local government, where our positions consisted mainly of Government of Malta Treasury Bills and Stocks. We continued to cultivate healthy counterparty relationships, which are important for our access to international currency and money markets via our network of correspondent banks.

Risk Management

Managing risk remains the primary goal of our risk management processes. To this end we enhanced our comprehensive Risk Management Framework that provides a structured approach to identifying, monitoring, and measuring potential risks, as well as implementing necessary measures based on our Risk Appetite.

Our independent Risk Management function forms part of the Second Line in our Three Lines of Defence model. It directly reports to the Audit & Risk Committee and the Board of Directors, providing regular updates on various risk areas and overseeing key metrics related to the tolerance limits defined in our Risk Appetite Statement. This Statement is a dynamic document that is reviewed and updated as necessary, adapting to changes in policy and prevailing macroeconomic conditions. Established limits ensure that the Bank can operate effectively, while protecting its assets and depositors' funds, while remaining compliant with statutory obligations.

At the end of 2024, the Bank's Total Capital Ratio ('TCR') stood at 20.00%, exceeding regulatory requirements. This robust capital position supports the Bank's growth strategy and caters for potential increases in further regulatory capital requirements.

The Leverage Ratio, which is regularly monitored, indicates the Bank's exposure to excessive leverage. This ratio stood at 13.89% at the end of 2024, well above the minimum regulatory requirement of 3%.

Our internal policies mandate that the Bank always holds adequate liquidity to meet obligations as they arise. Key liquidity metrics are closely monitored, with the Liquidity Coverage Ratio ('LCR') and the Net Stable Funding Ratio ('NSFR') standing at 231.82% and 147.00% respectively at the end of 2024, both significantly above minimum regulatory requirements and within our Risk Appetite. Also, our Loan-to-Deposit Ratio at 77.8%, reflects the Bank's prudent approach to liquidity management.

The Internal Capital and Liquidity Adequacy Assessment Processes (ICAAP/ILAAP) are critical components of our Capital and Liquidity planning. These processes are reviewed annually to ensure that our funding needs align with the scale, nature and complexity of our operations. In line with our stress-testing framework, both capital and liquidity positions are assessed under stress scenarios to ensure the Bank remains resilient to extreme, though plausible shocks.

Human Resources

We concluded with the Malta Union of Bank Employees a Collective Agreement for the period 2025 – 2028. This latest Agreement includes improved terms and benefits for staff and new benefits such as a workplace pension plan, further reductions in weekly working hours and improved remuneration. We are sensitive to the importance of offering attractive compensation and reward packages, not only to ensure staff retention but also to attract others considering embarking on a banking career and choosing Lombard. We remain committed to offering a work environment that meets with the priorities and aspirations of staff, whether these be career progression or work-life balance goals.

The local labour market continues putting pressure on our recruitment efforts, besides presenting challenges to retain staff. Whereas, of itself, this is a positive indication, the services sector in particular, remained very competitive both for roles in specialised areas as well as for general staff.

The investment in the skills and development of our staff by way of internal and external training and development opportunities coupled with on-the-job training, was ongoing. Our staff remain key in the achievement of results and the success of the Group.

The FTE staff complement at the Bank stood at 206 as at end of 2024, while that of the Group reached 964.

Projects

Technology-driven projects were predominant in 2024, some to implement functionality to meet regulatory mandates while others to satisfy business needs and enhance operational efficiency.

We made a significant investment to implement the SEPA Incoming Instant Payments, allowing for the transfer of euro funds between accounts almost immediately. Instant payments are available on a 24/7 basis. This enhanced service stands to benefit customers by way of more efficient and reliable payments.

Following an agreement with VISA, we embarked on a project to become VISA exclusive issuers. For many years we issued both MasterCard and VISA cards. However, our volumes coupled with increasing costs did not justify issuing cards on both brands. Once fully implemented, we should benefit from cost savings, without weakening our cards offering.

Work on our core banking system project continued in earnest. The project is targeted to transform our core transaction processing systems as well as customer engagement interfaces. The underlying technology will also be modernised, using cloud technologies.

Investment in other areas such as cybersecurity and infrastructure modernisation was ongoing.

We issued the 2024 Melita gold bullion coins in conjunction with the Central Bank of Malta. Melita coins have become sought-after also internationally.

MaltaPost proceeded with investment in mail-sorting hubs that accommodate larger mail items. Also, its electric delivery vehicles now exceed 160 in number, probably the largest corporate zero-emission fleet on the Islands.

Corporate Social Responsibility

The Group maintained its community involvement by supporting various initiatives and entities among them the Malta Community Chest Fund, Id-Dar tal-Providenza, Volserv and others. We also sponsored a water-conservation project at a Heritage Malta site. This support programme also aligns with our ESG initiatives. We also continue curating our buildings of architectural value, which also serve as offices. MaltaPost maintained its commitment to run the Malta Postal Museum which has now become firmly established as part of Malta's heritage destinations.

Outlook

Indicators in early 2025 suggest that we are well-placed to continue along the growth trajectory established in 2024 and in line with our targets. We have focused on sustainable growth, ensuring that our operations align not to just financial goals but also responsibly to the communities we serve and to the rightful expectations of our shareholders.

We remain fully committed to uphold our prudent and selective approach to business; to preserve a robust financial position; to invest in advanced technology; to prioritise customer-centric solutions and to foster a healthy, rewarding and pleasant work environment for our staff.

While poised to embrace the evolving banking environment with confidence, we will continue to explore new avenues for growth, leveraging data analytics and digital transformation to enhance our services. We shall continue to be guided by our commitment to responsible banking to steer away from short-term gains as we aim to innovate while maintaining the trust placed in us.

We therefore look ahead with cautious optimism on the prospects for our business, especially in the light of the expected positive performance of the Maltese economy, even though international developments may yet present unexpected challenges. With this in mind, we shall always err on the side of caution and in the best interests of all stakeholders.

Joseph Said
Chief Executive Officer

The Group

The Lombard Bank Group ('the Group') consists of Lombard Bank Malta p.l.c. ('the Bank'), Redbox Limited, Lombard Select SICAV p.l.c. and the MaltaPost p.l.c. Group.

Principal Activities

The Bank was registered in Malta in 1969 and listed on the Malta Stock Exchange ('MSE') in 1994. It is licensed as a credit institution under the Banking Act, 1994 and is an authorised currency dealer and financial intermediary. It is also licensed to carry out investment services in terms of the Investment Services Act, 1994 and is an enrolled Tied Insurance Intermediary of IVALIFE Insurance Limited under the Insurance Distribution Act, 2018.

The Bank is a member of the Depositor Compensation Scheme and the Investor Compensation Scheme set up under the laws of Malta. It is also a member of the MSE for the purpose of the carrying out of stockbroking on the MSE. The Bank has a network of branches in Malta and Gozo providing an extensive range of banking and financial services. A list of branches, outlets and departments is found on page 67 of this Annual Report.

During the year under review, Redbox Limited, a company virtually wholly owned by the Bank continued to serve as the special purpose vehicle holding as at 31 December 2024 the Bank's 72.65% shareholding in MaltaPost p.l.c., with the remaining 27.35% of the ordinary share capital of MaltaPost p.l.c. being held by the general public. MaltaPost p.l.c. is Malta's leading postal services company, being the sole licensed Universal Service Provider of postal services in Malta. More information about the MaltaPost Group may be found on www.maltapost.com.

Lombard Select SICAV p.l.c ('the SICAV') holds a collective investment scheme licence in terms of the Investment Services Act, 1994.

Lombard Capital Asset Management Limited is a company in dissolution. It was previously licensed to act as a UCITS management company and to provide investment management services to undertakings for collective investment in transferable securities (UCITS schemes). Following appointment of a third-party provider to act as the UCITS manager for its sub-funds, the company voluntarily surrendered its licence and was put in dissolution.

Review of Performance

An overview of the development in the Bank's business and that of its subsidiaries during the year under review together with an indication of likely future developments may be found in the 'Chief Executive Officer's Review' of this Annual Report.

Group profit before tax for the financial year ended 31 December 2024 amounted to €19.4 million (2023: €14.5 million). Profit attributable to equity holders of the Bank was €11.3 million (2023: €9.1 million).

Net interest income at €27.3 million was 5.4% higher than the previous year. Growth in the lending portfolio, combined with higher interest earned on money market deposits contributed to this increase. Net fee and commission income increased by 23.0% driven by higher activity across most business lines.

Net loans and advances to customers increased by 15.1% to €872.7 million. Customer deposits increased by 9.9% to €1,120.0 million. Group post tax return on equity for 2024 remained steady at 5.6% compared with 2023. Group total assets increased to €1,388.4 million (2023: €1,265.1 million). Total capital ratio at 20.0% (2023: 21.0%) exceeded the minimum regulatory requirements.

Bank cost efficiency ratio was 54.5% (2023: 53.9%), influenced by higher human resources costs and other operating costs countering the positive impact of increased revenues.

Expected Credit Losses ('ECL') as defined and determined by International Financial Reporting Standard 9 (IFRS 9) resulted in a release of €0.9 million compared to a net charge of €1.3 million taken in the previous year. This release mainly resulted from lower charges taken on customer loans and advances classified in Stages 1 and 2 and was spread across the Bank's lending portfolio.

For MaltaPost p.l.c, FY 2024 was a successful year when planned objectives were in the main achieved. In a rapidly evolving postal and logistics landscape, both locally and globally, MaltaPost continued to adapt by making strategic investments, with particular emphasis on enhancing the last-mile delivery network in the logistics field. Additionally, customer service remained a priority, alongside the continued growth of the insurance and document management business. MaltaPost continues to be an important contributor to the Group's financial performance, registering a pre-tax profit of €4.7million for FY 2024 (2023: €2.3 million).

Equity attributable to equity holders of the Bank stood at €209.4 million (2023: €190.4 million). Group net asset value (NAV) per share stood at €1.36 (2023: €1.23). Group earnings per share (EPS) worked out at €0.07.

Profits after taxation of €12.2 million and €10.2 million for the Group and the Bank respectively, were registered for the twelve months ended 31 December 2024.

Based on the above, a gross dividend of 3.40 cent per nominal €0.125 share (net dividend of 2.21 cent for a total amount of €3,416,000) for the twelve months ended 31 December 2024 is being proposed for approval by shareholders at the 2025 Annual General Meeting, subject to regulatory approval.

Board of Directors and Senior Management

The composition of the Bank's Board of Directors and Senior Management is shown in the section on 'Company Information' on page 66 of this Annual Report and further information is given in the 'Statement of Compliance with the Principles of Good Corporate Governance'.

Risk Management

The Financial Risk Management note to the Financial Statements (note 2), illustrates the process of how the Group identifies and manages its risks and uncertainties. The main categories of risk described in this note are credit risk, market risk, liquidity risk and operational risk. The same note includes extensive detail of the processes undertaken by the Bank to manage these risks.

The Directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent company as at the end of each reporting period and of the profit or loss for that period.

Statement of Directors' Responsibilities for the Financial Statements

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining such internal controls as they deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995 and the Banking Act, 1994. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of the Bank for the year ended 31 December 2024 are included in this Annual Report and are available on the Bank's website and on the website of the Malta Stock Exchange (the Officially Appointed Mechanism). The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Bank's website is available in other countries and jurisdictions where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Statement of the Directors pursuant to Capital Markets Rule 5.68

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties that they faced.

Investment Services Rules for Investment Service Providers

In accordance with R1-2.2.3 of the Investment Services Rules for Investment Service Providers regulated by the Malta Financial Services Authority, licence holders are required to disclose any regulatory breaches of the Rules or other regulatory requirements in this Annual Report. The Directors confirm that during the reporting period, there were no breaches of the Investment Services Rules or other regulatory requirements, which were subject to an administrative penalty or other regulatory sanction other than those in the public domain.

Information provided in accordance with Capital Markets Rule 5.70.1

There were no material contracts to which the Bank, or any of its subsidiaries were a party, and in which any one of the Bank's Directors was directly or indirectly interested, except for transactions disclosed in the notes to the financial statements.

Going Concern

In compliance with Capital Markets Rule 5.62 and after having duly considered the Bank's performance, the Directors declare that they expect the Bank will continue to operate as a going concern for the foreseeable future.

Capital Markets Rules – Disclosures

In terms of Capital Markets Rule 5.64, the Directors are required to disclose the following information.

As at the Annual General Meeting held on 27 June 2024, the authorised share capital of the Bank was €37,500,000 divided into 300,000,000 Ordinary Shares of a nominal value of €0.125 each. As at that date the issued and fully paid-up share capital of the Bank was €19,321,532.88 divided into 154,572,263 ordinary shares of a nominal value of €0.125 each, all of one class. As at 31 December 2024, the authorised and issued share capital remained unchanged.

Amendments to the Memorandum and Articles of Association of the Bank are effected in conformity with the provisions in the Companies Act, 1995. Furthermore, in terms of the Articles of Association:

- Directors may be authorised by the Bank to issue shares subject to the provisions of the Memorandum and Articles of Association and the Companies Act;
- Directors may decline to register the transfer of a share (not being a fully paid share) to a person of whom they do not approve;
- Directors may decline to recognise any instrument of transfer, unless accompanied by the necessary evidence;
- no registration of transfers of shares shall be made and no new particulars shall be entered in the register of members when the register is closed for inspection; and
- the Bank may, from time to time, by extraordinary resolution reduce the share capital, any Capital Reserve Fund, or any Share Premium Account in any manner.

Currently there are no matters that require disclosures in relation to:

- holders of any securities with special rights;
- employee share schemes;
- restrictions on voting rights or relevant agreements thereto; or
- significant agreements to which the Bank is a party, and which take effect, alter or terminate upon a change of control of the Bank.

The Remuneration Report on page 64 refers to the financial contributions towards retirement gratuities that the Board of Directors approves from time to time. The same Board had previously resolved that a retirement gratuity be eventually paid on an *ex-gratia* basis to the Chief Executive Officer on his retirement.

The rules governing the changes in Board membership are contained in the 'Statement of Compliance with the Principles of Good Corporate Governance'.

Shareholders holding five per cent (5%) or more of the share capital of the Bank:

	Shares in Lombard Bank Malta p.l.c.	
	31 December 2024	31 March 2025
National Development & Social Fund (NDSF)	49.01%	49.01%
Virtu Holdings Ltd	9.89%	9.89%
First Gemini p.l.c.	5.31%	5.31%

Directors' Interest in Group Companies

Joseph Said, who is a Director of the Bank, is also a Director of the following companies that have a shareholding in the Group as follows:

	Shares in Lombard Bank Malta p.l.c. at 31 December 2024	Shares in MaltaPost p.l.c. at 31 December 2024
Safaco Ltd	147,611	96,991
First Gemini p.l.c.	8,201,836	78,775

	Shares in Lombard Bank Malta p.l.c. at 31 March 2025	Shares in MaltaPost p.l.c. at 31 March 2025
Safaco Ltd	147,611	96,991
First Gemini p.l.c.	8,201,836	78,775

In addition, Joseph Said holds preference shares in Safaco Ltd.

Audit & Risk Committee

The Audit & Risk Committee is composed of non-executive Directors and is intended to ensure effective internal controls, compliance and accountability. The Committee also acts to ensure that high ethical standards are maintained, as explained in the 'Statement of Compliance with the Principles of Good Corporate Governance' in another section of this Annual Report.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors of the Bank and a resolution proposing their reappointment will be put at the forthcoming Annual General Meeting.

Events occurring after the end of the accounting period

There were no significant events affecting the Bank or any of its subsidiary undertakings which have occurred after 31 December 2024.

Other Information

Non-Financial Statement

The Companies Act requires that a non-financial statement be included in this report containing information on the Group's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters and this in the form of particular disclosures on certain aspects.

1. Business Model

The Bank is a Malta-based bank and for financial stability purposes is considered by the Central Bank of Malta as a core domestic bank, catering mostly for the local economy, and therefore actively supporting economic sectors in their activities. The lending activity of the Bank consists mainly of Commercial and Retail Lending. Commercial Lending is largely characterised by loan facilities to the commercial sector with short-to-medium-term maturities. Retail Lending consists mainly of home loan facilities with medium-to-long-term maturities. Asset diversification strategy is intended to increase the resilience of the Bank's loan book and its lending capacity. The Bank is a Tied Insurance Intermediary for long-term insurance business and can therefore provide its Home Loan customers a comprehensive service offering. Lending is funded by a diversified deposit base and underpinned by solid financial fundamentals and stakeholder value. The Bank has never relied, and does not intend to rely, on the interbank market for its funding requirements. In line with strategic priorities the Bank seeks further prudent growth, while continuing to adhere to the highest standards of professional conduct, as evidenced by the quality of its assets and relationships. The Bank undertakes risk review processes to ensure that business is in line with its risk appetite frameworks and its compliance standards, which themselves are also reviewed periodically in light of regulatory developments and emerging risks. The Bank firmly believes that physical presence remains an important element of its delivery channels, more so in respect of customers who demand a personalised service, being the service delivery ethos of the Bank. In this manner the Bank seeks to foster new relationships across a wider demographic spectrum. Presently the Bank operates 11 branches. A further 2 Bank owned properties are earmarked to open as branches at the opportune time.

The Bank's business model seeks to build stakeholder value by delivering financial services and solutions in a prudent manner and by setting the highest standards in professional behaviour and implementing the highest standards of compliance. The Bank's competitive strengths are in its unique business operating model, its conservative outlook towards risk and its robust fundamentals. The characteristics of its business model give the Bank a competitive advantage, enabling it to continue to deliver value to all its stakeholders in a challenging environment which remains highly competitive and increasingly regulated. The Bank's brand, which stands for the provision of personalised and tailored financial services, remains strong.

The Bank's subsidiary, MaltaPost p.l.c. ('MaltaPost') is Malta's leading postal services company, being the sole licensed Universal Service Provider of postal services on the Maltese Islands in terms of the Postal Services Act (Chapter 254 Laws of Malta) and under the auspices of the Universal Postal Union on behalf of the Government of Malta. MaltaPost is regulated by the Communications Authority. The Company operates a network of 6 Postal Hubs, 41 Post Offices and 20 Sub-Post Offices around Malta and Gozo providing an extensive range of postal and financial services.

Postal services remain characterised by a decline in Letter Mail volumes and in the corresponding income, and on an opposing trajectory, increasing costs. MaltaPost continues to pursue its diversification into logistics, document management, insurance and financial services. In insurance, MaltaPost has a 25% shareholding in IVALIFE Insurance Limited, a company licensed to conduct long-term business of insurance and a 49% shareholding in PostaInsure Agency Limited, an insurance agency for MAPFRE Middlesea p.l.c.

Document management services are offered through a fully owned subsidiary, Tanseana Limited. While MaltaPost remains committed to be the trusted postal and logistics operator offering a comprehensive product portfolio, these investments in non-postal sectors are intended to supplement income streams from the core activity.

As evident from the above disclosures, there were no notable changes to the core business strategies and business models of Group entities.

2. Anti-Corruption and Bribery Matters

The Group remains committed to a zero-tolerance policy to bribery and corruption, financial crime and breaches of the relative laws and regulations. The Group developed and maintains robust policies designed to prevent and detect potential bribery and corruption in the form of an Anti-Bribery and Corruption ('ABC') Policy and Whistleblowing Policy.

The implementation of these policies is by means of processes, procedures and respective controls, which are embedded in the Group's structures and manuals in order to ensure that staff members act responsibly within the workplace and outside. Guidelines and instructions regarding ABC and Whistleblowing are applicable and available to all staff members. All staff members, including Directors and, where relevant, associated persons are required to comply with the principles outlined. The Group supports a 'speak-up attitude' to encourage reporting of concerns relating to what might appear to be suspected illegal, unethical or otherwise improper acts or their concealment. The same standards are expected from any third parties providing services for or on behalf of the Group. Staff members who fail to comply with the Group's policies and standards may face disciplinary action, up to and including dismissal or termination of employment. Training sessions keep staff members abreast of their respective obligations at all times.

The Risk Management and Compliance functions exercise oversight of the implementation of respective Policies, the former by including ABC in risk assessments and the latter by ensuring constant standards of compliance. The Risk and Compliance functions also work together to ensure the proper functioning of these policies, while the Internal Audit reviews results. Matters arising, if any, out of the adoption of these policies are reported by the Compliance function in its reports to the Audit & Risk Committee and Board of Directors. Policies are reviewed annually, or more often as required, by the relative business and internal control functions with suitable recommendations, as is necessary, made to the Board of Directors. During the year under review, there were no reported cases on the basis of the abovementioned policies and therefore no necessary investigations.

3. Social and Employee-related Matters

Social and employee matters are given full attention by the Group. The Group's human capital is a key resource for the carrying out of business, having an average of 1,000 employees throughout the year. The ability to attract and retain human resources of the right skill-mix and experience condition to a large extent the Group's performance. The risk of not attracting or retaining the appropriate quality staff in line with the Group's business needs is mitigated generally by the approach to managing this resource. In this regard the Group remains committed to fostering a culture that values common interest, inclusivity and both social and mental well-being, enabled by a number of supporting measures. MaltaPost has over 31% of its employees being non-Maltese speakers hailing from 18 different countries.

Collective Agreements are in place at the Bank and MaltaPost p.l.c., which between them account for the larger part of the staff complement of the Group. They set the conditions of work and generally regulate the employer/employee relationship. The prevailing Agreements contain a number of measures of assistance to staff members including days of special paid leave additional to those stipulated at law, such as Birthday Leave, Study Leave, Special Circumstances Leave and extended Bereavement Leave. Agreements improve on the conditions of employment set at law, underlining the Group's dedication to continually improving working conditions and ensuring a fair and equitable work environment. The Group enjoys harmonious industrial relations with the full co-operation of respective trade unions, staff members and their representatives.

Oversight of key indicators, by which human resource performance is evaluated is maintained by the Human Resources function and reported to senior management and the Risk Management function as appropriate for suitable action if and as required. Performance management takes into consideration leadership and other competencies required by particular positions as well as the Group's corporate values. The Group does not place quotas on the number of staff members whose personal circumstances require them to work on reduced hours or need to absent themselves from work for an extended period of time on Child Care Leave or other absences related to immediate family matters. In this regard, the Group is committed to supporting and developing work-life balance measures further.

The Bank also extends a number of products and services to Group staff members on favourable terms including, among others, advantageous terms on home loans and other personal borrowing. The Group keeps an active line of communication with staff members through circulars, branch/department staff meetings and one-to-one meetings among others and is committed to maintaining a working environment where staff is valued, respected and supported to fulfil potential.

All members of staff are treated on equal terms with regard to career development and appointments and the Group supports and practices gender equality and diversity. The Group, however, does not set specific targets in this regard, as it firmly believes that progress is dependent largely on skill, competencies, attributes and performance, rather than gender and/or other diversity factors. Being the largest employer in the Group, MaltaPost p.l.c. holds the Equality Certification Mark following certification by local authorities in recognition of its non-discriminatory values and as a provider of equal opportunities to its staff.

The Group abides by all applicable laws, rules and regulations relating to employment. While conscious of the fact that the legal obligations are the minimum acceptable standard, the Group strives to surpass standards in this area and continues to increase awareness among staff. The Group, for example, with circa 9.7%, of the total staff complement composed of persons with disabilities, showcases the strong commitment to inclusivity and its commitment to create a positive impact in society, surpassing both national averages and legal benchmarks. Remuneration levels are regularly reviewed to ensure that they encourage retention and are in line with the Group's Remuneration Policy.

Investment in human capital was and still remains a fundamental pillar of sustainability and to this effect the Group has committed to invest in developing the skills of its workforce through both internal and external training.

As in previous years, during 2024, Group staff members participated in several training sessions and on-the-job training programmes. Training is driven by the requirement to meet identified training needs rather than by the pursuit of specific numerical targets, which are therefore not set.

The Group remains committed towards extending its support to a number of charitable, social and cultural organisations.

Regarding consumer relations and protection, the Group adheres to all respective regulatory requirements such as, *inter alia*, those arising from Markets in Financial Instruments Directive II (MiFID II), as also reflected in the MFSA Conduct of Business Rulebook, the Cross Border Payments Regulation II (CBPR II), Payment Services Directive II (PSD II), Payment Accounts Directive (PAD) and Banking Rule BR/22 Complaints Handling Procedures for Credit Institutions Authorised Under the Banking Act, 1994.

The Group Complaints Management policies and relevant details on respective web sites provide the information required for a consumer to submit complaints. During 2024 the Bank had two complaints brought in front of the Arbiter for Financial Services. Both cases were resolved before/at mediation stage. In the case of MaltaPost p.l.c., customer complaints accounted for 0.002% of all mail items handled.

Group customers are free to select and use the preferred delivery channel and there are no incentives to move customers away from physical delivery channels. Maintaining a presence in core community areas is given importance so as to facilitate accessibility and delivery of important services to the community.

4. Health and Safety

Maintaining the highest levels of health and safety and physical security of staff is of paramount importance. Measures for the management of health and safety are adopted by way of standards set in Collective Agreements, policies, appointment of Health & Safety Officers and appointment of local first aiders and fire wardens. Regular checks of related processes and systems are carried out with outcomes reported to the Health & Safety Officers, who will take action as and if required. Furthermore, health and safety risk assessments are carried out to ensure that situations that may pose risks to the health and safety of staff and others on Group premises are identified and mitigated. Occupational health awareness training is also provided. No Health and Safety incidents were reported at the Bank, while MaltaPost Group registered a decrease in the 'Lost Time Incident Rate'[1] when compared to previous years. Enhancement of safety measures across the Group continue to be implemented. Some Group staff benefit from personal accident insurance cover and others benefit from private health care insurance, as well as death in service cover.

[1] The Lost Time Incident Rate (LTIR) is calculated as the number of work-related incidents resulting in lost time per two million hours worked. This multiplier reflects standard practice within MaltaPost to ensure comparability within the postal and logistics sector.

5. Human Rights

The Group is aware of the importance of ensuring that human rights are upheld across its operations. In this respect the Group carries out its business without discrimination, respecting the standards set by national law or higher standards as applicable, such as effective information and consultation processes, particularly where these affect the place and conditions of work. Business conduct policies are in place to support this stance, which extend also to counterparties. The Group avoids business with counterparties operating in economic sectors that may be linked to or present a significant risk to violation of human rights or to social vices. Additionally, the Bank's AML/CFT processes, *inter alia*, assist in the identification of the proceeds of potential human rights abuses. Any suspicions resulting from these processes are reported to law enforcement as per current legislative requirements. Services that promote financial inclusion have been introduced also by way of the PostaPay&Save account which serves as a basic payment account. With circa 14,000 active accounts, this account was introduced to encourage financial inclusion well before this was required by regulation. The account allows persons who may have been unable to open bank accounts to enjoy the facilities of basic payment accounts with relative services.

The Group did not encounter any issues, claims or reports on any human rights related matters and/or violations. A grievance procedure is in place to provide effective remedies as and when needed. The Group is committed to investigating any reports of human rights violations. As previously stated, the Bank has in place a Whistleblowing Policy which covers among others, related issues. In accordance with this Policy reports are submitted to Risk Management and Internal Audit. During the year ending 2024, no reports in accordance with this Policy were submitted.

Premises, including self service areas and ATMs, meet all accessibility regulations, apart from where physical restrictions make this impossible, in which case discussions with the relevant regulatory bodies are held.

6. Environmental Matters

The Group is mindful of the important role it has to play to contribute towards reducing the impact of its operations on the environment as much as is possible. On matters linked to sustainable finance, the Bank adopted sustainable finance preferences in its investment advisory services and shall in 2025 launch 'green' financing solutions.

Besides assisting in the reduction of direct costs, being environmentally friendly and taking measures to reduce the Group's carbon footprint termed as Scope 2 emissions, fits within the overall corporate social responsibility initiatives of the Group. The Group continues with its programme of investment aimed at reducing reliance on fossil fuel power and demand on the national power grid, as far as practical and opportune.

The Group makes use of 426 PV panels which in 2024 contributed to circa 13% (Bank) and 7% (MaltaPost) of the electricity usage generated from renewable sources. The investment in energy efficient systems, such as installations of modern Heating Ventilation Air Conditioning (HVAC) systems and Light Emitting Diodes (LED) light fittings continues. Cards issued as part of the Bank's credit and debit card programmes are manufactured from fully recycled materials. Improvements in waste separation facilities and recycling processes have also been implemented, supported by improved data collection processes that enables better monitoring of the Group's waste management performance.

MaltaPost increased the number of electric vehicles to over 160, which together with the adoption of revised work practices led to the elimination of 90 internal combustion engine vehicles on the road thus reducing over 200 tonnes of CO_2 emissions on a yearly basis. The Bank complemented this initiative with the replacement of its small number of carbon fuel operated vehicles with battery operated models.

The Group continues with its efforts to preserve buildings of architectural importance now serving as modern and functional branches/offices. '*Restoration with respect*' continues to be the Group's motto when acquiring and renovating buildings of architectural heritage value, delivering them back to society in their original splendour.

Preservation and reuse of such property reduces resources and material consumption, generates less waste and consumes less energy than developing greenfield and / or brownfield sites.

MaltaPost p.l.c. runs a postal museum also in a restored building in Valletta housing a collection of artefacts related to Malta's postal history. Additions to the collection of artefacts are made as opportunities arise, thereby enriching further the country's postal heritage.

The Group's business is mostly carried out in Malta. The Malta climate-related risks are not expected to have a consequence on the impairment or fair value of assets nor to give rise to credit losses and/or potential provisions or contingent liabilities. Therefore, the impact of climate change on the financial performance is not expected to be material. That said, like any other business the Group is however not shielded from the economic risks of climate change, which in turn can have an impact on the financial performance.

The Bank is mindful of the increasing requirements emanating from the Environmental, Social & Governance (ESG) regulatory framework. It continues following developments closely, improve understanding so as to further determine how ESG considerations influence the manner in which it carries out its business and the extent to which such considerations are incorporated within its risk management framework. ESG initiatives geared towards the Bank meeting with regulatory expectations remain on-going. The ESG Working Group continues to coordinate, advise and provide recommendations and related actions on ESG matters. This Working Group is also responsible for ensuring compliance with regulatory expectations and liaising with Senior Management, the Board-appointed Committees and the Board of Directors in this regard. The Group continues to seek further enhancement in its data collection efforts so as to further widen the scope for the purposes of ESG credentials.

7. Risk Reporting

The Group has established an enterprise-wide risk management framework that serves as the foundation for the risk management reporting process. This framework is continuously evaluated to ensure it meets the demands of the markets where the Group operates, including regulatory standards and industry best practices.

It is reinforced by clearly defined procedures and is subject to ongoing reviews, which include transparent organizational structures and reporting lines.

The Group's straightforward organizational structure ensures that roles and responsibilities are clearly defined, managed, and communicated. There are established processes for identifying, monitoring, managing, and reporting risks, along with effective internal control mechanisms that support management in safeguarding resources and ensuring compliance with relevant procedures in the first line of defence.

To support these efforts, a formal Risk Management Policy which is reviewed periodically, is in place. This comprehensive Policy enforces strict internal controls and discretionary limits, optimizing returns in alignment with the Bank's Risk Appetite, thereby enhancing stakeholder value and successfully executing its strategy. This Appetite defines the maximum risk the Bank is willing to accept to achieve its business objectives. It is reviewed on an ongoing basis and updated accordingly, following a thorough assessment of the current risk profile, in light of strategic direction, macroeconomic developments, and regulatory changes.

The primary risk categories the Group faces include:

Capital Risk – This arises from the inability to maintain sufficient capital to operate as a going concern, provide appropriate returns to shareholders, support business development, comply with regulatory requirements, and withstand unexpected shocks. The Bank's capital positions are continuously monitored against regulatory and management limits defined in the Bank's Risk Appetite Statement. When necessary, this monitoring is complemented by a robust capital planning process tailored to the Bank's risk profile and regulatory needs. Risk-based capital measures are reinforced by a volume-based leverage ratio to prevent excessive balance sheet growth (see Notes to the Financial Statements note 2.7; Additional Regulatory Disclosures notes 6 and 7).

Credit Risk – This arises from negative changes in credit quality should any of our customers or counterparties fail to meet their contractual obligations. Given the Group's significant lending and securities portfolio, credit risk represents the largest risk. It primarily stems from customer loans and advances, while risks related to exposures to credit institutions and investments are considered low. A thorough assessment of a customer's repayment capacity is conducted before granting facilities, which are generally secured by tangible assets. These securities are periodically reviewed to ensure compliance with the terms outlined in the sanction letter and to verify that the collateral adequately covers the facilities (see Notes to the Financial Statements note 2.3; Additional Regulatory Disclosures note 2).

Liquidity Risk – This occurs when the Bank is unable to meet current or anticipated payment obligations as they come due. Liquidity management involves ongoing monitoring of liquidity positions against established regulatory and internal limits defined in the Risk Appetite Statement. The Bank's liquidity profile is managed by its Assets & Liabilities Committee, ensuring that cash flows and obligations are met promptly. The Bank maintains robust liquidity buffers and stable funding, keeping the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) significantly above regulatory minimums (see Notes to the Financial Statements note 2.5; Additional Regulatory Disclosures note 4).

Market Risk – This arises from adverse fluctuations in fair value or future cash flows due to changes in market prices or rates, such as interest rates, credit spreads, and foreign exchange rates. If these risks materialize, the Group may face significant losses in its investment portfolio, declines in interest income, and adverse movements in asset and liability values. The Bank does not maintain a Trading Book, so market risk is primarily limited to Interest Rate Risk, Currency Risk, and Equity Price Risk. The Bank manages market risk by implementing measures to mitigate the negative effects of market fluctuations. Currency risk is minimized through a natural hedge strategy, matching customer deposits in one currency with corresponding assets in the same currency. Equity Price risk is considered low, as the Group's equity assets constitute less than 1% of total assets (see Notes to the Financial Statements note 2.4; Additional Regulatory Disclosures note 3).

Macroeconomic and Market Conditions Risk – This refers to risks linked to a decline in the economic and business climate, both domestically and globally. Prolonged adverse conditions may materially impact the Group's financial performance and asset quality.

Non-Financial Risks – These arise from inadequate or failed internal processes, personnel, or systems. Non-financial risks encompass a wide range of issues, including financial crime, regulatory compliance, fraud, personnel, systems, and processes, all of which could affect income and capital. These risks are thoroughly detailed in the Risk Appetite Statement and Risk Management Policy, which are fundamental components of the Risk Management Framework. The risks are benchmarked against established parameters, periodically reviewed and set by the Board. Operational policies and procedures ensure the Bank remains compliant with its Risk Appetite limits.

Since the occurrence of non-financial risks is unpredictable, the Bank has adequate insurance coverage for operational failures. Additionally, as part of its Capital Risk management, a capital charge for unforeseen losses from these risks is maintained (see Notes to the Financial Statements note 2.6; Additional Regulatory Disclosures note 5).

Regulatory Compliance Risk – This arises from potential legal or regulatory penalties, material financial losses, or reputational damage resulting from non-compliance with regulations, codes of conduct, laws, and best practice standards. This risk is managed by the Regulatory Compliance Function, which serves as a second line of defence and operates independently of day-to-day operations. The Bank fosters a culture that emphasizes compliance risk mitigation across all levels of the organization. The function also acts as the central point for all interactions with regulatory and enforcement bodies.

Financial Crime Compliance Risk – This relates to offences such as money laundering, terrorist financing, fraud, bribery, corruption, market abuse, insider trading, and sanctions. The Bank is committed to combating financial crime and ensuring that its products and services are not exploited for money laundering, terrorism financing, or fraud. Various policies and procedures are in place that outline the Bank's risk appetite regarding customer onboarding, acceptable economic sectors, and jurisdictions.

Information Security Risk – This involves the risk of data and financial loss due to deliberate or accidental breaches, alterations, falsifications, leaks, destruction, disruptions, errors, or misuse of information systems. The Bank is aware of potential threats from both internal and external sources and has implemented Data Protection, Information Security Policies and other Policies to enhance operational resilience to mitigate these risks. These Policies ensure the protection of corporate information and systems against data breaches and cyber threats. Procedures supporting these Policies guarantee that sufficient internal controls and measures are consistently maintained to mitigate such threats.

ESG risks – These arise from environmental, social, and governance (ESG) issues, including climate change, impacts on society and nature, and human rights violations. Climate and environmental risks present broader challenges through market, credit, reputational, and regulatory channels that could affect the Group's business and reputation. The Group is also vulnerable to governance risks stemming from inadequate management and control, potentially impacting income and capital. To meet ESG-related disclosure requirements, the Bank utilises various data sources, as available.

Key Performance Indicators (KPIs)

The Group has in place a set of financial and non-financial key performance indicators (KPIs) that are set by the Board of Directors in its Risk Appetite Statement, monitored by the Risk Management Function and submitted to the Audit & Risk Committee for continuous assessment. These are a set of quantifiable metrics that ensure that material risks faced are kept within set parameters as detailed in the Risk Appetite Statement. A selection of key metrics as at 31 December 2024 are presented hereunder.

Solvency	TCR	20.0%
	Leverage	13.9%
Liquidity	LCR	231.8%
	NSFR	147.0%
Profitability	ROE*	5.6%
Asset Quality	NPL	5.6%

* *After tax*

The KPIs are reported in the form of a risk scorecard by using the "traffic light" approach and comparing the actual metric to the limits set in the Risk Appetite Statement.

Consolidated disclosures pursuant to Article 8 of the EU Taxonomy Regulation

Introduction

In order to achieve the targets established by the European Union ('EU') of reaching net zero greenhouse gas ('GHG') emissions by 2050, with an interim target of reducing GHG emissions by 55% by 2030, compared to 1990 levels, the EU has developed the EU Taxonomy Regulation[2] ('the EU Taxonomy'). This is a classification system which establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable, in terms of six environmental objectives against which entities assess whether economic activities qualify as environmentally sustainable.

In order to qualify as such, an economic activity must be assessed to substantially contribute to at least one of these environmental objectives, whilst doing no significant harm to the remaining objectives. This is achieved by reference to technical screening criteria established in delegated acts to the EU Taxonomy. The economic activity is also required to meet minimum safeguards established in the EU Taxonomy.

The six environmental objectives established by the EU Taxonomy are the following, where climate-related environmental objectives (1-2 below) are established in the Climate Delegated Act[3] ('CDA'), whilst non-climate environmental objectives (3-6 below) are established in the Environmental Delegated Act[4] ('EDA').

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control; and
6. Protection and restoration of biodiversity and ecosystems.

The Bank reports Taxonomy information in line with the Disclosures Delegated Act supplementing article 8 of the Taxonomy Regulation, which establishes relevant disclosure requirements of

2 EU Regulation 2020/852
3 Commission Delegated Regulation 2021/2139
4 Commission Delegated Regulation 2023/2486

entities within reporting scope of the Taxonomy. This currently comprises entities, hereon referred to as 'NFRD/CSRD entities', obliged to publish non-financial information pursuant to the Non-Financial Reporting Directive ('NFRD')[5], or sustainability information pursuant to the Corporate Sustainability Reporting Directive ('CSRD')[6], whichever is currently applicable.

The Bank reported its initial Taxonomy alignment of economic activities in the required disclosure templates in the prior period, and continues to do so in the current period, in respect of climate-related environmental objectives. Initial comparative templates in line with Annex VI of the Disclosures Delegated Act are therefore also disclosed in the current period. Initial Taxonomy eligibility information in respect of non-climate objectives is also published in the current period.

Scope of consolidation

In line with its prior period Taxonomy reporting, the Bank, as a parent undertaking of a mixed group, consolidates the activities of its financial subsidiaries, and separately consolidates the activities of its non-financial subsidiaries, reporting relevant Taxonomy KPIs as relevant in both cases. Accordingly, the Bank reports relevant Taxonomy KPIs applicable to credit institutions in respect of the Bank, and relevant Taxonomy KPIs applicable to non-financial undertakings in respect of the Bank's non-financial subsidiaries within the contextual information. This is with reference towards FAQ 10 of the third Commission Notice[7], which contemplates Taxonomy disclosures of mixed groups in which the activities of subsidiaries may differ in risks or impacts from those of the Group.

EU Taxonomy KPIs disclosed

The following KPIs related to the Bank are reported in the templates disclosed.

- The Green Asset Ratio ('GAR') is a ratio calculated as the percentage of EU Taxonomy aligned assets as a proportion of total covered assets.
- The numerator of the GAR includes loans and advances, debt securities, equities and repossessed collateral financing Taxonomy aligned economic activities based on turnover KPI and CapEx KPI of underlying assets.
- The denominator of the GAR includes total loans and advances, total debt securities, total equities, total repossessed collateral and other covered on-balance sheet assets outlined in the section 'Assets excluded from the numerator for GAR calculation (covered in the denominator)'.
- The calculation of the KPI for off-balance sheet exposures relates to Lombard Bank Malta plc's assets under management, reported in Template 1 relating to GAR as off-balance sheet items and also in Template 5 as off-balance sheet items in their own right. Other off-balance sheet exposures such as commitments are excluded from the off-balance sheet KPI.
- The Green Ratio for Assets under Management ('AuM KPI') is calculated as the percentage of assets under management from undertakings financing Taxonomy aligned economic activities as a proportion of the total assets under management of the Bank.
- The Green Ratio for Financial Guarantees to financial and non-financial undertakings ('FinGuar KPI') is not calculated since it relates to guarantees supporting loans and advances and debt securities. The Bank did not issue guarantees in respect of loans and advances and debt securities throughout the financial year.

The following KPIs related to the Bank's non-financial subsidiaries are reported in the contextual disclosures to the templates disclosed:

- The turnover KPI is a ratio calculated as the percentage of EU Taxonomy aligned turnover as a proportion of total revenue.
- The CapEx KPI is a ratio calculated as the percentage of EU Taxonomy aligned CapEx as a proportion of total CapEx.
- The OpEx KPI is a ratio calculated as the percentage of EU Taxonomy aligned OpEx as a proportion of total OpEx.

Furthermore, a contextual consolidated group-level KPI is disclosed in the section '*Consolidated group-level KPI on Taxonomy aligned activities in the form of a weighted average KPI*' of the Bank's Taxonomy disclosure, in line with FAQ 9 of the third Commission Notice.

Green Asset Ratio

Covered assets
Covered assets comprise all on-balance sheet assets other than those excluded altogether from the GAR, where such exclusions relate to exposures to central governments, central banks and supranational issuers. Lending towards, or financing of, local governments where the use of proceeds is unknown (i.e. general purpose lending) is also excluded from the GAR.

These assets are all excluded from both the numerator and denominator of the GAR.

Assets excluded from the numerator for GAR calculation (covered in the denominator)
Exposures to undertakings that are not in scope of NFRD/CSRD, derivatives, on-demand interbank loans, cash and cash-related assets, as well as other assets including tangible and intangible assets are excluded from the assessment of Taxonomy eligible economic activities. Similarly, retail exposures, except for the mortgage lending portfolio, building renovations loans, and credit consumption loans for cars, are also excluded from the EU Taxonomy framework, and not assessed for Taxonomy eligibility. These assets are therefore all excluded from the numerator of the GAR but included in the denominator. The Bank's cheques in course of collection from NFRD/CSRD banks as at reporting date are allocated towards row 47 of Template 1 'Other categories of assets' since these are not considered to be loans and advances to banks in nature.

Taxonomy eligible and aligned economic activities

Taxonomy eligible economic activities are those activities which can be assessed as environmentally sustainable and are therefore included in annexes to the EU Taxonomy with relevant technical screening criteria available.

Taxonomy aligned economic activities are those activities which have been assessed as environmentally sustainable, and therefore also comply with the applicable technical screening criteria. Throughout all templates disclosed, 'Environmentally sustainable assets' therefore refers to Taxonomy aligned assets.

Taxonomy eligibility and alignment of general purpose lending (where the use of proceeds is unknown), have been assessed using the turnover and CapEx eligibility and alignment ratios published in the most recently available annual reports by the Bank's in-scope counterparties.

Taxonomy eligibility and alignment of specific purpose lending (where the use of proceeds is known), have been assessed in line with the technical screening criteria established in the EU Taxonomy, comprising 'substantial contribution' and 'do no

[5] EU Directive 2014/95/EU
[6] EU Directive 2022/2464
[7] C/2024/6691 Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice).

significant harm' criteria. Compliance with minimum safeguards is required further to this, which is an integral part of assessing EU Taxonomy alignment. This is applicable both in the case of exposures towards NFRD/CSRD entities, and in the case of retail exposures such as loans to households collateralised by residential property and loans to households for building renovations, where in the latter case, minimum safeguards compliance is to be ascertained by the Bank by reference to adequate documentary evidence provided by such counterparties, or by reference to data obtained from public authorities, as clarified by FAQ 36 in the third Commission Notice.

Taxonomy non-eligible economic activities

Taxonomy non-eligible economic activities are those activities which cannot be assessed as environmentally sustainable. This relates to exposures towards activities which are not covered by the EU Taxonomy framework.

Data limitations

In the case of the Bank's exposures where the use of proceeds is not known, in the case of NFRD/CSRD entity counterparties, the Bank relies on published counterparty eligibility and alignment ratios to assess eligibility and alignment of exposures. In this respect, the Bank determines whether counterparties are subject to NFRD/CSRD through the use of both research and a financial data terminal. Upon identification of relevant counterparties, the Bank researches annual reports of such entities in order to obtain relevant EU Taxonomy KPIs.

However, in certain cases, the Bank is unable to obtain the required information from counterparties, particularly due to:

- Data availability: Counterparties which did not report Taxonomy information, or reported in an incomplete manner. By way of example, certain counterparties reported Taxonomy alignment balances which exceeded Taxonomy eligibility balances. In this case, the Bank only considered alignment up to the eligible amount.
- Data accuracy: The precision of data may vary among counterparties, each reporting subject to various assumptions and data limitations, affecting the reliability of Taxonomy information. By way of example, certain counterparties' Taxonomy balances do not cast when summed at an environmental objective level and compared to reporting in the counterparty's 'total column', most often due to rounding differences. In this case, the Bank considers the lower of the sum of parts and the total for the purposes of its reporting.
- Methodological differences: Variations in the methodologies and assumptions employed by various counterparties can lead to discrepancies in Taxonomy information.

Where Taxonomy information by environmental objective is not available, Taxonomy eligibility and alignment information reported by counterparties is considered to be eligible, or aligned, to CCM, except in the case of counterparties which are insurance undertakings, where it is considered eligible or aligned in terms of CCA.

FAQ13 of the third Commission Notice clarifies that in the case that the Bank has an exposure to a counterparty which does not disclose Taxonomy information, but is the subsidiary of a parent which does disclose Taxonomy information, the Taxonomy KPI disclosed by the counterparty's closest parent undertaking should be assumed.

In addition, the Bank's car loan and renovation loan exposures are allocated towards row 24 'Households' of Template 1 of Annex VI of the Disclosures Delegated Act without further allocation. This is given insufficient data available to fully assess any of these exposures for alignment against the technical screening criteria and in particular, the Do No Significant Harm criteria.

As data becomes more available and improvements in data quality take place over time, differences in the data reported in future financial years, when compared to the current financial year, are expected, as more counterparties adopt the EU Taxonomy requirements for their own disclosures, and enhance their relevant processes relating to EU Taxonomy reporting.

Financial counterparty eligibility and alignment data

In accordance with the requirements of the EU Taxonomy, insurance undertakings, investment firms and financial conglomerates are required to disclose weighted average KPIs which should be used by the Bank in assessing the Taxonomy eligibility and alignment of exposures to relevant counterparties.

Where the disclosure of weighted average KPIs by such financial counterparties was not available or where counterparties report more than one set of KPIs, the approach towards which data was considered by the Bank is set out below.

- In the case of financial conglomerates, the Bank considers the Green Asset Ratio; if not available, non-life underwriting KPIs; if not available, the Green Investment Ratio is considered;
- In the case of credit institutions, the Green Asset Ratio is considered;
- In the case of insurance undertakings, the Bank considers non-life underwriting KPIs; if not available, the Green Investment Ratio is considered;
- In the case of investment companies, the Bank considers the Green Asset Ratio related to investment services dealt on own account;
- In the case of asset managers, the Bank considers the Green Investment Ratio.

Business Strategy

The process around EU Taxonomy reporting within the Bank is led by an ESG working group comprising a number of the Bank's senior officials, who are tasked with such process and the strategy related to the Bank's disclosures. The ESG working group expects the Bank's business strategy to develop in line with the EU Taxonomy, where engagement with clients and counterparties related to the Taxonomy eligibility and alignment of exposures will develop accordingly.

EU Taxonomy templates – Annex VI

This section outlines the templates to be disclosed by credit institutions, such requirement emanating from Annex VI of the Disclosures Delegated Act.

Each template is duplicated in order to disclose Turnover-based and CapEx-based information, except for Template 0, which is adjusted to also include CapEx-based information.

The Bank is also required to disclose the Taxonomy eligibility and Taxonomy alignment of its relevant exposures by climate-related environmental objective, and Taxonomy eligibility by non-climate objective.

The Bank does not currently extend loans and advances to counterparties in scope of NFRD/CSRD, except for money market placements with counterparty banks.

Template 0: Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation (T)

Template 0 summarises the KPIs required to be disclosed by the Bank as a credit institution.

The Fees and Commissions KPI is required to be disclosed from 1 January 2026, whilst in respect of the Trading Book KPI, also applicable from the same date, the Bank does not operate a trading book. Therefore, the applicable rows for these KPIs are not populated.

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation as at 31 December 2024

		Total environmentally sustainable assets (Turnover) € million	**KPI (Turnover)** **** %	**Total environmentally sustainable assets (CapEx)** € million	**KPI (CapEx)***** %	**% coverage (over total assets)*** %	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2 of Annex (V)** %	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex (V)** %
Main KPI	Green asset ratio (GAR) stock	0.52	0.04%	0.48	0.04%	79.86%	55.70%	20.14%

		Total environmentally sustainable assets (Turnover) € million	**KPI (Turnover)** %	**Total environmentally sustainable assets (CapEx)** € million	**KPI (CapEx)** %	**% coverage (over total assets)** %	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2 of Annex (V)** %	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex (V)** %
Additional KPIs	*GAR (flow)*	0.00	0.00%	0.00	0.00%	96.12%	65.30%	3.88%
	*Trading book**							
	Financial guarantees	0.00	0.00	0.00	0.00%			
	Assets under management	0.56	5.54%	1.55	15.45%			
	*Fees and commissions income***							

** For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR.*

*** Fees and commissions income from services other than lending and AuM Institutions shall disclose forward looking information for these KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.*

**** % of assets covered by the KPI over Bank's total assets.*

***** based on the Turnover KPI of the counterparty.*

****** on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used.*

Template 0: Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation (T-1)
Template 0 summarises the KPIs disclosed by the Bank for its banking activities, based on the Bank's prior reporting period.

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation as at 31 December 2023

		Total environmentally sustainable assets (Turnover) € million	**KPI (Turnover)** **** %	**Total environmentally sustainable assets (CapEx)** € million	**KPI (CapEx)******* %	**% coverage (over total assets) ***** %	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2 of Annex (V)** %	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex (V)** %
Main KPI	Green asset ratio (GAR) stock	0.65	0.07%	0.76	0.06%	75.42%	50.04%	24.58%

		Total environmentally sustainable assets (Turnover) € million	**KPI (Turnover)** %	**Total environmentally sustainable assets (CapEx)** € million	**KPI (CapEx)** %	**% coverage (over total assets)** %	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2 of Annex (V)** %	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex (V)** %
Additional KPIs	*GAR (flow)*	0.00	0.00%	0.00	0.00%	91.52%	63.48%	8.48%
	*Trading book**							
	Financial guarantees	-	-	-	-			
	Assets under management	2.16	4.84%	0.27	2.50%			
	*Fees and commissions income***							

* *For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR.*
** *Fees and commissions income from services other than lending and AuM Institutions shall disclose forward looking information for these KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.*
*** *% of assets covered by the KPI over Bank's total assets.*
**** *based on the Turnover KPI of the counterparty.*
***** *on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used.*

Template 1: Assets for the calculation of GAR
Template 1 discloses assets used in the calculation of the GAR disaggregated by counterparty type and asset class. Total assets are further categorised between the following:

- Covered assets in both numerator and denominator;
- Assets excluded from the numerator for GAR calculation (covered in the denominator); and
- Assets not covered for GAR calculation.

This template has been duplicated to disclose turnover-based and CapEx-based information, where in both cases, the Bank's 'Main KPI' Green Asset Ratio can be calculated with reference to amounts reported in Row 48 of Template 1 'Total GAR assets', where Column 'ac' 'Of which environmentally sustainable (Taxonomy-aligned)' relates to the numerator, and Column 'a' 'Total gross carrying amount' relates to the denominator.

The gross carrying amount column excludes impairment allowances for all banking exposures. As a result, total assets reported in this template is not equal to total assets reported in the Bank's balance sheet, with the difference amounting to impairment allowances on banking exposures.

Row 34 'SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations' also includes non-NFRD/CSRD financial undertakings in the EU, in the absence of a more appropriate row for such financial undertakings.

In the case of off-balance sheet exposures, the Bank does not issue any financial guarantees supporting loans and advances or debt securities.

The gross carrying amount disclosed for assets under management forms the denominator of the respective KPIs and includes exposures to both NFRD/CSRD and non-NFRD/CSRD counterparties while excluding exposures to central governments, central banks and supranational issuers. In the case of assets under management which are funds, these are treated as non-NFRD entities since the Bank does not look through to underlying investees regarding their status as NFRD/CSRD entities, given data limitations

1.Assets for the calculation of GAR (Turnover) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023																														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	Million EUR		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 towards taxonomy relevant sectors (Taxonomy-eligible)				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 environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	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	370.83	324.19	0.52	0.01	0.01	0.04	0.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.43	-	-	-	324.70	0.52	0.01	0.01	0.04
2	**Financial undertakings**	**33.48**	**7.00**	**0.15**	**0.01**	**0.01**	**0.04**	**0.07**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**7.07**	**0.15**	**0.01**	**0.01**	**0.04**
3	Credit institutions	31.43	6.99	0.13	0.01	0.01	0.03	0.07	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.05	0.14	0.01	0.01	0.03
4	Loans and advances	13.86	3.80	0.07	-	-	0.02	0.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.83	0.07	-	-	0.02
5	Debt securities, including UoP	14.99	2.77	0.07	0.01	-	-	0.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.80	0.07	0.01	-	-
6	Equity instruments	2.59	0.41	-		-	-	0.01	-		-	-	-		-	-	-		-	-	-		-	-	-		-	0.42	-		-	-
7	Other financial corporations	2.04	0.02	0.02	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-	-	0.01
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	2.04	0.02	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-	-	0.01
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	2.04	0.02	0.02	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-	-	0.01
19	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-
20	**Non-financial undertakings**	**21.68**	**1.51**	**0.37**	-	-	-	**0.02**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.43**	-	-	-	**1.96**	**0.37**	-	-	-
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	3.50	1.51	0.37	-	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.43	-	-	-	1.96	0.37	-	-	-
23	Equity instruments	18.17	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-
24	**Households**	**314.97**	**314.97**	-	-	-	-	-	-	-	-					-	-	-	-									**314.97**	-	-	-	-

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023																														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	Million EUR		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 towards taxonomy relevant sectors (Taxonomy-eligible)				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 environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transi-tional	Of which ena-bling			Of which Use of Proceeds	Of which ena-bling			Of which Use of Proceeds	Of which transi-tional			Of which Use of Proceeds	Of which ena-bling			Of which Use of Proceeds	Of which ena-bling			Of which Use of Proceeds	Of which ena-bling			Of which Use of Proceeds	Of which transi-tional	Of which enabling
25	of which loans collateralised by residential immovable property	278.83	278.83	-	-	-	-	-	-	-	-					-	-	-	-									278.83	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-	-																					-	-	-	-	-
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	0.70	0.70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.70	-	-	-	-
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**854.84**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Financial and Non-financial undertakings	604.23																														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	583.35																														
35	Loans and advances	568.12																														
36	of which loans collateralised by commercial immovable property	-																														
37	of which building renovation loans	-																														
38	Debt securities	9.57																														
39	Equity instruments	5.65																														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	20.88																														
41	Loans and advances	10.89																														
42	Debt securities	8.66																														
43	Equity instruments	1.34																														
44	Derivatives	-																														
45	On demand interbank loans	15.75																														
46	Cash and cash-related assets	6.49																														
47	Other categories of assets (e.g. Goodwill, commodities etc.)	228.38																														
48	**Total GAR assets**	**1,225.68**	**324.19**	**0.52**	**0.01**	**0.01**	**0.04**	**0.08**	**0.00**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.43**	-	-	-	**324.71**	**0.52**	**0.01**	**0.01**	**0.04**
49	**Assets not covered for GAR calculation**	**309.09**																														

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023																														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	Million EUR		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 towards taxonomy relevant sectors (Taxonomy-eligible)				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 environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
50	Central governments and Supranational issuers	160.05																														
51	Central banks exposure	149.04																														
52	Trading book	-																														
53	Total assets	1,534.77	324.19	0.52	0.01	0.01	0.04	0.08	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.43	-	-	-	324.71	0.52	0.01	0.01	0.04
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	10.06	2.43	0.56	0.01	0.05	0.27	-	-	-	-	-	-	-	-	0.04	-	-	-	0.04	-	-	-	-	-	-	-	2.52	0.56	0.01	0.05	0.27
56	Of which debt securities	7.41	1.93	0.44	0.01	0.05	0.19	-	-	-	-	-	-	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	1.94	0.44	0.01	0.05	0.19
57	Of which equity instruments	2.66	0.51	0.12	-	-	0.09	-	-	-	-	-	-	-	-	0.03	-	-	-	0.04	-	-	-	-	-	-	-	0.58	0.12	-	-	0.09

1.Assets for the calculation of GAR (CapEx) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023																														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	Million EUR		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 towards taxonomy relevant sectors (Taxonomy-eligible)				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 environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	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	370.83	325.13	0.47	0.01	0.01	0.06	0.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	325.19	0.48	0.01	0.01	0.06
2	Financial undertakings	33.48	7.04	0.20	0.01	0.01	0.06	0.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.08	0.21	0.01	0.01	0.06
3	Credit institutions	31.43	7.02	0.18	0.01	0.01	0.05	0.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.05	0.18	0.01	0.01	0.05
4	Loans and advances	13.86	3.83	0.11	-	-	0.04	0.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.86	0.11	-	-	0.04
5	Debt securities, including UoP	14.99	2.77	0.07	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.77	0.07	0.01	-	-
6	Equity instruments	2.59	0.42	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	0.42	-		-	-

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023																														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	Million EUR		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 towards taxonomy relevant sectors (Taxonomy-eligible)				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 environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
7	Other financial corporations	2.04	0.03	0.03	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03	0.03	-	-	0.01
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	2.04	0.03	0.03	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03	0.03	-	-	0.01
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	2.04	0.03	0.03	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03	0.03	-	-	0.01
19	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-
20	Non-financial undertakings	21.68	2.41	0.27	-	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	2.43	0.27	-	-	-
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	3.50	2.32	0.27	-	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	2.34	0.27	-	-	-
23	Equity instruments	18.17	0.09	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	0.09	-	-	-	-
24	Households	314.97	314.97	-	-	-	-	-	-	-	-					-	-	-	-									314.97	-	-	-	-
25	of which loans collateralised by residential immovable property	278.83	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-	-																					-	-	-	-	-
28	Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023																														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)					TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	Million EUR		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 towards taxonomy relevant sectors (Taxonomy-eligible)				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 environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	0.70	0.70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.70	-	-	-	-
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	854.84	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Financial and Non-financial undertakings	604.23																														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	583.35																														
35	Loans and advances	568.12																														
36	of which loans collateralised by commercial immovable property	-																														
37	of which building renovation loans	-																														
38	Debt securities	9.57																														
39	Equity instruments	5.65																														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	20.88																														
41	Loans and advances	10.89																														
42	Debt securities	8.66																														
43	Equity instruments	1.34																														
44	Derivatives	-																														
45	On demand interbank loans	15.75																														
46	Cash and cash-related assets	6.49																														

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023																														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	Million EUR		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 towards taxonomy relevant sectors (Taxonomy-eligible)				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 environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
47	Other categories of assets (e.g. Goodwill, commodities etc.)	228.38																														
48	Total GAR assets	1,225.68	325.13	0.47	0.01	0.01	0.06	0.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	325.19	0.48	0.01	0.01	0.06
49	Assets not covered for GAR calculation	309.09																														
50	Central governments and Supranational issuers	160.05																														
51	Central banks exposure	149.04																														
52	Trading book	-																														
53	Total assets	1,534.77	325.13	0.47	0.01	0.01	0.06	0.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	325.19	0.48	0.01	0.01	0.06
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	10.06	3.21	1.55	0.01	0.13	0.88	0.02	-	-	-	-	-	-	-	0.05	-	-	-	0.07	-	-	-	-	-	-	-	3.34	1.55	0.01	0.13	0.88
56	Of which debt securities	7.41	2.76	1.36	0.01	0.12	0.77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.76	1.36	0.01	0.12	0.77
57	Of which equity instruments	2.66	0.44	0.19	-	-	0.12	0.02	-	-	-	-	-	-	-	0.05	-	-	-	0.07	-	-	-	-	-	-	-	0.58	0.19	-	-	0.12

Template 1: Assets for the calculation of GAR (T-1)

This template discloses assets for the calculation of GAR based on the Bank's prior period reporting. Considering data availability, this comparative Template 1 could not be restated to be entirely comparable with the current period Template 1.

1.Assets for the calculation of GAR (Turnover) as at 31 December 2023

		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date 2023														
			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 Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	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	316.67	-	-	-	-	-	-	-	-	-	290.37	0.65	0.02	0.01	0.02
2	Financial undertakings	30.00	-	-	-	-	-	-	-	-	-	9.44	0.19	0.02	0.01	**0.02**
3	Credit institutions	27.62	-	-	-	-	-	-	-	-	-	9.09	0.18	0.02	0.01	0.02
4	Loans and advances	9.04	-	-	-	-	-	-	-	-	-	2.50	0.05	-	-	0.02
5	Debt securities, including UoP	16.36	-	-	-	-	-	-	-	-	-	5.73	0.13	0.02	-	0.0033
6	Equity instruments	2.22	-	-		-	-	-	-		-	0.86	0.00		-	0.0003
7	Other financial corporations	2.38	-	-	-	-	-	-	-	-	-	0.35	0.01	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
12	of which management companies	0.33	-	-	-	-	-	-	-	-	-	0.07	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	0.33	-	-		-	-	-	-		-	0.07	-		-	-
16	of which insurance undertakings	2.05	-	-	-	-	-	-	-	-	-	0.28	0.01	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	2.05	-	-	-	-	-	-	-	-	-	0.28	0.01	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
20	Non-financial undertakings	20.53	-	-	-	-	-	-	-	-	-	15.50	0.46	-	-	-
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	3.45	-	-	-	-	-	-	-	-	-	1.55	0.46	-	-	-
23	Equity instruments	17.08	-	-		-	-	-	-		-	13.95	-		-	-
24	Households	265.43	-	-	-	-	-	-	-	-	-	265.43	-	-	-	-
25	of which loans collateralised by residential immovable property	231.20	-	-	-	-	-	-	-	-	-	231.20	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-	-					-	-	-	-	-
28	Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	0.70	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	624.44	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Financial and Non-financial undertakings	537.67														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	529.42														
35	Loans and advances	513.31														
36	of which loans collateralised by commercial immovable property	-														

	Million EUR	a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date 2023														
			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)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	Of which enabling
	GAR - Covered assets in both numerator and denominator															
37	of which building renovation loans	-														
38	Debt securities	9.33														
39	Equity instruments	6.78														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	8.25														
41	Loans and advances	-														
42	Debt securities	7.35														
43	Equity instruments	0.89														
44	Derivatives	-														
45	On demand interbank loans	16.86														
46	Cash and cash-related assets	8.15														
47	Other categories of assets (e.g. Goodwill, commodities etc.)	61.76														
48	Total GAR assets	941.11	-	-	-	-	-	-	-	-	-	290.37	0.65	0.02	0.01	0.02
49	Assets not covered for GAR calculation	306.73														
50	Central governments and Supranational issuers	180.44														
51	Central banks exposure	126.29														
52	Trading book	-														
53	Total assets	1,247.84	-	-	-	-	-	-	-	-	-	290.37	0.65	0.02	0.01	0.02
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54	Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	44.54	-	-	-	-	-	-	-	-	-	2.34	2.16	0.17	0.01	0.20
56	Of which debt securities	20.16	-	-	-	-	-	-	-	-	-	0.32	0.32	0.17	0.01	0.17
57	Of which equity instruments	4.17	-	-	-	-	-	-	-	-	-	0.46	0.05	-	0.004	0.03

1. Assets for the calculation of GAR (CapEx) as at 31 December 2023

		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date 2023														
			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 Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	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	316.67	-	-	-	-	-	-	-	-	-	283.81	0.76	0.02	0.01	0.50
2	Financial undertakings	30.00	-	-	-	-	-	-	-	-	-	8.91	0.22	0.02	0.01	0.03
3	Credit institutions	27.62	-	-	-	-	-	-	-	-	-	8.80	0.21	0.02	0.01	0.03
4	Loans and advances	9.04	-	-	-	-	-	-	-	-	-	2.52	0.07	-	0.003	0.03
5	Debt securities, including UoP	16.36	-	-	-	-	-	-	-	-	-	5.43	0.14	0.02	0.004	0.01
6	Equity instruments	2.22	-	-		-	-	-	-		-	0.85	0.001		-	0.001
7	Other financial corporations	2.38	-	-	-	-	-	-	-	-	-	0.11	0.01	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
12	of which management companies	0.33	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	0.33	-	-		-	-	-	-		-	-	-		-	-
16	of which insurance undertakings	2.05	-	-	-	-	-	-	-	-	-	0.11	0.01	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	2.05	-	-	-	-	-	-	-	-	-	0.11	0.01	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-	-		-	-
20	Non-financial undertakings	20.53	-	-	-	-	-	-	-	-	-	9.47	0.54	-	-	0.47
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	3.45	-	-	-	-	-	-	-	-	-	2.07	0.54	-	-	0.47
23	Equity instruments	17.08	-	-		-	-	-	-		-	7.40	-		-	-
24	Households	265.43	-	-	-	-	-	-	-	-	-	265.43	-	-	-	-
25	of which loans collateralised by residential immovable property	231.20	-	-	-	-	-	-	-	-	-	231.20	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-	-					-	-	-	-	-
28	Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	0.70	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	624.44	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Financial and Non-financial undertakings	537.67														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	529.42														
35	Loans and advances	513.31														
36	of which loans collateralised by commercial immovable property	-														
37	of which building renovation loans	-														
38	Debt securities	9.33														
39	Equity instruments	6.78														

		a	b	c	d	e	f	g	h	i	j	ab	ac	ad	ae	af
		Disclosure reference date 2023														
			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 Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	Of which enabling
40	Non-EU country counterparties not subject to NFRD disclosure obligations	8.25														
41	Loans and advances	-														
42	Debt securities	7.35														
43	Equity instruments	0.89														
44	Derivatives	-														
45	On demand interbank loans	16.86														
46	Cash and cash-related assets	8.15														
47	Other categories of assets (e.g. Goodwill, commodities etc.)	61.76														
48	Total GAR assets	941.11	-	-	-	-	-	-	-	-	-	283.81	0.76	0.02	0.01	0.50
49	Assets not covered for GAR calculation	306.73														
50	Central governments and Supranational issuers	180.44														
51	Central banks exposure	126.29														
52	Trading book	-														
53	Total assets	1,247.84	-	-	-	-	-	-	-	-	-	283.81	0.76	0.02	0.01	0.50
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54	Financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	44.54	-	-	-	-	-	-	-	-	-	2.78	1.12	0.52	0.05	0.58
56	Of which debt securities	20.16	-	-	-	-	-	-	-	-	-	2.43	1.06	0.52	-	-
57	Of which equity instruments	4.17	-	-	-	-	-	-	-	-	-	0.35	0.06	-	-	-

Template 2: GAR Sector information

Template 2 presents eligible and aligned exposures in the banking book to non-financial counterparties subject to NFRD, broken down by sector of economic activities based on the NACE code of the principal activity of the immediate counterparty.

2. GAR sector information (Turnover) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	Breakdown by sector - NACE 4 digits level (code and label)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	K6420 - Activities of holding companies	0.35	-			0.35	-			0.35	-			0.35	-			0.35	-			0.35	-			0.35	-		
2	J61.1.0 - Wired telecommunications activities	0.78	-			0.78	-			0.78	-			0.78	-			0.78	-			0.78	-			0.78	-		
3	I55.1 - Hotels and similar accommodation	0.80	0.37			0.80	-			0.46	-			0.46	-			0.46	-			0.46	-			0.80	0.37		
4	M70.1.0 - Activities of head offices	0.42	-			0.42	-			0.30	-			0.30	-			0.30	-			0.30	-			0.42	-		
5	H49.12 - Other passenger rail transport	0.27	-			0.27	-			0.73	-			0.73	-			0.73	-			0.73	-			0.27	-		
6	C11.0.5 - Manufacture of beer	0.09	-			0.09	-			0.09	-			0.09	-			0.09	-			0.09	-			0.09	-		
7	C2910 - Manufacture of motor vehicles	0.82	-			0.82	-			0.82	-			0.82	-			0.82	-			0.82	-			0.82	-		
8	K63.10 - Computing infrastructure, data processing, hosting and related activities	-	-			-	-			-	-			-	-			-	-			-	-			-	-		
9	H5310 - Postal activities under universal service obligation	17.93	-			17.93	-			17.93	-			17.93	-			17.93	-			17.93	-			17.93	-		
10	H52.10 - Warehousing and storage	-	-			-	-			0.00	-			-	-			-	-			-	-			-	-		
11	C11.05 - Manufacture of beer	0.22	-			0.22	-			0.22	-			0.22	-			0.22	-			0.22	-			0.22	-		

2. GAR sector information (CapEx) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	Breakdown by sector - NACE 4 digits level (code and label)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	K6420 - Activities of holding companies	0.35	-			0.35	-			0.35	-			0.35	-			0.35	-			0.35	-			0.35	-		
2	J61.1.0 - Wired telecommunications activities	0.78	-			0.78	-			0.78	-			0.78	-			0.78	-			0.78	-			0.78	-		
3	I55.1 - Hotels and similar accommodation	0.80	0.27			0.80	-			0.46	-			0.46	-			0.46	-			0.46	-			0.80	0.27		
4	M70.1.0 - Activities of head offices	0.42	-			0.42	-			0.30	-			0.30	-			0.30	-			0.30	-			0.42	-		
5	H49.12 - Other passenger rail transport	0.27	-			0.27	-			0.73	-			0.73	-			0.73	-			0.73	-			0.27	-		
6	C11.0.5 - Manufacture of beer	0.09	-			0.09	-			0.09	-			0.09	-			0.09	-			0.09	-			0.09	-		
7	C2910 - Manufacture of motor vehicles	0.82	-			0.82	-			0.82	-			0.82	-			0.82	-			0.82	-			0.82	-		
8	K63.10 - Computing infrastructure, data processing, hosting and related activities	-	-			-	-			-	-			-	-			-	-			-	-			-	-		
9	H5310 - Postal activities under universal service obligation	17.93	-			17.93	-			17.93	-			17.93	-			17.93	-			17.93	-			17.93	-		
10	H52.10 - Warehousing and storage	-	-			0.00	-			0.00	-			0.00	-			-	-			0.00	-			-	-		
11	C11.05 - Manufacture of beer	0.22	-			0.22	-			0.22	-			0.22	-			0.22	-			0.22	-			0.22	-		

Template 3: GAR KPI Stock

Template 3 discloses the proportion of total covered assets funding Taxonomy relevant sectors in respect of both Taxonomy eligibility and Taxonomy alignment on a stock basis. The Bank's approach towards disclosing GAR KPI (stock) ratios in this template is based on the amounts of assets disclosed in Template 1, whereby each ratio's denominator is equal to the respective gross carrying amount of the particular counterparty type and asset class. This is in line with guidance provided in the respective sub-sections of section 1.2.1 of the Disclosures Delegated Act.

Template 3 also discloses the particular counterparty type and asset class captured in each relevant row as a proportion of the Bank's total assets.

3. GAR KPI stock (Turnover) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
	% (compared to total covered assets in the denominator)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	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	87.42%	0.14%	-	-	0.01%	0.02%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.12%	-	-	-	87.56%	0.14%	-	-	0.01%	24.16%
2	**Financial undertakings**	20.92%	0.45%	0.04%	0.02%	0.11%	0.20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21.12%	0.45%	0.04%	0.02%	0.11%	2.18%
3	Credit institutions	22.22%	0.42%	0.04%	0.02%	0.09%	0.22%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22.44%	0.42%	0.04%	0.02%	0.09%	2.05%
4	Loans and advances	27.42%	0.49%	-	-	0.18%	0.24%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27.66%	0.49%	-	-	0.18%	0.90%
5	Debt securities, including UoP	18.48%	0.44%	0.09%	-	-	0.20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.68%	0.44%	0.09%	-	-	0.98%
6	Equity instruments	16.05%	-		-	-	0.21%	-		-	-	-		-	-	-		-	-	-		-	-	-		-	16.26%	-		-	-	0.17%
7	Other financial corporations	0.80%	0.80%	-	-	0.40%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.80%	0.80%	-	-	0.40%	0.13%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	0.01%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	0.80%	0.80%	-	-	0.40%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.80%	0.80%	-	0.01%	0.40%	0.13%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
	% (compared to total covered assets in the denominator)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
18	Debt securities, including UoP	0.80%	0.80%	-	-	0.40%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.80%	0.80%	-	-	0.40%	0.13%
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	**6.97%**	**1.69%**	-	-	-	**0.07%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1.98%**	-	-	-	**9.02%**	**1.69%**	-	-	-	**1.41%**
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	43.13%	10.47%	-	-	-	0.44%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12.25%	-	-	-	55.81%	10.47%	-	-	-	0.23%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	1.18%
24	**Households**	**100.00%**	-	-	-	-	-	-	-	-					-	-	-	-									**100.00%**	-	-	-	-	**20.52%**
25	of which loans collateralised by residential immovable property	100.00%	-	-	-	-	-	-	-	-					-	-	-	-									100.00%	-	-	-	-	18.17%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-																										
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**100.00%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**100.00%**	-	-	-	-	**0.05%**
32	**Total GAR assets**	**26.45%**	**0.04%**	-	-	-	**0.01%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.04%**	-	-	-	**26.49%**	**0.04%**	**0.00%**	-	-	**79.86%**

3. GAR KPI stock (CapEx) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ac	af
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
	% (compared to total covered assets in the denominator)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors(Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	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	87.42%	0.14%	-	-	0.01%	0.02%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.12%	-	-	-	87.56%	0.14%	-	-	0.01%	24.16%
2	**Financial undertakings**	20.92%	0.45%	0.04%	0.02%	0.11%	0.20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21.12%	0.45%	0.04%	0.02%	0.11%	2.18%
3	Credit institutions	22.22%	0.42%	0.04%	0.02%	0.09%	0.22%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22.44%	0.42%	0.04%	0.02%	0.09%	2.05%
4	Loans and advances	27.42%	0.49%	-	-	0.18%	0.24%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27.66%	0.49%	-	-	0.18%	0.90%
5	Debt securities, including UoP	18.48%	0.44%	0.09%	-	-	0.20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.68%	0.44%	0.09%	-	-	0.98%
6	Equity instruments	16.05%	-		-	-	0.21%	-		-	-	-		-	-	-		-	-	-		-	-	-		-	16.26%	-		-	-	0.17%
7	Other financial corporations	0.80%	0.80%	-	-	0.40%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.80%	0.80%	-	-	0.40%	0.13%
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	0.80%	0.80%	-	0.01%	0.40%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.80%	0.80%	-	0.01%	0.40%	0.13%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	0.80%	0.80%	-	-	0.40%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.80%	0.80%	-	-	0.40%	0.13%
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	**6.97%**	**1.69%**	-	-	-	**0.07%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1.98%**	-	-	-	**9.02%**	**1.69%**	-	-	-	**1.41%**
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	43.13%	10.47%	-	-	-	0.44%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12.25%	-	-	-	55.81%	10.47%	-	-	-	0.23%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	1.18%
24	**Households**	**100.00%**	-	-	-	-	-	-	-	-					-	-	-	-									**100.00%**	-	-	-	-	**20.52%**
25	of which loans collateralised by residential immovable property	100.00%	-	-	-	-	-	-	-	-					-	-	-	-									100.00%	-	-	-	-	18.17%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-					-	-	-	-									-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-																										
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**100.00%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**100.00%**	-	-	-	-	**0.05%**
32	**Total GAR assets**	**26.45%**	**0.04%**	-	-	-	**0.01%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.04%**	-	-	-	**26.49%**	**0.04%**	**0.00%**	-	-	**79.86%**

3. GAR KPI stock (Turnover) as at 31 December 2023

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	% (compared to total covered assets in the denominator)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	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	-	-	-	-	-	-	-	-	-	91.70%	0.20%	0.01%	0.002%	0.01%	25.38%
2	Financial undertakings	-	-	-	-	-	-	-	-	-	31.47%	0.63%	0.06%	0.02%	0.07%	2.40%
3	Credit institutions	-	-	-	-	-	-	-	-	-	32.91%	0.65%	0.07%	0.02%	0.07%	2.21%
4	Loans and advances	-	-	-	-	-	-	-	-	-	27.66%	0.52%	-	0.03%	0.18%	0.72%
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	35.04%	0.80%	0.11%	0.02%	0.02%	1.31%
6	Equity instruments	-	-		-	-	-	-		-	38.57%	0.02%		-	-	0.18%
7	Other financial corporations	-	-	-	-	-	-	-	-	-	14.77%	0.39%	-	-	-	0.19%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	21.50%	-	-	-	-	0.03%
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	21.50%	-		-	-	0.03%
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	13.70%	0.45%	-	-	-	0.16%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	13.70%	0.45%	-	-	-	0.16%
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20	Non-financial undertakings	-	-	-	-	-	-	-	-	-	75.49%	2.23%	-	-	-	1.65%
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	44.85%	13.28%	-	-	-	0.28%
23	Equity instruments	-	-		-	-	-	-		-	81.68%	-		-	-	1.37%
24	Households	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	21.27%
25	of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	18.53%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-										
28	Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06%
32	Total GAR assets	-	-	-	-	-	-	-	-	-	30.85%	0.07%	0.002%	0.001%	0.002%	75.42%

3. GAR KPI stock (CapEx) as at 31 December 2023

	% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	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	-	-	-	-	-	-	-	-	-	89.62%	0.24%	0.01%	0.00%	0.16%	25.38%
2	Financial undertakings	-	-	-	-	-	-	-	-	-	29.70%	0.75%	0.06%	0.02%	0.12%	2.40%
3	Credit institutions	-	-	-	-	-	-	-	-	-	31.86%	0.77%	0.07%	0.02%	0.13%	2.21%
4	Loans and advances	-	-	-	-	-	-	-	-	-	27.87%	0.80%	-	0.03%	0.31%	0.72%
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	33.18%	0.85%	0.11%	0.02%	0.04%	1.31%
6	Equity instruments	-	-		-	-	-	-		-	38.39%	0.04%		-	0.03%	0.18%
7	Other financial corporations	-	-	-	-	-	-	-	-	-	4.59%	0.53%	-	-	-	0.19%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	0.03%
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	5.32%	0.61%	-	-	-	0.16%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	5.32%	0.61%	-	-	-	0.16%
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20	Non-financial undertakings	-	-	-	-	-	-	-	-	-	46.12%	2.62%	-	-	2.27%	1.65%
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	60.09%	15.61%	-	-	13.49%	0.28%
23	Equity instruments	-	-		-	-	-	-		-	43.30%	-		-	-	1.37%
24	Households	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	21.27%
25	of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	18.53%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-										
28	Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.06%
32	Total GAR assets	-	-	-	-	-	-	-	-	-	22.74%	0.06%	0.001%	0.001%	0.04%	75.42%

Template 4: GAR KPI Flow

Template 4 discloses the proportion of total covered assets funding Taxonomy relevant sectors in respect of both Taxonomy eligibility and Taxonomy alignment on a flow basis. The Bank's approach towards disclosing GAR (flow) KPI ratios in this template is based on the amounts of new covered assets throughout the financial year, whereby each ratio's denominator is equal to the respective gross carrying amount of the particular counterparty type and asset class. This is in line with guidance provided in the respective sub-sections of section 1.2.1 of the Disclosures Delegated Act. Taxonomy guidance requires that the Bank does not compute the numerator and denominator of the flow KPI as exposures on the disclosure reference date (T) less exposures on the prior period disclosure reference date (T-1), but requires newly incurred exposures to be considered without deducting the amounts of loan repayments or security disposals. Given this, in the case of row 32 'Total GAR assets', only assets Taxonomy eligible assets are considered in the GAR denominator, as per the header to the template which asks for % (compared to flow of total eligible assets). This is also since including non-eligible assets (referred to in Template 1 rows 44-47) would not necessarily result in a more accurate representation of financial flows throughout the reporting period.

4. GAR KPI flow (Turnover) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
	Million EUR	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	99.56%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99.56%	-	-	-	-	33.35%
2	**Financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**				**Water and marine resources (WTR)**				**Circular economy (CE)**				**Pollution (PPC)**				**Biodiversity and Ecosystems (BIO)**				**TOTAL (CCM+CCA+WTR+CE+PPC+BIO)**					
	Million EUR	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
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 undertakings**	**1.66%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1.66%**	-	-	-	-	**0.15%**
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	1.66%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.66%	-	-	-	-	0.15%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-	-	-	-	-
24	**Households**	**100.00%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**100.00%**	-	-	-	-	**32.20%**
25	of which loans collateralised by residential immovable property	100.00%-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	27.93%
26	of which building renovation loans	100.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	-
27	of which motor vehicle loans																										-	-	-	-	-	
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**100.00%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**100.00%**	-	-	-	-	-
32	**Total GAR assets**	**34.55%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**34.55%**	-	-	-	-	**96.12%**

4. GAR KPI flow (CapEx) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
	Million EUR	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	99.65%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99.65%	-	-	-	-	33.35%
2	**Financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
	Million EUR	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-	-	-	-	-
20	**Non-financial undertakings**	**22.63%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**22.63%**	-	-	-	-	**0.15%**
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	22.63%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22.63%	-	-	-	-	0.15%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-		-	-	-		-	-	-		-	-	-	-	-	-	-
24	**Households**	**100.00%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**100.00%**	-	-	-	-	-
25	of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27.93%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans																										-	-	-	-	-	
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**100.00%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**100.00%**	-	-	-	-	-
32	**Total GAR assets**	**34.55%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**34.55%**	-	-	-	-	**96.12%**

4. GAR KPI flow (Turnover) as at 31 December 2023

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
	% (compared to flow of total eligible assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	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	-	-	-	-	-	-	-	-	-	99.78%	0.001%	-	-	-	36.52%
2	Financial undertakings	-	-	-	-	-	-	-	-	-	59.02%	0.20%	-	-	-	0.11%
3	Credit institutions	-	-	-	-	-	-	-	-	-	59.02%	0.20%	-	-	-	0.11%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	59.02%	0.20%	-	-	-	0.11%
6	Equity instruments	-	-		-	-	-	-			-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-			-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-		-	-	
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20	Non-financial undertakings	-	-	-	-	-	-	-	-	-	38.12%	-	-	-	-	0.06%
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	38.12%	-	-	-	-	-
23	Equity instruments	-	-		-	-	-	-			-	-		-	-	-
24	Households	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	36.36%
25	of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	32.78%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-					-	-	-	-	-	-
28	Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	Total GAR assets	-	-	-	-	-	-	-	-	-	36.44%	0.0002%	-	-	-	91.52%

4. GAR KPI flow (CapEx) as at 31 December 2023

	% (compared to flow of total eligible assets)	a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae	af
		Disclosure reference date 2023														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	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	-	-	-	-	-	-	-	-	-	99.85%	0.001%	0.02%	-	-	36.52%
2	Financial undertakings	-	-	-	-	-	-	-	-	-	58.35%	0.28%	8.23%	-	-	0.11%
3	Credit institutions	-	-	-	-	-	-	-	-	-	58.35%	0.28%	8.23%	-	-	0.11%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-		-	-	-	-
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	58.35%	0.28%	8.23%	-	-	0.11%
6	Equity instruments	-	-		-	-	-	-			-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-			-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-		-	-	
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20	Non-financial undertakings	-	-	-	-	-	-	-	-	-	83.43%	-	-	-	-	0.06%
21	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	83.43%	-	-	-	-	0.06%
23	Equity instruments	-	-		-	-	-	-			-	-		-	-	-
24	Households	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	36.36%
25	of which loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	32.78%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	-	-	-	-	-					-	-	-	-	-	-
28	Local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	Total GAR assets	-	-	-	-	-	-	-	-	-	36.47%	0.0003%	0.01%	-	-	91.52%

Template 5: KPI off-balance-sheet exposures

Template 5 presents eligible and aligned off-balance sheet exposures as a proportion of covered assets by Taxonomy environmental objective. The covered assets forming the denominator of each ratio is the respective off-balance sheet exposure relating to the Bank's assets under management, including exposures with both NFRD/CSRD and non-NFRD/CSRD counterparties while excluding exposures to central governments, central banks and supranational issuers.

In the case of assets under management which are funds, these are treated as non-NFRD/CSRD entities since the Bank does not look through to underlying investees regarding their status as NFRD/CSRD entities, given data limitations.

5. KPI off-balance sheet exposures (Turnover) (Stock) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	24.18%	5.54%	0.09%	0.54%	2.73%	0.04%	-	-	-	-	-	-	-	0.38%	-	-	-	0.43%	-	-	-	-	-	-	-	25.03%	5.54%	0.09%	0.54%	2.73%

5. KPI off-balance sheet exposures (Turnover) (Flow) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	29.42%	8.21%	0.12%	1.00%	4.03%	-	-	-	-	-	-	-	-	0.43%	-	-	-	0.93%	-	-	-	-	-	-	-	30.78%	8.21%	0.12%	1.00%	4.03%

5. KPI off-balance sheet exposures (CapEx) (Stock) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	31.86%	15.44%	0.09%	1.28%	8.76%	0.18%	-	-	-	-	-	-	-	0.49%	-	-	-	0.67%	-	-	-	-	-	-	-	33.20%	15.45%	0.09%	1.28%	8.76%

5. KPI off-balance sheet exposures (CapEx) (Flow) as at 31 December 2024

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
	% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	42.16%	22.16%	0.12%	2.26%	13.58%	0.05%	-	-	-	-	-	-	-	0.03%	-	-	-	0.14%	-	-	-	-	-	-	-	42.37%	22.16%	0.12%	2.26%	13.58%

5. KPI off-balance sheet exposures (Turnover) (Stock) as at 31 December 2023

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
		Disclosure reference date 2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
	% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	5.26%	4.84%	0.39%	0.03%	0.46%

5. KPI off-balance sheet exposures (Turnover) (Flow) as at 31 December 2023

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
		Disclosure reference date 2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
	% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	24.65%	3.70%	0.52%	0.27%	2.45%

5. KPI off-balance sheet exposures (CapEx) (Stock) as at 31 December 2023

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
		Disclosure reference date 2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
	% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	6.24%	2.50%	1.16%	0.12%	1.30%

5. KPI off-balance sheet exposures (CapEx) (Flow) as at 31 December 2023

		a	b	c	d	e	f	g	h	i	aa	ab	ac	ad	ae
		Disclosure reference date 2023													
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
	% (compared to total eligible off-balance sheet assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transi-tional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transi-tional	Of which enabling
1	Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	35.95%	5.05%	0.81%	1.09%	4.48%

EU Taxonomy templates - Annex XII

The following template is required to be disclosed by the Bank in terms of Annex XII of the Disclosures Delegated Act.

Template 1: Nuclear and fossil gas related activities

Template 1 indicates whether, or not, the Bank carries out, funds, or has exposures to the nuclear energy and fossil gas related activities referred to in rows 1-6 of such template.

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	YES
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	YES
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES

Template 2 Taxonomy-aligned economic activities (denominator) – Turnover - Stock

The following templates present the Bank's exposures to nuclear and gas activities 4.26 to 4.31, as defined in Annex XII of the Disclosures Delegated Act, covering Taxonomy aligned activities in the denominator in relation to assets under management. The templates have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	37,982	0.38%	37,777	0.38%	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	10	-	10	-	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	520,035	5.17%	519,807	5.17%	228	-
8	Total applicable KPI	10,061,949	100.00%	10,061,949	100.00%	10,061,949	100.00%

Template 2 Taxonomy-aligned economic activities (denominator) – CapEx - Stock

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	3,146	0.03%	3,146	0.03%	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	3,196	0.03%	3,196	0.03%	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	43,949	0.44%	43,745	0.43%	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	28,779	0.29%	28,779	0.29%	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	10,615	0.11%	10,615	0.11%	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1,464,970	14.56%	1,464,167	14.55%	803	0.01%
8	Total applicable KPI	10,061,949	100.00%	10,061,949	100.00%	10,061,949	100.00%

Template 3 Taxonomy-aligned economic activities (numerator) – Turnover - Stock

The following templates present the Bank's exposures to nuclear and gas activities 4.26 to 4.31, as defined in Annex XII of the Disclosures Delegated Act, covering Taxonomy aligned activities in the numerator in relation to assets under management. The templates have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	37,982	6.81%	37,777	6.78%	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	10	-	10	-	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	520,035	93.23%	519,807	93.22%	228	100.00%
8	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	557,822	100.00%	557,595	100.00%	228	100.00%

Template 3 Taxonomy-aligned economic activities (numerator) – CapEX - Stock

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	3,146	0.20%	3,146	0.20%	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	3,196	0.21%	3,196	0.21%	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	43,949	2.83%	43,745	2.82%	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPIa	28,779	1.85%	28,779	1.85%	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	10,615	0.68%	10,615	0.68%	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	1,464,970	94.24%	1,464,167	94.24%	803	100.00%
8	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	1,554,451	100.00%	1,553,648	100.00%	803	100.00%

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities – Turnover – Stock

The following templates present the Bank's exposures to nuclear and gas activities 4.26 to 4.31, as defined in Annex XII of the Disclosures Delegated Act, covering Taxonomy eligible but not Taxonomy aligned activities in the numerator in relation to assets under management. The templates have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		**CCM**		**CCA**	
Row	**Economic activities**	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2,374	0.01%	2,374	0.01%	-	-
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	325,298	0.78%	325,275	0.78%	-	-
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	49,755	0.12%	49,785	0.12%	-	-
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	42,156	0.10%	42,156	0.10%	-	-
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1,459,596	3.51%	1,455,887	3.50%	3,709	0.01%
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	1,879,187	4.52%	1,875,478	4.51%	3,709	0.01%

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities – CapEX – Stock

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		**CCM**		**CCA**	
Row	**Economic activities**	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1,472	-	1,472	-	-	-
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	261,375	0.63%	261,414	0.63%	-	-
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	97,033	0.23%	97,064	0.23%	-	-
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	78,606	0.19%	78,606	0.19%	-	-
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1,234,358	2.97%	1,217,013	2.93%	17,345	0.04%
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	1,672,914	4.03%	1,655,569	3.99%	17,345	0.04%

Template 5 Taxonomy non-eligible economic activities – Turnover – Stock

The following templates present the Bank's exposures to Taxonomy non-eligible nuclear and gas activities, as defined in Annex XII of the Disclosures Delegated Act. The templates have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	38,876	0.09%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	8,538	0.02%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	42	-
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	31,434,927	75.67%
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	31,482,382	75.78%

Template 5 Taxonomy non-eligible economic activities – CapEX – Stock

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	378	-
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	11,471	0.03%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	46	-
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	31,470,487	75.75%
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	31,482,382	75.78%

Template 2 Taxonomy-aligned economic activities (denominator) – Turnover – Flow

The following templates present the Bank's exposures to nuclear and gas activities 4.26 to 4.31, as defined in Annex XII of the Disclosures Delegated Act, covering Taxonomy aligned activities in the denominator in relation to assets under management. The templates have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	37,443	0.19%	37,341	0.19%	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	397,625	2.06%	397,708	2.06%	18.57	-
8	Total applicable KPI	19,334,997	100.00%	19,334,997	100.00%	19,334,997	100.00%

Template 2 Taxonomy-aligned economic activities (denominator) – CapEX – Flow

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	3,167	0.02%	3,167	0.02%	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	3,173	0.02%	3,173	0.02%	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	42,367	0.22%	42,266	0.22%	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	24,450	0.13%	24,450	0.13%	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	8,947	0.05%	8,947	0.05%	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/ 2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1,092,621	5.65%	1,092,531	5.65%	90.30	-
8	Total applicable KPI	19,334,997	100.00%	19,334,997	100.00%	19,334,997	100.00%

Template 3 Taxonomy-aligned economic activities (numerator) – Turnover – Flow

The following templates present the Bank's exposures to nuclear and gas activities 4.26 to 4.31, as defined in Annex XII of the Disclosures Delegated Act, covering Taxonomy aligned activities in the denominator in relation to assets under management. The templates have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	37,443	8.61%	37,341	8.58%	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	397,625	91.39%	397,708	91.42%	18.57	100.00%
8	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	435,068	100.00%	435,049	100.00%	18.57	100.00%

Template 3 Taxonomy-aligned economic activities (numerator) – CapEX – Flow

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	3,167	0.27%	3,167	0.27%	-	-
2	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	3,173	0.27%	3,173	0.27%	-	-
3	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	42,367	3.61%	42,266	3.60%	-	-
4	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	24,450	2.08%	24,450	2.08%	-	-
5	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	8,947	0.76%	8,947	0.76%	-	-
6	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/ 2139 in the numerator of the applicable KPI	-	-	-	-	-	-
7	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	1,092,520	93.01%	1,092,531	93.02%	90.30	100.00%
8	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	1,174,625	100.00%	1,174,534	100.00%	90.30	100.00%

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities – Turnover – Flow

The following templates present the Bank's exposures to nuclear and gas activities 4.26 to 4.31, as defined in Annex XII of the Disclosures Delegated Act, covering Taxonomy aligned activities in the denominator in relation to assets under management. The templates have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1,743	0.01%	1,743	0.01%	-	-
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	165,795	1.18%	165,795	1.18%	-	-
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	39,007	0.28%	39,007	0.28%	-	-
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	33,314	0.24%	33,314	0.24%	-	-
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	852,741	6.07%	852,741	6.07%	-	-
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	1,092,600	7.78%	1,092,600	7.78%	-	-

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities – CapEX – Flow

		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		CCM		CCA	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1,728	0.01%	1,728	0.01%	-	-
4	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	102,767	0.73%	102,771	0.73%	-	-
5	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	70,205	0.50%	70,205	0.50%	-	-
6	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	62,043	0.44%	62,043	0.44%	-	-
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	793,963	5.66%	791,627	5.64%	2,336	0.02%
8	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	1,030,710	7.34%	1,028,374	7.33%	2,336	0.02%

Template 5 Taxonomy non-eligible economic activities – Flow

The following templates present the Bank's exposures to nuclear and gas activities 4.26 to 4.31, as defined in Annex XII of the Disclosures Delegated Act, covering Taxonomy aligned activities in the denominator in relation to assets under management. The templates have been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the Bank's counterparties.

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4,764	0.03%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	21	-
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	5,999,758	42.74%
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	6,004,543	42.77%

Template 5 Taxonomy non-eligible economic activities – CapEX – Flow

Row	Economic activities	Amount	Percentage
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	66	-
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	4,595	0.03%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	21	-
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	5,999,862	42.74%
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	6,004,543	42.77%

Disclosure in respect of the Bank's subsidiary MaltaPost p.l.c.

The Bank's subsidiary MaltaPost p.l.c. ('MaltaPost') is subject to the NFRD and is therefore also subject to disclosure requirements emanating from the Disclosures Delegated Act as a Group in its own right.

The Group is required to disclose the share of its turnover, capital expenditure (CapEx) and operating expenditure (OpEx) for its non-financial subsidiaries, which are associated with the following, in accordance with the Disclosures Delegated Act.

- Taxonomy-eligible and Taxonomy-aligned economic activities in respect of climate-related environmental objectives; and
- Taxonomy-eligible economic activities in respect of non-climate environmental objectives.

Proportion of Taxonomy-eligible and Taxonomy-aligned economic activities in total turnover, CapEx and OpEx

	Total (€000)	Proportion of Taxonomy eligible (non-aligned) economic activities	Proportion of Taxonomy-aligned economic activities	Proportion of Taxonomy non-eligible economic activities
FY 2024				
Turnover	40,144	86%	0%	14%
CapEx	2,104	42%	0%	58%
OpEx	1,401	82%	0%	18%
FY 2023				
Turnover	39,610	86%	0%	14%
CapEx	1,844	42%	0%	58%
OpEx	1,141	82%	0%	18%

Taxonomy eligibility of turnover-generating activities

The Group has examined all economic activities which it carries out to determine which of these are Taxonomy eligible in accordance with Annexes I and II to the Climate Delegated Act and Annexes I to IV to the Environmental Delegated Act. The table below indicates the activities performed by the Group which have been identified as Taxonomy eligible and the environmental objective with which the activity may be associated. Given that none of the Group's economic activities in terms of turnover, CapEx, or OpEx are Taxonomy aligned, no further detail with respect to Taxonomy alignment is provided.

Taxonomy eligible activities were identified by extracting the total turnover, CapEx and OpEx required to be captured in the denominators of the respective KPIs and assessing the NACE code of the activities to which the amounts relate. The Group then assessed which of the identified NACE codes relate to activities included within the annexes to the Climate Delegated Act. For the identified eligible activities, the Group then began the process to assess them against the technical screening criteria.

Through the activities highlighted in the following table, the Group generates turnover, and may incur both CapEx and OpEx for such activities.

Economic activity	Description	Turnover (%)*	CapEx (%)*	OpEx (%)*	Environmental objective(s)
6.4 Operation of personal mobility devices, cycle logistics	Postal revenue earned through delivery of post on foot and by e-pedal cargo bikes	12%	0%	0%	CCM, CCA
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Postal revenue earned through delivery services by motorbikes, cars and light commercial vehicles including electric vehicle quadricycles	54%	41%	75%	CCM, CCA
6.15 Infrastructure enabling low-carbon road transport and public transport	Postal revenue earned through infrastructure and related activities in sorting centres and hubs essential to minimise the transport activities required	20%	0%	0%	CCM, CCA

*of the total turnover, CapEx and OpEx included in the denominator of the respective KPI.

The Group has developed a system to allocate the proportion of its postal turnover towards transport activities. This is based on transport modalities of postal beats, in the case of delivery services, where 14% of the Group's turnover attributable to its non-financial undertaking activities is allocated towards activity 6.4 'Operation of personal mobility devices, cycle logistics', and 63% towards activity 6.5 'Transport by motorbikes, passenger cars and light commercial vehicles'. In the case of sorting activities, this is based on the area of its property used for sorting as a proportion of total property area, where the remaining 23% of turnover attributable to Group non-financial undertaking activities is allocated towards activity 6.15 'Infrastructure enabling low-carbon road transport and public transport'.

Economic activities classified under activity 6.4 'Operation of personal mobility devices, cycle logistics' relate to on-foot deliveries and e-pedal cargo bikes, being two delivery methods used in the Group's Last Mile Delivery which are eligible under such activity.

Economic activities classified under activity 6.5 'Transport by motorbikes, passenger cars and light commercial vehicles' relate to motorcycles, delivery vans and light cargo electric vehicles (Micro Logistics Electric Vehicles), which are another three delivery methods used in the Group's Last Mile Delivery which are eligible under this activity. In this respect, the CapEx classified as Taxonomy eligible entails capital investments pertaining to the execution of such turnover-generating economic activity. Such CapEx relates to motor vehicle additions throughout the year, whilst OpEx in this respect pertains to direct non-capitalised costs incurred in the day-to-day servicing of such motor vehicles, namely running expenses relating to repair and maintenance, and short-term operating leases.

Economic activities classified under activity 6.15 'Infrastructure enabling low-carbon road transport and public transport' relate to infrastructure and related activities in the Group's sorting centre and hubs, which are considered essential to enable the efficient transport of letters, small packets and parcels, making it a driver in minimising the required transport activities in the postal business.

The Group also operates four heavy vehicles in scope of activity 6.6 'Freight transport services by road', however these are considered not to directly contribute to turnover generation.

The Group assessed its turnover-generating economic activities in light of the Environmental Delegated Act, however, none are currently deemed to be eligible in this respect.

Whilst the Group currently assesses its operating activities in accordance with activities classified under section 6 'Transport' of the Climate Delegated Act, PostEurop, the trade association that represents European public postal operators, submitted a position paper on the EU Taxonomy in September 2022 recommending that the postal sector be captured under a specific sector, as opposed to 'Transport'. Therefore, in the future, should the Climate Delegated Act be amended in light of such a proposal, the Group will re-assess the Taxonomy eligibility of its turnover-generating activities.

Other turnover-generating activities classified as Taxonomy non-eligible

The Group's Taxonomy non-eligible economic activities include warehousing services, document management services, philatelic activities, retail sale of stamps, non-postal stationery and provision of non-postal services.

Taxonomy eligibility of investment activities not directly related to turnover-generating activities

Further to the activities from which the Group generates turnover, and generally incurs both CapEx and OpEx, it also engages in investment activities not directly related to its turnover-generating activities as highlighted in the following table.

Economic activity	Description	CapEx (%)*	OpEx (%)*	Environmental objective(s)
7.7 Acquisition and ownership of buildings	Additions to leased property	1%	7%	CCM, CCA

*of the total CapEx and OpEx included in the denominator of the respective KPI.

Economic activities classified under activity '7.7 Acquisition and ownership of buildings' relate to additions to leased property.

The Group assessed its investment activities not directly related to turnover-generating economic activities in light of the Environmental Delegated Act, however, none are currently deemed to be eligible in this respect.

Consolidated group-level KPI on Taxonomy aligned activities in the form of a weighted average KPI

The Group discloses a weighted average KPI of its financial and non-financial activities as required by FAQ7 in the afore-mentioned Draft Commission Notice. The Group's weighted average turnover-based KPI is 0.05% while its weighted average CapEx-based KPI is 0.10%.

Signed on behalf of the Bank's Board of Directors on 16 April 2025 by Michael C. Bonello (Chairman) and Joseph Said (Director and Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2024.

Michael C. Bonello
Chairman

Joseph Said
Director and Chief Executive Officer

A. Introduction

In terms of the Capital Markets Rules of the Malta Financial Services Authority (Rule 5.94), Lombard Bank Malta p.l.c. (the 'Bank'), as a company having its securities admitted to trading on a regulated market, is obliged to report on the extent to which it has adopted the 'Code of Principles of Good Corporate Governance' (the 'Principles') embodied in Appendix 5.1 to Chapter 5 of the same Capital Markets Rules, as well as the measures which have been taken by the Bank to ensure compliance with these Principles.

While the Principles are not mandatory, the Board of Directors of the Bank has endeavoured to ensure that they are upheld to the fullest extent possible, and this while acknowledging that good corporate governance is indeed beneficial to all the Bank's stakeholders. The instances in which the Bank has departed from the Principles are explained below under Section C - 'Non-Compliance with the Code'.

After having carried out a review of the extent to which the Bank has been compliant with the Principles throughout the financial year ended 31 December 2024, the Board of Directors, in terms of Capital Markets Rule 5.97, presents its report as follows:

B. Compliance with the Code

Principle 1: The Board

As at 31 December 2024, the Board of Directors of the Bank consisted of six (6) Directors, five (5) of whom being non-executive Directors together with the Chief Executive Officer of the Bank being also a Director.

With effect from 13 March 2024, Graham A. Fairclough resigned from his position as non-executive director subsequent to which, the Board of Directors co-opted Aldo-Joseph Giordano as non-executive director with regulatory approval being received and him being subsequently reappointed during the 2024 Annual General Meeting. The Directors, individually and collectively, are considered fit and proper to direct the business of the Bank, having the necessary skills and experience to be able to do so.

In order to assist it in the execution of its duties and responsibilities, the Board of Directors has set up a number of committees and these include the Audit & Risk Committee, the Assets & Liabilities Committee, the Credit Committee and the Suitabilities & Evaluations Committee, all of which are regulated by their own Terms of Reference as approved and periodically reviewed by the Board.

Principle 2: Chairman and Chief Executive Officer

Different individuals occupy the positions of Chairman and Chief Executive Officer. A clear division of responsibilities exists between the Chairman's responsibility for the running of the Board of Directors and the Chief Executive Officer's responsibility for the running and managing of the Bank's business. This separation of roles of the Chairman and Chief Executive Officer avoids concentration of power, authority and unfettered discretion in one individual alone and differentiates leadership of the Board from the running of the Bank's business.

The Chairman's responsibilities, *inter alia*, include: (i) leading the Board and helping it reach its full potential, particularly by facilitating the effective contribution of Directors and encouraging discussion; (ii) setting of the Agenda for Board meetings; (iii) ensuring that the Directors receive precise, timely and objective information so that they can make sound decisions and effectively monitor the performance of the Bank; (iv) ensuring that all strategic and policy issues are appropriately discussed and formally approved; and (v) maintaining effective communication with the Bank's shareholders at all times. As stated below, the Chairman meets the independence criteria set out in the Principles.

The Board of Directors appoints the Chief Executive Officer. The Chief Executive Officer is responsible for managing the day-to-day business of the Bank in conformity with the agreed plans, policies and strategies approved by the Board. The Board of Directors also appointed two Deputy Chief Executive Officers, who support the Chief Executive Officer in the exercise of his duties while also leading the Credit and Operations functions respectively.

Principle 3: Composition of the Board

The following Directors served on the Board during the period under review:

Michael C. Bonello
John Bonello
Graham A. Fairclough*
Aldo-Joseph Giordano*
Kimon Palamidis
Peter Perotti
Joseph Said

* *Graham A. Fairclough resigned from his position as non-executive director with effect from 13 March 2024, subsequent to which the Board of Directors co-opted Aldo-Joseph Giordano as non-executive director, with regulatory approval being received on 21 May 2024. He was subsequently reappointed during the 2024 Annual General Meeting.*

All Board members are Non-Executive Directors who are not engaged in the daily management of the Bank, with the exception of Joseph Said who is also Chief Executive Officer of the Bank. Furthermore, the Board considers Michael C. Bonello, John Bonello, Aldo-Joseph Giordano, Kimon Palamidis and Peter Perotti as independent Directors. Kimon Palamidis is still considered to be independent despite the fact that he has served on the Board for more than twelve consecutive years. In determining the independence of its members, the Board takes into consideration the relevant criteria and Principles as well as what are generally considered sound, acceptable standards. All Non-Executive Directors have declared in writing to the Board that they undertake:

- to maintain in all circumstances their independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising their independence; and
- to clearly express their opposition in the event that they find that a decision of the Board may harm the Bank.

It is considered that, in the current circumstances in which the Bank is operating, the size of the Board is sufficient for the requirements of the business and that the balance of skills and experience therein is appropriate to properly enable the Board to carry out its duties and responsibilities. This is considered so also taking into account, *inter alia*, the Bank's simple model and the principle of proportionality, based on the Bank's size and the nature, scale and complexity of its activities and products. Should the necessity arise to supplement the skills of its members, the Board has at its disposal the facility to appoint any external consultants to provide assistance and advice so as to further enhance the Board's oversight functions.

The composition and election of the Board of Directors is determined by the Bank's Articles of Association wherein it is established that it is the shareholders who must appoint Directors to serve on the Board. Within these parameters, options for further strengthening the Board are always considered. In addition, however, the Bank, by virtue of the Board-appointed Suitabilities & Evaluations Committee, carries out suitability assessments of its existing Directors and any new nominated Directors in order to ensure that the suitability, fit and proper criteria are observed, pursuant to all applicable laws, rules, regulations, guidelines etc.

The overall composition of the Board and the collective knowledge, skills and experience required are evaluated during individual suitability assessments and collective suitability assessments so as to ensure that the Board is effectively discharging all its duties and obligations at all times.

The appointment of Directors to the Board is a matter that is reserved entirely to the Bank's shareholders in terms of the Memorandum and Articles of Association. Therefore diversity, to an extent, depends on the profiles of nominees proposed and their suitability in terms of applicable laws, rules, regulations, guidelines, etc. The benefits of diversity, including that in educational and professional backgrounds, age, gender, experience and geographical provenance would be considered by the Suitability and Evaluations Committee in its assessment of suitability of any nominees.

During 2024, the Bank further formalised its succession policy for directors (apart from senior management and heads of internal control functions) into a consolidated document – Succession Policy for the Board of Directors & Key Function Holders - which seeks to ensure continuity of the roles by having in place the processes for orderly and planned succession. While the right to appoint the Bank's Directors is vested in the shareholders, this Policy serves to set out the best efforts to be in place in order to advise and support shareholders in the process, subject to the parameters of applicable laws, rules, regulations etc., and the Bank's Memorandum and Articles of Association and to consider appropriate succession planning that is consistent with all legal requirements regarding composition, appointment or succession of the Board of Directors.

The Board considers that as a policy and as reflected in its Board of Directors' Charter, and its Succession Policy for the Board of Directors and Key Function Holders, it endeavours to have a varied board, particularly in terms of diverse educational and professional backgrounds and extensive and specialised experience of its members. The Board is confident that for this reason, also taking into account proportionality and the Bank's size and the nature, scale and complexity of its activities and products, it benefits from a satisfactory diversity of skills, knowledge and experience. This allows for a good understanding of current affairs, the Bank's activities, business model, strategy and associated risks, applicable regulatory framework and the environment in which the Bank operates and longer-term risks and opportunities related to the Bank's business. It also benefits from international expertise. The Board also seeks to supplement and enhance its skillset for further effective oversight of certain specialised areas by the engagement of external advisors for matters such as information and communication technology and security.

The Board is cognisant of the fact that the appropriate mix of Board Members ensures diverse perspectives, experience and knowledge. It continues to remain committed to achieving further diversity among its members particularly in terms of age, geographical provenance, gender, experience, educational and professional backgrounds.

Principle 4: The Responsibility of the Board

In pursuing the execution of the four basic roles of corporate governance, namely, accountability, monitoring, strategy formulation and policy development, the Board of Directors, having the first level of responsibility for such execution, inter alia:

- regularly reviews and evaluates corporate strategy, major operational and financial plans, risk management policies, performance objectives and monitors implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice;
- applies high ethical standards and takes into account the interests of stakeholders and acts responsibly and with integrity and on a fully informed basis, in good faith, with due diligence and in the best interests of the Bank and its shareholders;
- recognises that the Bank's success depends upon its relationship with all groups of its stakeholders, including employees, suppliers, customers and the wider community in which the Bank operates;
- monitors effectively the application and implementation by Management of its policies and strategy;
- recognises and supports enterprise and innovation within Management and examines how best to motivate the Bank's Management;
- seeks to establish an effective decision-making process in order to develop the Bank's business efficiently; and
- ensures that a balance is struck between enterprise and control in the Bank.

Furthermore, the Board of Directors, inter alia:

- defines in clear and concise terms the Bank's strategy, policies, management performance criteria and business policies and effectively monitors the implementation of such by Management;
- establishes a clear internal and external reporting system so that the Board has continuous access to accurate, relevant and timely information;
- has appointed Committees, including the Audit & Risk Committee, Credit Committee, Assets & Liabilities Committee and Suitabilities & Evaluations Committee;
- continuously assesses and monitors the present and future operations' opportunities, threats and risks;
- evaluates the Management's implementation of corporate strategy and financial objectives;
- ensures that the Bank has appropriate policies and procedures in place to assure that the Bank and its staff members maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards;
- ensures that the financial statements of the Bank and the annual audit thereof are completed within the stipulated time periods; and
- requires Management to constantly monitor performance and report fully and accurately to the Board.

Furthermore, Directors keep themselves updated on an ongoing basis of their statutory and fiduciary duties, the Bank's operations and prospects, the general business environment and skills and competences of Senior Management. The expectations of the Board are also discussed regularly.

As stated earlier, during 2024, the Bank further formalised its succession policy for directors (apart from senior management and heads of internal control functions) into a consolidated document – Succession Policy for the Board of Directors & Key Function

Holders - which seeks to ensure continuity of the roles by having in place the processes for orderly and planned succession. The Bank's Suitability & Evaluations Committee oversees the implementation and maintenance of this Policy, although the Chairman and Board of Directors continue to remain ultimately responsible.

Principle 5: Board Meetings

The Board convened nine (9) times during the period under review with attendance of the Directors as follows:

Michael C. Bonello	9
John Bonello	9
Graham A. Fairclough	1*
Aldo-Joseph Giordano	7**
Kimon Palamidis	8
Peter Perotti	9
Joseph Said	9

* *Graham A. Fairclough resigned from his position as non-executive director with effect from 13 March 2024 subsequent to which the Board of Directors co-opted Aldo-Joseph Giordano as non-executive director.*

** *Aldo-Joseph Giordano was appointed as a non-executive Director of the Bank upon receipt of regulatory approval on 21 May 2024 and was re-appointed by the Bank's Shareholders at the Bank's 2024 Annual General Meeting.*

The dates when the Board meetings are scheduled to be held are determined prior to the beginning of the year in question. When required, further meetings are scheduled.

Ahead of Board meetings an agenda and supporting documentation are made available to all Directors. Other than in the case of meetings specially convened to discuss particular matters, generally the agendas of regular Board meetings set out items of a long-term strategic nature, as well as performance-related issues, together with credit applications which fall within the discretionary limits of the Board and regular updates from the various functions of the Bank including the internal control functions. The continuously increasing regulatory requirements also demand that agendas include several compliance and risk-related matters. During meetings, Directors are encouraged to present their views pertinent to the subject matter and are given every opportunity to contribute to the relevant issues on the agenda and to challenge each other and Management as necessary. Following each meeting, minutes which record attendance as well as all decisions taken are circulated to all Board members.

Principle 6: Information and Professional Development

Each newly appointed Member of the Board is briefed by the Chief Executive Officer, Senior Management officials, Heads of Internal Control Functions and any other staff members as necessary, on all aspects of the Bank's business and functions, while the Company Secretary provides each newly appointed Director with relevant corporate governance information.

Board members are reminded that the Company Secretary is at their disposal to provide any advice or assistance that may be required in the discharge of their duties and responsibilities. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters. The Secretary is responsible for ensuring that Board procedures are complied with as well as that effective information flows within the Board, its committees and with Senior Management. The Secretary also facilitates induction and assists with professional development, as required.

Directors are given the opportunity to update and develop their skills and knowledge, particularly through detailed presentations, briefings and training by senior executives and other relevant Bank officials. They are invited to attend training sessions organised specifically for the Board and are also informed of and encouraged to attend externally run seminars throughout their directorship.

Furthermore, Directors have access to the advice and services of any advisors and also the External Auditors. The External Auditors are invited to attend all Audit & Risk Committee meetings as well as Board meetings when required.

The Board continues to be mindful of the crucial importance of recruiting, retaining and motivating quality management. The ongoing training and development of staff at all levels is considered of the utmost importance and this also in the light of the need for orderly succession.

Principle 7: Evaluation of the Board's Performance

An assessment exercise of the Board's performance was carried out through a 'self-evaluation' questionnaire in which Board members participated. Furthermore, assessment exercises of performance of the committees were also carried out by virtue of 'self-evaluation' questionnaires completed by the members and some regular attendees of the Audit & Risk Committee, the Assets & Liabilities Committee and the Credit Committee. These exercises also included an evaluation of the Chairman of each respective Committee. These 'self-evaluation' questionnaires were then analysed by the Suitabilities & Evaluations Committee established by the Board to report to the Board accordingly. This exercise did not reveal the need for any material changes in the Bank's governance structures and organisation.

Principle 8: Committees

The Board has appointed the following committees:

Audit & Risk Committee

The primary purpose of the Audit & Risk Committee is to further safeguard the interests of the Bank's shareholders and to assist the Directors in conducting their role effectively so that the Bank's decision-making capability, oversight of internal control functions and the accuracy of its reporting and financial results are maintained at a high level at all times. The Committee assists the Board in fulfilling its supervisory and monitoring responsibility for effective financial reporting, risk management, control and governance and this by, *inter alia*, reviewing any financial information, statements and disclosures to be issued, systems of governance, systems of internal control established by Management and the Board, the risk management processes, the external and internal audit processes as well as the compliance processes.

The Audit & Risk Committee met seven (7) times during the period under review.

The Committee reviews the Bank's financials regularly with the Chief Financial Officer attending meetings and explaining the Bank's position as required. All financial results are reviewed by the Committee and any recommendations for approval by the Board put forward.

With respect to Risk Management, the Committee, inter alia, reviews reports from the Risk Management Function which enable the Committee (and the Board) to consider the process of risk identification and management, to assess the risks involved in the Bank's business and to understand how they are controlled and monitored by Management. The Committee also makes recommendations to the Board on the Bank's overall current and future risk appetite and strategy and assists the Board in overseeing the implementation of that strategy by Management. Compliance Risk being one of the Bank's main risks is also overseen by virtue of regular reporting to the Committee by both the regulatory compliance and financial crime compliance functions.

The Committee also oversees the Internal Audit Function by, inter alia, reviewing internal audit reports and overseeing the drawing up and implementation of the Audit Plan ensuring that it considers effectively the areas set out in the Audit Universe. In this manner, the Audit & Risk Committee oversees the effectiveness of the Bank's internal controls.

During the year under review, the Audit & Risk Committee was composed of four (4) non-executive Board members at any one time: Michael C. Bonello, Graham A. Fairclough / Aldo-Joseph Giordano, Kimon Palamidis and Peter Perotti in accordance with the Audit & Risk Committee's Terms of Reference. As stated earlier, Graham A. Fairclough resigned from his position as non-executive director with effect from 13 March 2024 and was replaced by Aldo-Joseph Giordano upon receipt of the relative regulatory approval.

Kimon Palamidis is the Chairman of this Committee and is considered by the Board to be independent as explained earlier on in this statement. Together with other independent members, he is also competent in accounting and / or auditing in terms of the Capital Markets Rules. The Bank's Head of Internal Audit and Chief Risk Officer attend meetings of the Audit & Risk Committee. The Bank's External Auditors and members of Senior Management and others, including, *inter alia*, the Chief Executive Officer, the two Deputy Chief Executive Officers, the Chief Financial Officer, and the Compliance Officer and Money Laundering Reporting Officer, are also invited to attend meetings for certain agenda items or discussions as is deemed necessary by the Committee. The Company Secretary acts as Secretary to the Audit & Risk Committee.

Assets & Liabilities Committee (ALCO)

Membership of this Committee is made up of a number of Chief Officers and senior officers, including from the Finance and Treasury departments and the Corporate Advisory & Research and Asset and Fund Management functions. The Chief Executive Officer chairs the ALCO whose main objective is to manage risks within approved limits at the same time as maximising returns by efficient and judicious management of the Bank's assets and liabilities. The Chief Risk Officer is also invited to attend meetings. A Secretary is appointed by the Committee.

Credit Committee

The Credit Committee is responsible for considering and approving credit applications within delegated limits of authority. It is composed of a number of Chief Officers and senior officers. The Chief Executive Officer chairs this Committee and a Secretary is appointed by the Committee.

Suitabilities & Evaluations Committee

This Committee is responsible for carrying out suitability assessments of nominated and existing Directors, Key Function holders or any other persons as may be required and also assesses the Board's annual performance and that of its committees following the completion of the self-evaluations by the Board and committee members. The Chairman of the Committee, Peter Perotti, is an independent non-executive Director and Committee member and the Company Secretary acts as Secretary.

Remuneration Committee

The functions of the Remuneration Committee are carried out by the Suitabilities & Evaluations Committee, as delegated by the Board from time to time as well as the Board of Directors in view of the fact that the remuneration of Directors for the holding of their office on the Board is not performance-related.

A separate 'Remuneration Report' features on page 62 of this Annual Report in compliance with the Principles.

Principle 9 and 10: Relations with Shareholders and Markets and Institutional Shareholders

The Bank fully appreciates the importance of maintaining open lines of communication with shareholders, the markets and institutional shareholders. The Board, in this regard, considers that throughout the period under review the Bank has continued to communicate appropriately by means of regular company announcements and press releases.

The Bank also communicates with its shareholders with respect to its General Meetings. The documentation relative to General Meetings is sent to all shareholders at least twenty-one (21) days prior to the holding of the Meeting.

The Bank's website (www.lombardmalta.com), contains information about the Bank and its business and is updated regularly.

It is therefore the Bank's policy:

- to publish information that can have a significant effect on the Bank's share price through the Malta Stock Exchange and on the Bank's website;
- to make other published information available to the public on the Bank's website;
- to strive for open, transparent communications;
- to ensure continuity and high quality in the information disclosed; and
- to be accessible to all stakeholders.

Minority shareholders are entitled to call special meetings should a minimum threshold of share ownership be established in accordance with the Bank's Memorandum and Articles of Association. Furthermore, minority shareholders may formally present an issue to the Board if they own the predefined minimum threshold of shares.

Principle 11: Conflicts of Interest

The Board of Directors recognises that its members have a primary responsibility to always act in the interest of the Bank and its shareholders as a whole, irrespective of who appointed them to the Board.

Strict policies are in place, particularly in the Board of Directors' Charter, to enable the management of conflict of interest, both actual as well as potential, should the occasion arise.

In addition, the Bank's Policy on the Prevention of Market Abuse was adopted and implemented in conformity with Market Abuse laws and regulations. Directors and staff members are also regularly reminded of their obligations when dealing in securities of the Bank and other scheduled financial instruments.

Joseph Said, who is a Director of the Bank, holds a directorship in two companies that have a shareholding in the Group, as disclosed in the Directors' Report.

Principle 12: Corporate Social Responsibility

The Bank is well aware of the need to adhere to accepted principles of corporate social responsibility and in this regard remains fully committed to conducting its activities ethically at all times. It consistently seeks to contribute to economic and social development while also improving the quality of life of its staff members and their families. These principles also include matters concerning data privacy and protection, diversity and inclusion, talent management, customer relations, innovation, community and staff engagement as well as responsible lending.

The Bank implements these principles of corporate social responsibility through strong governance and risk management practices.

It extends support to various initiatives and projects together with direct community involvement. The Bank is also sensitive to the fact that success in these areas requires investment in the community, customers and staff members while not overlooking the impact that its activities may have on the environment.

C. Non-Compliance with the Code

Principle 8a: (Remuneration Committee)

The Board did not establish a Remuneration Committee as specified in Code Provision 8.A.1. In terms of Code Provision 8.A.2 of the Principles, given that the remuneration of Directors for the holding of their office on the Board is not performance-related, the functions of the Remuneration Committee are carried out by the Board of Directors. Furthermore, the Board of Directors, as it deems necessary, delegates certain matters regarding remuneration to the Suitabilities & Evaluations Committee referred to above.

Principle 8b: (Nomination Committee)

A Nomination Committee has not been set up since the appointment of Directors to the Board is a matter that is reserved entirely to the Bank's shareholders in terms of the Memorandum and Articles of Association.

In this connection every member of the Bank holding in the aggregate at least fifteen percent (15%) of the ordinary issued share capital of the Bank shall be entitled to appoint one (1) Director for each and every fifteen percent (15%) of the ordinary issued share capital owned by that member.

Any fractional shareholding in excess of fifteen percent (15%) not applied in appointing such a Director or Directors, and only that fraction, shall be entitled to vote in the election of the remaining Directors together with the remaining body of shareholders. These are entitled to appoint the remaining Board members in accordance with the provisions of the Bank's statute.

This notwithstanding, in light of regulatory requirements, the Suitabilities & Evaluations Committee referred to above was set up specifically to carry out suitability assessments of nominated and existing Directors, key function holders or any other persons as may be required and also to assess the Board's annual performance and that of its committees. This Committee remains guided by applicable laws, rules, regulations and guidelines. This Committee is also tasked with implementing the Bank's Succession Policy for the Board of Directors and Key Function Holders.

Principle 9: (Code Provision 9.3)

There are no procedures disclosed in the Bank's Memorandum or Articles as recommended in Code Provision 9.3 to resolve conflicts between minority shareholders and controlling shareholders.

D. Internal Control (Capital Markets Rule 5.97.4)

The Board is ultimately responsible for the Bank's internal controls as well as their effectiveness, while authority to operate the Bank is delegated to the Chief Executive Officer. The Bank's system of internal controls is designed to manage all the risks in the most appropriate manner. Such controls, however, cannot completely eliminate the possibility of material error or fraud. The Board, therefore, assumes responsibility for executing the four basic roles of corporate governance, i.e. accountability, monitoring, strategy formulation and policy development.

In summary, the Board is therefore responsible for:

- reviewing the Bank's strategy on an ongoing basis as well as setting the appropriate business objectives in order to enhance value for all stakeholders;
- appointing and monitoring the Chief Executive Officer whose function it is to manage the operations of the Bank; and
- identifying and ensuring that significant risks are managed satisfactorily.

Given the fiduciary responsibility involved, the Board of Directors also sets high business and ethical standards for adoption right across the organisation.

The Board upholds a policy of clear demarcation between its role and responsibilities and those of Management. It has defined the level of authority that it retains over strategy formulation and policy determination together with delegated authority and has vested accountability for the Bank's day-to-day business in the Assets & Liabilities Committee, Credit Committee and in the management team comprising of the:

- Chief Executive Officer;
- Deputy Chief Executive Officers; and
- Chief Officers and other officers.

The Board frequently participates in asset allocation decisions as well as credit proposals above a certain threshold, after the appropriate recommendations have been made.

The Bank's internal control framework covering all the Bank's activities ensures:

- effective and efficient operations and prudent conduct of business;
- proper risk management;
- reliable financial and non-financial information; and

- compliance with all internal policies, processes and procedures, laws, rules and regulations.

To this effect, a three-lines-of-defence model has been adopted by the Bank as follows:

- *First line of defence - Business Units / Operations*: This is provided by front line staff members and business unit management. The internal controls and systems, the culture and control environment developed and implemented by these business units play a vital role in anticipating and managing operational risks.
- *Second line of defence - Risk Management & Compliance*: The Bank maintains permanent and effective compliance and risk management functions which report directly to the Audit & Risk Committee and Board of Directors. The Compliance Function identifies, assesses and manages compliance risk. The Risk Management Function is responsible for overseeing the Bank's activities and for identifying, monitoring, controlling and reporting such risk. Through the Bank's Risk Management Framework, an appropriate balance is struck between sound practices and profitability, by applying strict internal controls and discretionary limits, and optimising the returns thereof, in line with the Bank's risk appetite.
- *Third line of defence - Internal Audit*: This is an integral part of the Bank's control environment and provides Management and the Audit & Risk Committee and Board of Directors with an independent and objective review of the Bank's business activities and support functions.

E. General meetings (Capital Markets Rule 5.97.6)

General meetings are called by giving at least twenty-one (21) days' notice and conducted in accordance with the provisions contained in the Bank's Articles of Association.

The 'Ordinary Business' which is dealt with at the Annual General Meeting consists of the adoption of the annual financial statements, declaration of a dividend, appointment of Board members, appointment of auditors and the fixing of their remuneration together with the voting of remuneration to the Directors for the holding of their office. All other business shall be deemed 'Special Business'.

All shareholders registered in the shareholders' register on record date as defined in the Capital Markets Rules have the right to attend, participate and vote in the general meeting.

A shareholder or shareholders holding not less than five per cent (5%) of the voting issued share capital of the Bank may: (i) request the Bank to include items on the agenda and; (ii) table draft resolutions for items included in the agenda of a general meeting. Such requests shall be submitted to the Bank at least forty-six (46) days before the date set for the general meeting.

Every shareholder shall be entitled to appoint only one (1) person to act as proxy holder to attend and vote at a general meeting instead of him. The proxy holder shall enjoy the same rights to speak and ask questions in the general meeting as those to which the member thus represented would be entitled.

Signed on behalf of the Bank's Board of Directors on 16 April 2025 by Michael C. Bonello (Chairman) and Joseph Said (Director and Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2024.

Michael C. Bonello
Chairman

Joseph Said
Director and Chief Executive Officer

As indicated in the 'Statement of Compliance with the Code of Principles of Good Corporate Governance', in terms of the 'Code of Principles of Good Corporate Governance' within the Capital Markets Rules issued by the Malta Financial Services Authority, the Board of Directors performs the functions of a Remuneration Committee on the basis that the remuneration of the Bank's Directors for the holding of their office on the Board, is not performance-related and does not include share options, pension benefits, profit-sharing arrangements or any emolument related to the performance of the Bank. Among the obligations established in the Capital Markets Rules, the Board, where applicable, carries out the main duties established in the Supporting Principles enshrined in Principle 8A of the 'Code of Principles of Good Corporate Governance'. This Remuneration Report was approved by the Board of Directors at the Board Meeting held on 16 April 2025.

Directors

The Bank's Remuneration Policy for Directors is drawn up in terms of the Capital Markets Rule 12.26A et seq and sets out the Bank's remuneration policy with respect to its Directors, Chief Executive Officer and Deputy Chief Executive Officers with their remuneration being paid in accordance with the same. During 2023, this Policy was revised as approved by the Annual General Meeting on 22 June 2023 (Refer to https://www.lombardmalta.com/annual-general-meeting-2023).

This Policy is reviewed by the Board on an annual basis and, in terms of the Capital Markets Rules, shall be put to a vote by the General Meeting at every material change and, in any case, at least every four years. No changes are being proposed for approval at the 2025 Annual General Meeting.

In terms of the Bank's Memorandum and Articles of Association, the Bank's shareholders determine the maximum annual aggregate remuneration of the Directors. The maximum amount is established by resolution at each Annual General Meeting of the Bank. The aggregate amount fixed for this purpose during the 2024 Annual General Meeting was one hundred and twenty thousand euro (€120,000).

As per policy, members of the Board, in their role as directors, only receive a fixed fee, the amount of which is determined on the basis of market practice as well as the Bank's size and internal organisation and the nature, scale and complexity of its activities and business model.

The fees paid to Directors for the holding of their office during 2024 amounted to €102,173 (2023: €92,794). This amount is within the limit of €120,000 approved by the Annual General Meeting of 27 June 2024.

It is confirmed that none of the Directors in their role as directors of the Bank are entitled to profit-sharing, share options, pension benefits, variable remuneration, any other remuneration or related payments. Only one of the Directors has a service contract with the Bank, which Director is the only Executive Director and is the CEO Joseph Said.

In terms of Code Provisions 8.A.5 of the Malta Financial Services Authority Capital Markets Rules, the total emoluments received by Directors relative to their directorship for the financial year 2024, as compared to 2023 and 2022, are specified below:

	€ 2024	**€ 2023**	**€ 2022**
Michael C. Bonello (Chairman)	30,000	30,000	30,000
John Bonello*	15,000	2,794	N/A
Graham A. Fairclough**	3,058	15,000	15,000
Aldo-Jospeh Giordano***	9,115	N/A	N/A
Joseph Said	15,000	15,000	15,000
Peter Perotti	15,000	15,000	10,673
Kimon Palamidis	15,000	15,000	15,000
Total	**102,173**	**92,794**	**85,673**

** John Bonello was appointed as a non-executive director of the Bank with effect from 23 October 2023.*
*** Graham A. Fairclough resigned from his position as non-executive director with effect from 13 March 2024.*
**** Aldo-Joseph Giordano was appointed as a non-executive director of the Bank with effect from 21 May 2024.*

In determining the remuneration of the CEO and Deputy CEOs, the Board of Directors considers factors which include among others, professional qualifications, experience, initiative, acumen, number of years of service, the design and implementation of the overall business strategy, objectives and risk appetite at Bank as well as Group level. The remuneration of the CEO and Deputy CEOs is fixed with no variable remuneration other than a discretionary annual bonus which may be awarded as set out in the above-mentioned Policy.

The CEO and Deputy CEOs are also entitled to the use of a company car, health insurance and telecommunication allowance.

In a previous financial year, the Bank had decided to grant the CEO an ex-gratia gratuity upon his eventual retirement, which amount was fully provided for and reflected in the financial statements of previous years.

In terms of Code Provision 8.A.5 of the Capital Markets Rules, during financial year 2024, the total emoluments received from the Group by the Executive Director amounted to €400,513 (2023: €385,513; 2022: €362,718), split as follows:

	€	€	€
	2024	**2023**	**2022**
Gross annual, fixed salary & fixed role-based allowances	367,513	352,513	330,718
Director Fees - Lombard Bank Malta p.l.c.	15,000	15,000	15,000
Chairman / Director Fees MaltaPost p.l.c.	18,000	18,000	17,000

Further remuneration for 2024 received by two Non-Executive Directors from other companies within the Group amounted to €14,445, split as follows:

	€	€	€
	2024	**2023**	**2022**
Director Fees - MaltaPost p.l.c.	1,681	8,850	7,100
Company Secretary Fees - MaltaPost p.l.c.	791	4,000	4,000
Director Fees - Lombard Select SICAV p.l.c.	1,973	10,000	10,000

	€	€	€
	2024	**2023**	**2022**
Director Fees - Lombard Select SICAV p.l.c.	10,000	10,000	10,000

There is no formal provision for the reclamation of variable remuneration.

During the financial year 2024, the total emoluments received by the Deputy Chief Executive Officers, from the Group amounted to €369,984 split as follows:

	€	€	€
	2024	**2023**	**2022**
Gross annual & fixed salary	179,113	99,924*	N/A
Director Fees – MaltaPost p.l.c.	3,258**	N/A	N/A

	€	€	€
	2024	**2023**	**2022**
Gross annual & fixed salary	179,113	99,924*	N/A
Director Fees – MaltaPost p.l.c.	8,500	8,850	N/A

** From date of appointment on the 1 April 2023.*
*** From date of appointment on the 14 August 2024.*

The above remuneration levels for 2024 comply with the provisions of the approved Remuneration Policy for Directors and take into consideration the interests of all the Bank's stakeholders together with the external context and there were no deviations from the procedure for the implementation of the said Policy.

Senior Management

Senior Management for the purposes of this section of the Remuneration Report, refers to the Chief Officers of the Bank, excluding the Chief Executive Officer and Deputy Chief Executive Officers.

The Board of Directors is satisfied that the packages offered to Senior Management continue to ensure that the Bank attracts and retains management staff with the necessary qualities and skills. The Bank's policy remains that of engaging its Senior Management staff on the basis of indefinite contracts of employment, and this after a period of probation. The terms and conditions of employment of Senior Management are established in the relative employment contracts. The applicable notice period, after probation, is that provided for in the relevant legislation.

Share options, share incentive schemes and profit sharing do not feature in the Bank's Remuneration Policy, and the individual contracts of employment of Senior Management do not contain provisions for termination payments and / or other payments linked to early termination other than as determined by the law.

From time to time the Board of Directors of the Bank approves the allocation of a financial contribution towards retirement gratuities that it may decide to grant and contribute towards a staff pension fund that may be formally established in the future. Gratuities that it may make, on an ex-gratia basis, to its employees are made accordingly. Amounts contributed for this purpose in respect of 2024 amounted to €100,000 (2023: €100,000). Once contributed, these amounts are held in a separate bank account which is not controlled by the Bank and is therefore not included in the Bank's financial statements. Amounts intended as a contribution to an eventual pension fund will be regulated by rules yet to be determined in light of relevant legislation. No other pension benefits are currently payable by the Bank.

Senior Management staff are eligible for annual salary increases, which are not directly performance-related. The remuneration of Senior Management staff members is determined also by the role, responsibilities covered, market practice, seniority, experience and qualifications. Annual bonuses are paid to Senior Management staff members according to individual overall performance during the previous financial year. Bonus payments do not exceed 100% of the fixed component of the total remuneration for each individual.

Non-cash benefits include private health care insurance as well as death-in-service benefits and personal accident insurance cover.

Total emoluments received by Senior Management, excluding the CEO and Deputy CEOs, during the period under review are as detailed below, in terms of Code Provision 8.A.5.

Fixed Remuneration			Variable Remuneration			Share Options			Others		
2024	2023	2022	2024	2023	2022	2024	2023	2022	2024	2023	2022
€	€	€	€	€	€	€	€	€	€	€	€
481,563	478,146	769,000	74,000	116,000	88,000	-	-	-	-	-	-

For other employees, fixed pay is determined by a Collective Agreement and annual bonuses are differentiated by individual performance and grade.

The changes effected in the Bank's Remuneration Policy during the financial year under review were such as to further align it with regulatory requirements. Furthermore, the Bank does not plan to effect changes in its Remuneration Policy in the forthcoming financial year, unless required to do so in terms of any regulatory obligations or otherwise.

In terms of Chapter 12 of the Capital Markets Rules, this Remuneration Report is being put to an advisory vote at the 2025 Annual General Meeting in accordance with the requirements of the Capital Markets Rule 12.26 L.

The Directors' Remuneration Report for 2023 was approved at the Annual General Meeting held on 27 June 2024. There were no issues raised on the Report during the said Annual General Meeting.

Other information on remuneration in terms of Appendix 12.1 of the Capital Markets Rules

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the following tables present the annual change regarding each individual director's remuneration, the performance of the Bank, and of average remuneration on a full-time equivalent basis of employees of the Bank, other than Directors over the three most recent financial years.

	2024 €	2023 €	2022 €	% change (2024-2023)	% change (2023-2022)
Michael C. Bonello (Chairman)	30,000	30,000	30,000	0%	0%
John Bonello*	15,000	2,794	N/A	N/A	N/A
Graham A. Fairclough**	3,058	15,000	15,000	N/A	0%
Aldo-Joseph Giordano***	9,115	N/A	N/A	N/A	N/A
Joseph Said	15,000	15,000	15,000	0%	0%
Kimon Palamidis	15,000	15,000	15,000	0%	0%
Peter Perotti	15,000	15,000	10,637	0%	N/A
Total	**102,173**	**92,794**	**85,637**		

** John Bonello was appointed as a non-executive director of the Bank with effect from 23 October 2023.*
*** Graham A. Fairclough resigned from his position as non-executive director with effect from 13 March 2024.*
**** Aldo-Joseph Giordano was appointed as a non-executive director of the Bank with effect from 21 May 2024.*

% annual change of the Bank's performance based on profit before tax (2024-2023)	% annual change of the Bank's performance based on profit before tax (2023-2022)	% annual change of the Bank's performance based on profit before tax (2022-2021)	% annual change of the Bank's performance based on profit before tax (2021-2020)
16%	**(52%)**	**136%**	**32%**
% annual change of the average remuneration on a full-time equivalent basis of employees of the Bank other than Directors (2024-2023)	**% annual change of the average remuneration on a full-time equivalent basis of employees of the Bank other than Directors (2023-2022)**	**% annual change of the average remuneration on a full-time equivalent basis of employees of the Bank other than Directors (2022-2021)**	**% annual change of the average remuneration on a full-time equivalent basis of employees of the Bank other than Directors (2021-2020)**
6%	**0%**	**4%**	**2%**

€'000

	2024		2023		% change	
	Group	Bank	Group	Bank	Group	Bank
Employee remuneration (excluding CEO)	26,161	9,145	24,031	8,542	9%	7%
CEO remuneration	368	368	353	353	4%	4%
Entity's performance – Profit before tax	19,415	16,101	14,527	13,850	34%	16%

€'000

	2023		2022		% change	
	Group	Bank	Group	Bank	Group	Bank
Employee remuneration (excluding CEO)	24,031	8,542	23,681	8,352	1%	2%
CEO remuneration	353	353	331	331	6%	6%
Entity's performance – Profit before tax	14,527	13,850	27,676	28,767	(48%)	(52%)

The Group's / Bank's performance is measured using Profit before tax.

The contents of the Remuneration Report have been reviewed by PricewaterhouseCoopers, the external auditors, to ensure that the information required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules have been included.

Number of shareholders analysed by range:

	31 December 2024		31 March 2025	
Range	**Shareholders**	**Shares**	**Shareholders**	**Shares**
1 – 500	119	21,547	120	22,016
501 – 1000	38	31,644	38	31,644
1001 – 5000	390	1,156,751	390	1,154,644
5001 and over	989	153,362,321	985	153,363,959
Total	**1,536**	**154,572,263**	**1,533**	**154,572,263**

The Bank has one class of shares and each share is entitled to one vote.

Board Of Directors	Michael C. Bonello	Chairman
	John Bonello	
	Graham A. Fairclough	(Resigned w.e.f. 13.03.2024)
	Aldo-Joseph Giordano	(Appointed w.e.f. 21.05.2024)
	Kimon Palamidis	
	Peter Perotti	
	Joseph Said	
Company Secretary	Helena Said	
Senior Management	Joseph Said	Chief Executive Officer
	Anthony Bezzina	Deputy Chief Executive Officer
	Eugenio Farrugia	Deputy Chief Executive Officer
	David Attard	Chief Officer - Group Corporate Services
	Moira Balzan	Chief Financial Officer
	Carlos Camenzuli	Chief Risk Officer
	Helena Said	Chief Legal Officer
	Anthony Zahra	Chief Information Officer

Company Information

Registered Office
67 Republic Street, Valletta VLT 1117
Tel: 25581 117

Branches

43, Pitkali Road, Attard ATD 2219
Tel: 25581 560

82, St Sebastian Street, Qormi, QRM 2335
Tel: 25581 360

4, Fleur-De-Lys Junction, Santa Venera SVR 1587
Tel: 25581 300

225, Tower Road, Sliema SLM 1601
Tel: 25581 260

Ninu Cremona Street, Victoria VCT 2561
Tel: 25581 600

13, Gregorio Bonici Square, Zejtun ZTN 1051
Tel: 25581 245

Bertu Fenech Square, Balzan BZN 1409
Tel: 25581 500

198, Naxxar Road, San Gwann SGN 9030
Tel: 25581 650

41, Robert Arrigo Street, Sliema SLM 3174
Tel: 25581 251

67, Republic Street, Valletta VLT 1117
Tel: 25581 100

19, Sanctuary Street, Zabbar, ZBR 1010
Tel: 25581 400

24/7 Outlet
Paceville Avenue, St. Julian's STJ 3103

Credit
9A St. Fredrick Street, Valletta VLT 1470
Tel: 25581 115

Home Loans
4 Main Street, Qormi QRM 1100
Tel: 25581 370

International Business Banking
Graham Street, Sliema SLM 1711
Tel: 25581 226

Legal Office
59 Republic Street, Valletta VLT 1117
Tel: 25581 116

Trade Services
43, Pitkali Road, Attard ATD 2219
Tel: 25581 576

Wealth Management
Financial Advice & Stockbroking Services: 225A, Tower Road, Sliema SLM 1601
Tel: 25581 167
Portfolio Management: 225A, Tower Road, Sliema SLM 1601
Tel: 25581 288
Research & Corporate Advisory: 225A, Tower Road, Sliema SLM 1601
Tel: 25581 287

FINANCIAL STATEMENTS

For the Year Ended 31 December 2024

2024

Statements of Financial Position
As at 31 December 2024

	Notes	Group		Bank	
		2024	2023	**2024**	2023
		€ 000	€ 000	**€ 000**	€ 000
Assets					
Balances with Central Bank of Malta, treasury bills and cash	5	**154,480**	147,043	**153,361**	146,308
Cheques in course of collection		**266**	1,880	**266**	1,880
Financial investments	6	**208,110**	216,770	**205,978**	214,505
Loans and advances to banks	7	**46,189**	38,139	**40,964**	33,605
Loans and advances to customers	8	**872,682**	758,304	**872,690**	758,304
Trade and other receivables	16	**12,979**	11,369	**3,443**	3,405
Accrued income and other assets	17	**5,435**	5,203	**4,612**	4,537
Assets classified as held for sale	8	**703**	703	**703**	703
Current tax assets		**-**	643	**-**	-
Inventories	15	**1,731**	1,391	**878**	639
Investments in subsidiaries	9	**-**	-	**17,927**	17,135
Investments in associates	10	**4,250**	3,292	**1,645**	1,645
Intangible assets	11	**2,186**	2,192	**10**	19
Property, plant and equipment	12	**71,450**	66,511	**44,798**	42,255
Deferred tax assets	14	**7,961**	11,694	**7,772**	11,381
Total assets		**1,388,422**	1,265,134	**1,355,047**	1,236,321

	Notes	Group 2024 € 000	Group 2023 € 000	Bank 2024 € 000	Bank 2023 € 000
Equity and Liabilities					
Equity					
Share capital	18	**19,322**	19,322	**19,322**	19,322
Share premium	19	**56,534**	56,534	**56,534**	56,534
Revaluation and other reserves	19	**11,010**	1,420	**7,048**	(1,297)
Retained earnings		**122,582**	113,107	**119,917**	111,444
Equity attributable to equity holders of the Bank		**209,448**	190,383	**202,821**	186,003
Non-controlling interests		**9,473**	8,409	**-**	-
Total equity		**218,921**	198,792	**202,821**	186,003
Liabilities					
Amounts owed to banks	20	**438**	145	**438**	145
Amounts owed to customers	21	**1,120,006**	1,019,075	**1,121,816**	1,021,254
Current tax liabilities		**1,256**	1,556	**597**	1,556
Accruals and deferred income	24	**13,847**	11,302	**9,643**	7,958
Other liabilities	23	**26,497**	28,762	**14,880**	16,236
Provisions for liabilities and other charges	22	**2,633**	1,403	**1,573**	369
Deferred tax liabilities	14	**4,824**	4,099	**3,279**	2,800
Total liabilities		**1,169,501**	1,066,342	**1,152,226**	1,050,318
Total equity and liabilities		**1,388,422**	1,265,134	**1,355,047**	1,236,321
Memorandum items					
Contingent liabilities	25	**19,827**	14,315	**19,827**	14,315
Commitments	25	**292,036**	257,415	**292,833**	258,525

The notes on pages 78 to 195 are an integral part of these financial statements.

These financial statements on pages 69 to 195 were approved and authorised for issue by the Board of Directors on 16 April 2025. The financial statements were signed on behalf of the Bank's Board of Directors by Michael C. Bonello (Chairman) and Joseph Said (Director and Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Financial Statements 2024.

Michael C. Bonello
Chairman

Joseph Said
Director and Chief Executive Officer

Income Statements
For the Year Ended 31 December 2024

	Notes	Group 2024 € 000	Group 2023 € 000	Bank 2024 € 000	Bank 2023 € 000
Interest receivable and similar income					
- on loans and advances, balances with Central Bank of Malta and treasury bills	26	**35,446**	31,525	**35,374**	31,492
- on debt and other fixed income instruments	26	**2,697**	2,173	**2,627**	2,094
Interest expense	26	**(10,883)**	(7,837)	**(10,837)**	(7,791)
Net interest income		**27,260**	25,861	**27,164**	25,795
Fee and commission income	27	**6,642**	5,471	**5,610**	4,475
Fee and commission expense	27	**(269)**	(288)	**(269)**	(288)
Net fee and commission income		**6,373**	5,183	**5,341**	4,187
Postal sales and other revenues	28	**39,183**	38,720	**500**	488
Dividend income	29	**465**	203	**1,910**	1,860
Net trading income	30	**628**	378	**665**	525
Other operating income		**386**	48	**18**	21
Operating income		**74,295**	70,393	**35,598**	32,876
Employee compensation and benefits	31	**(26,529)**	(24,384)	**(9,513)**	(8,895)
Other operating costs	33	**(24,431)**	(27,176)	**(8,707)**	(7,596)
Depreciation and amortisation	11,12	**(3,624)**	(3,159)	**(1,166)**	(1,219)
Net movement in provisons for liabilities and other charges	22	**(1,181)**	429	**(1,150)**	-
Net movement in expected credit losses	32	**927**	(1,261)	**1,039**	(1,316)
Operating profit		**19,457**	14,842	**16,101**	13,850
Share of loss attributable to investment accounted for using the equity method, net of tax	10	**(42)**	(315)	**-**	-
Profit before taxation		**19,415**	14,527	**16,101**	13,850
Income tax expense	34	**(7,257)**	(4,909)	**(5,877)**	(5,053)
Profit for the year		**12,158**	9,618	**10,224**	8,797

	Notes	Group 2024 € 000	Group 2023 € 000
Attributable to:			
Equity holders of the Bank		**11,293**	9,064
Non-controlling interests		**865**	554
Profit for the year		**12,158**	9,618
Earnings per share	35	**€0.07**	€0.09

The notes on pages 78 to 195 are an integral part of these financial statements.

Statements of Comprehensive Income
For the Year Ended 31 December 2024

	Notes	Group 2024 € 000	Group 2023 € 000	Bank 2024 € 000	Bank 2023 € 000
Profit for the year		**12,158**	9,618	**10,224**	8,797
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Investments in debt securities measured at FVOCI					
Net gains/(losses) from changes in fair value, before tax	6	**8,946**	(2,380)	**8,858**	(2,243)
Net losses reclassified to profit or loss on disposal, before tax		**-**	376	**-**	376
Net movements in credit losses released to profit or loss, before tax		**(247)**	(55)	**(247)**	(55)
Income taxes relating to these items	34	**(3,014)**	672	**(3,014)**	672
Items that will not be subsequently reclassified to profit or loss					
Net (losses)/gains from changes in fair value of investments in equity instruments designated at FVOCI, before tax	6	**(74)**	1,123	**(74)**	1,123
Surplus arising on revaluation of land and buildings, before tax	12	**5,058**	-	**3,162**	-
Remeasurements of defined benefit obligations, before tax		**(84)**	159	**-**	-
Income taxes relating to these items	34	**(670)**	(449)	**(453)**	(393)
Other comprehensive income for the year, net of income tax		**9,915**	(554)	**8,232**	(520)
Total comprehensive income for the year, net of income tax		**22,073**	9,064	**18,456**	8,277
Attributable to:					
Equity holders of the Bank		**20,747**	8,522		
Non-controlling interests		**1,326**	542		
Total comprehensive income for the year, net of income tax		**22,073**	9,064		

The notes on pages 78 to 195 are an integral part of these financial statements.

Statements of Changes in Equity
For the Year Ended 31 December 2024

Group

	Notes	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	Total Equity € 000
		Attributable to equity holders of the Bank						
At 1 January 2023		11,341	18,530	4,639	101,700	136,210	8,090	144,300
Comprehensive income								
Profit for the year		-	-	-	9,064	9,064	554	9,618
Other comprehensive income								
Fair valuation of financial assets measured at FVOCI:								
Net movements in fair value arising during the year		-	-	(824)	-	(824)	(41)	(865)
Reclassification adjustments:								
- net movement attributable to changes in credit risk		-	-	(36)	-	(36)	-	(36)
- net amounts reclassified to profit or loss on disposal		-	-	244	-	244	-	244
Remeasurements of defined benefit obligations		-	-	74	-	74	29	103
Total other comprehensive income for the year		-	-	(542)	-	(542)	(12)	(554)
Total comprehensive income for the year		-	-	(542)	9,064	8,522	542	9,064
Transfers and other movements	19	-	-	(2,695)	2,695	-	-	-
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends to equity holders	36	-	-	-	-	-	(305)	(305)
Rights issue of ordinary shares	18	7,729	38,004	-	-	45,733	-	45,733
Bonus issue	18	252	-	-	(252)	-	-	-
Changes in ownership interests in subsidiaries that do not result in loss of control								
Impacts of change in non-controlling interests in subsidiary		-	-	18	(100)	(82)	82	-
Total transactions with owners		7,981	38,004	18	(352)	45,651	(223)	45,428
At 31 December 2023		19,322	56,534	1,420	113,107	190,383	8,409	198,792

The notes on pages 78 to 195 are an integral part of these financial statements.

Statements of Changes in Equity
For the Year Ended 31 December 2024

Group

		Attributable to equity holders of the Bank						
	Notes	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total € 000	Non-controlling interests € 000	Total Equity € 000
At 1 January 2024		**19,322**	**56,534**	**1,420**	**113,107**	**190,383**	**8,409**	**198,792**
Comprehensive income								
Profit for the year		-	-	-	**11,293**	**11,293**	**865**	**12,158**
Other comprehensive income								
Surplus on revaluation of land and buildings		-	-	**3,882**	-	**3,882**	**451**	**4,333**
Fair valuation of financial assets measured at FVOCI:								
Net movements in fair value arising during the year		-	-	**5,773**	-	**5,773**	**25**	**5,798**
Reclassification adjustments:								
- net movement attributable to changes in credit risk		-	-	**(161)**	-	**(161)**	-	**(161)**
- net amounts reclassified to retained earnings on disposal	6	-	-	**(140)**	**140**	-	-	-
Remeasurments of defined benefit obligations		-	-	**(40)**	-	**(40)**	**(15)**	**(55)**
Total other comprehensive income for the year		-	-	**9,314**	**140**	**9,454**	**461**	**9,915**
Total comprehensive income for the year		-	-	**9,314**	**11,433**	**20,747**	**1,326**	**22,073**
Transfers and other movements	19	-	-	**253**	**(253)**	-	-	-
Transactions with owners, recorded directly in equity								
Distributions to owners								
Dividends to equity holders	36	-	-	-	**(1,638)**	**(1,638)**	**(306)**	**(1,944)**
Changes in ownership interests in subsidiaries that do not result in loss of control								
Impacts of change in non-controlling interests in subsidiary		-	-	**23**	**(67)**	**(44)**	**44**	-
Total transactions with owners		-	-	**23**	**(1,705)**	**(1,682)**	**(262)**	**(1,944)**
At 31 December 2024		**19,322**	**56,534**	**11,010**	**122,582**	**209,448**	**9,473**	**218,921**

The notes on pages 78 to 195 are an integral part of these financial statements.

Bank

	Notes	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total Equity € 000
At 1 January 2023		11,341	18,530	1,918	100,204	131,993
Comprehensive income						
Profit for the year		-	-	-	8,797	8,797
Other comprehensive income						
Fair valuation of financial assets measured at FVOCI:						
Net movements in fair value arising during the year		-	-	(728)	-	(728)
Reclassification adjustments:						
- net movement attributable to changes in credit risk		-	-	(36)	-	(36)
- net amounts reclassified to profit or loss on disposal		-	-	244	-	244
Total other comprehensive income for the year		-	-	(520)	-	(520)
Total comprehensive income for the year		-	-	(520)	8,797	8,277
Transfers and other movements	19	-	-	(2,695)	2,695	-
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Rights issue of ordinary shares	18	7,729	38,004	-	-	45,733
Bonus issue	18	252	-	-	(252)	-
Total transactions with owners		7,981	38,004	-	(252)	45,733
At 31 December 2023		19,322	56,534	(1,297)	111,444	186,003

The notes on pages 78 to 195 are an integral part of these financial statements.

Bank

	Notes	Share capital € 000	Share premium € 000	Revaluation and other reserves € 000	Retained earnings € 000	Total Equity € 000
At 1 January 2024		**19,322**	**56,534**	**(1,297)**	**111,444**	**186,003**
Comprehensive income						
Profit for the year		-	-	-	**10,224**	**10,224**
Other comprehensive income						
Surplus on revaluation of land and buildings		-	-	**2,683**	-	**2,683**
Fair valuation of financial assets measured at FVOCI:						
Net movements in fair value arising during the year		-	-	**5,710**	-	**5,710**
Reclassification adjustments:						
- net movement attributable to changes in credit risk		-	-	**(161)**	-	**(161)**
- net amounts reclassified to retained earnings on disposal	6	-	-	**(140)**	**140**	-
Total other comprehensive income for the year		-	-	**8,092**	**140**	**8,232**
Total comprehensive income for the year		-	-	**8,092**	**10,364**	**18,456**
Transfers and other movements	19	-	-	**253**	**(253)**	-
Transactions with owners, recorded directly in equity						
Distributions to owners						
Dividends to equity holders	36	-	-	-	**(1,638)**	**(1,638)**
Total transactions with owners		-	-	-	**(1,638)**	**(1,638)**
At 31 December 2024		**19,322**	**56,534**	**7,048**	**119,917**	**202,821**

The notes on pages 78 to 195 are an integral part of these financial statements.

Statements of Cash Flows
For the Year Ended 31 December 2024

		Group		Bank	
	Notes	**2024 € 000**	2023 € 000	**2024 € 000**	2023 € 000
Cash flows from operating activities					
Interest, fees and commission receipts		**40,552**	35,578	**40,591**	35,614
Receipts from customers relating to postal sales and other revenue		**43,886**	44,255	**500**	488
Interest, fees and commission payments		**(9,860)**	(7,757)	**(9,864)**	(7,759)
Payments to employees and suppliers		**(56,680)**	(58,653)	**(17,122)**	(16,248)
Cash flows attributable to funds collected on behalf of third parties		**319**	872	**-**	-
Cash flows from operating profit before changes in operating assets and liabilities		**18,217**	14,295	**14,105**	12,095
Movements in operating assets:					
Treasury bills		**2,935**	52,695	**2,935**	52,695
Balances with Central Bank of Malta		**(132)**	(6,130)	**(132)**	(6,130)
Loans and advances to banks and customers		**(114,172)**	(47,557)	**(113,672)**	(48,157)
Other receivables		**1,192**	(763)	**1,206**	(829)
Movements in operating liabilities:					
Amounts owed to banks and to customers		**100,939**	10,643	**100,562**	11,154
Other payables		**(1,323)**	(1,015)	**(1,337)**	(949)
Net cash generated from operating activities, before tax		**7,656**	22,168	**3,667**	19,879
Income tax paid		**(6,155)**	(3,989)	**(5,888)**	(3,171)
Net cash flows generated from/(used in) operating activities		**1,501**	18,179	**(2,221)**	16,708
Cash flows from investing activities					
Dividends received		**465**	203	**465**	203
Interest received from debt securities		**3,791**	4,675	**3,643**	4,568
Purchase of financial investments	6	**(12,631)**	(8,359)	**(12,631)**	(8,359)
Proceeds from maturity/disposal of financial investments		**30,156**	9,903	**29,839**	9,779
Net proceeds from liquidation of subsidiary		**-**	-	**101**	-
Purchase of property, plant and equipment and intangible assets		**(2,289)**	(2,657)	**(416)**	(900)
Proceeds from disposal of property, plant and equipment		**2**	-	**2**	-
Investments in associates	10	**(1,000)**	(1,000)	**-**	-
Net cash flows generated from investing activities		**18,494**	2,765	**21,003**	5,291
Cash flows from financing activities					
Proceeds from rights issue of ordinary shares		**-**	45,733	**-**	45,733
Principal elements of lease payments	13	**(552)**	(491)	**(213)**	(194)
Dividends paid to equity holders of the Bank	36	**(1,638)**	-	**(1,638)**	-
Dividends paid to non-controlling interests		**(300)**	(299)	**-**	-
Net cash flows (used in)/generated from financing activities		**(2,490)**	44,943	**(1,851)**	45,539
Net movement in cash and cash equivalents		**17,505**	65,887	**16,931**	67,538
Cash and cash equivalents at beginning of year		**171,705**	105,818	**168,436**	100,898
Cash and cash equivalents at end of year	37	**189,210**	171,705	**185,367**	168,436

The notes on pages 78 to 195 are an integral part of these financial statements.

1 **Summary of material accounting policies**

The material accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented and relate to both the Group and the Bank.

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Lombard Bank Malta p.l.c. (the Bank) and its subsidiary undertakings (together referred to as 'the Group' and individually as 'Group entities'). The Bank's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRSs') as adopted by the EU and with the requirements of the Banking Act 1994 (Chapter 371 of the Laws of Malta) and the Companies Act, 1995 (Chapter 386 of the Laws of Malta). These consolidated financial statements are prepared under the historical cost convention, as modified by the fair valuation of certain financial assets and financial liabilities and the revaluation of the land and buildings class within property, plant and equipment.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgment in the process of applying the Group's accounting policies (see note 3.1 – Critical accounting estimates and judgments in applying the Group's accounting policies).

Standards, interpretations and amendments to published standards effective in 2024

In 2024, the Group adopted amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2024. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies impacting materially the Group's financial performance and position.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published and endorsed by the EU by the date of authorisation of these financial statements but are not yet effective for the Group's current reporting period.

The Group did not early adopt any new standards, amendments and interpretations to existing standards applicable to periods after 1 January 2024 and the Bank's management is of the opinion that there are no requirements that will have a possible significant impact on the Group's financial results and financial position in the period of initial application.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. However, IFRS 18 has not yet been endorsed by the EU as at the date of authorisation for issue of these financial statements. The new standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that standard. In addition, there are new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information. While IFRS 18 will not change recognition criteria or measurement bases, it may have a significant impact on presenting information in the financial statements, in particular the income statement and the cash flow statement. The Group will be assessing the detailed implications of applying the new standard on the Bank's consolidated financial statements subsequent to endorsement by the EU.

1.1.1 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

1 **Summary of material accounting policies** *(continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this aggregate is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the subsidiaries are consistent with the policies adopted by the Group. In the Bank's standalone financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. Impairment losses recognised in prior periods are reversed through profit or loss if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised. The results of subsidiaries are reflected in the Bank's standalone financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.2 Investments in associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The Group's investment in associates includes goodwill identified on acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of investment accounted for using the equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. Dilution gains and losses arising on investments in associates are recognised in the income statement.

In the Bank's standalone financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the Directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of the associate are reflected in the Bank's standalone financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.3 Foreign currency translation

The financial statements are presented in euro (€), which is the Group's presentation currency.

1 **Summary of material accounting policies** *(continued)*

1.3.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the Bank's 'functional currency'). The consolidated financial statements are presented in euro (€), which is the Bank's functional currency and the Group's presentation currency.

1.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1.4 Financial assets

1.4.1 Initial recognition and measurement

The Group recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Accordingly, the Group uses trade date accounting for regular way contracts when recording financial asset transactions.

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At initial recognition, an Expected Credit Loss allowance ('ECL') is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- when the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss; and
- in all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

1.4.2 Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair Value through profit or loss ('FVPL');
- Fair value through other comprehensive income ('FVOCI'); or
- Amortised cost.

1.4.2.1 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

1 **Summary of material accounting policies** *(continued)*

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors the Group classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any Expected Credit Loss allowance recognised and measured as described in note 1.4.3. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- *Fair value through other comprehensive income ('FVOCI'):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income ('FVOCI'). Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversals, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- *Fair value through profit or loss ('FVPL'):* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a financial assets that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in the income statement within 'Net trading income' in the period in which it arises, unless it arises from assets that were designated at fair value or which are not held for trading, in which case it is presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any credit loss allowance) or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

The Bank reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(a) *Business model assessment*

Key management personnel determine the Group's business model by considering the way financial instruments are managed in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Such assessment is performed at a 'portfolio level' as it best reflects the way the business is managed and information is provided to management.

The information that will be considered in such assessment includes:

1 **Summary of material accounting policies** *(continued)*

- the objectives for the portfolio including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- the method for the evaluation of the performance of the portfolio and how such performance is reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Bank may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

(b) *Cash flows that represent solely payment of principal and interest ('SPPI')*

In respect of assets where the intention of the business model is to hold the financial assets to collect the contractual cash flows or to hold to collect and to sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending agreement. 'Principal' is the fair value of the financial asset at initial recognition. It is not the amount that is due under the contractual terms of an instrument. 'Interest' is the compensation for time value of money and credit risk of a basic lending-type return. A basic lending-type return could also include consideration for other basic lending risks (for example, liquidity risk) and consideration for costs associated with holding the financial asset for a particular period of time (for example, servicing or administrative costs) and/or a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Unlike the business model assessment, the SPPI assessment is performed for each individual product or portfolio of products. The following considerations are made when assessing consistency with SPPI:

- contingent events that would change the amount and timing of cash flows such as contractual term resetting interest to a higher amount in the event of a missed payment;
- leverage features, being contractual cash flow characteristics that increase the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;
- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract; and
- features that modify consideration for the time value of money (for example, periodic reset of interest rates).

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

1.4.2.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

1 **Summary of material accounting policies** *(continued)*

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal.

Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as dividend income when the Group's right to receive payment is established.

1.4.3 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECLs') associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECLs reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 2.3.4 provides more detail of how the Expected Credit Loss allowance is measured.

Expected Credit Loss allowances are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- financial instrument with both a drawn and undrawn component, whereby the Group cannot identify the ECL on the loan commitment component separately from that on the drawn component: the Group presents a combined loss allowance for both components, as a deduction from the gross carrying amount of the drawn component; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position against the carrying amount of the asset because the carrying amount of these assets is their fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss.

1.4.4 Modification of loans and advances to customers

The contractual terms of a loan 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.

The Group renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') 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. The revised terms usually include extending the maturity, revision of interest rate and changing the timing of interest payments. Both personal and corporate & commercial loans are subject to the forbearance policy.

When modification happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

1 **Summary of material accounting policies** *(continued)*

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for expected credit losses calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The impact of modifications of financial assets on the Expected Credit Loss calculation is discussed in note 2.3.9.

1.4.5 Derecognition of financial assets (other than on a modification)

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

1.4A Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances. Credit loss allowances include specific provisions for impairment against credit impaired individual exposures when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the exposure is credit impaired. For trade and other receivables the Group applies the simplified approach permitted by the provisions of IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the receivables. Note 2.3.4 provides more detail on how lifetime losses are measured.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

1.4B Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value less expected credit loss allowance. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1.5 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of postal stationery and inventories held for resale is determined on a weighted average cost basis. The cost of other inventories is determined on a first-in first-out basis. The cost of inventories comprises the invoiced value of goods purchased and in general includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1 **Summary of material accounting policies** *(continued)*

1.6 Intangible assets

1.6.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

1.6.2 Computer software

Costs incurred to acquire and bring to use specific software are capitalised and amortised on the basis of the expected useful lives. Software has a maximum expected useful life of four years.

1.7 Property, plant and equipment

All property, plant and equipment used by the Group is initially recorded at historical cost, including transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold and long leasehold properties (land and buildings) comprise mainly branches and offices. Land and buildings are shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less accumulated depreciation.

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	100 or over period of lease arrangement
Leasehold property	Over period of lease arrangement
Computer equipment	4
Other	4 – 8

1 **Summary of material accounting policies** *(continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 1.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

1.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or certain intangible assets, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.9 Leases

1.9.1 When a Group company is the lessee

The Group recognises lease liabilities in relation to leases within 'other liabilities'. The lease liability is measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate. The associated right-of-use (ROU) assets are recognised and included within 'property, plant and equipment' and are measured at the amount equal to the lease liability.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term.

The lease term is the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to extend by exercising that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. In assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract to determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

The ROU asset is depreciated over the shorter of the ROU asset's useful economic life and the lease term on a straight-line basis.

The leases with a remaining lease term of less than 12 months are accounted as short-term operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1.10 Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. When shares are issued at a premium, the difference between the proceeds and the par value of the shares is recognised in the share premium account.

1.11 Financial liabilities

1.11.1 Initial recognition and measurement

The Group recognises a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being

1 **Summary of material accounting policies** *(continued)*

the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability.

1.11.2 Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition; and
- financial guarantee contracts and loan commitments.

Financial liabilities measured at amortised cost comprise principally amounts owed to banks, amounts owed to customers, and other liabilities.

1.11.3 Derecognition

The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.11A Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.12 Offsetting financial instruments

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 an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group has agreements in place with third parties to collect, through the Group's outlet network, amounts due to these third parties owed by their customers. Any amounts collected in respect of these agreements are retained by the Group until settlement with the respective third parties, during which time the Group is exposed to the risks and rewards emanating from the amounts collected. Such amounts are therefore presented within assets with a corresponding liability towards the third party presented within trade and other payables.

1.13 Provisions for liabilities and other charges

Provisions for legal and other claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.14 Provision for pension obligations

A subsidiary of the Bank provides for the obligation arising in terms of Article 8A of the Pensions Ordinance, (Chapter 93 of the Laws of Malta), covering those former Government employees who opted to become full-time employees of the subsidiary of the Bank, and who continued to be entitled to pension benefits which go beyond the National Insurance Scheme.

1 **Summary of material accounting policies** *(continued)*

The pension related accounting costs are assessed using the projected unit credit method. Under this method, the cost of the subsidiary's obligation is charged to profit or loss so as to spread the cost over the years of service giving rise to entitlement to benefits in accordance with actuarial techniques. The obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term Government bonds which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

The Group contributes towards the government pension defined contribution plan in accordance with local legislation as applicable and to which it has no commitment beyond the payment of fixed contributions. These obligations are recognised as an expense in the Income Statement as they accrue.

1.15 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any expected credit loss allowance) or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

1.16 Fees and commissions

Fee and commission income and expense that are an integral part of the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate and treated as part of effective interest.

Other fees and commissions are generally recognised on an accrual basis when the service has been provided. Accordingly, fee and commission income, comprising account servicing fees, investment management fees, placement fees and other similar fees, are recognised as the related services are performed.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. When a loan commitment is not expected to result in the drawdown of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Fee and commission expense, relating mainly to transaction and service fees, are expensed as the services are received.

1.17 Postal sales and other revenue

Postal sales and service revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the subsidiary's activities. Revenue is shown net of sales taxes and discounts. It comprises revenue directly received from customers, commissions earned on postal and non-postal transactions and income from foreign outbound mail receivable from overseas postal administrators.

Income from sale of stamps, commissions earned on postal and non-postal transactions and revenue from foreign outbound mail from overseas postal administrators are recognised when the service is rendered. Allowance is made for the assessed amount of revenue from prepaid product sales at the end of the reporting period for which the service has not yet been provided.

1 **Summary of material accounting policies** *(continued)*

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies or specific statements.

A contract asset must be recognised if the company recorded revenue for fulfilment of a contractual performance obligation before the customer paid consideration or before, irrespective of when payment is due, the requirements for billing and the consequent recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the company fulfilled a contractual performance obligation and hence recognised revenue, such as in the case of prepaid stamps.

The Group measures revenue on a basis that reflects the amount of consideration that it expects to be entitled to; this measurement of revenue is however limited to amounts to which the Group has enforceable rights, and it excludes amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation, which occurs when it transfers control of a promised good or service to a customer. Control of a promised good or service is transferred to a customer when the customer is able to direct the use of the promised good or service. A performance obligation is satisfied at a point in time unless it meets certain criteria that indicate that it is satisfied over time.

1.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In the latter case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.19 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

1 **Summary of material accounting policies** *(continued)*

In the ordinary course of business, the Bank issues financial guarantee contracts, consisting of letters of credit, guarantees and acceptances.

Financial guarantee contracts are initially measured at fair value and subsequently measured at higher of:

- the amount of the loss allowance (calculated as described in note 1.4.3); and
- the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

'Loan commitments' are the Bank's commitments to provide credit under pre-specified terms and conditions, and are measured at the amount of the loss allowance (calculated as described in note 1.4.3).

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from that on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

1.20 Dividend distribution

Dividend distribution to the Bank's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Bank's shareholders.

1.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors which is the Group's chief operating decision-maker.

An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision-maker.

2. Financial risk management

2.1 Introduction

2.1.1 Preamble

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Group considers risk management a core competency that helps produce consistently high returns for its various stakeholders. The Group aims to manage all major types of risk by applying methods that meet best practice. The Group considers it important to have a clear distribution of responsibilities within the area of risk management. One of the main tasks of the Group's executive management is to set the framework for this area. An understanding of risk-taking and transparency in risk-taking are key elements in the Group's business strategy and thus in its ambition to be a strong financial entity. The Group's internal risk management processes support this objective.

Risk management within the Bank is mainly carried out on a unified basis, using an integrated and entity-wide framework. This framework is based on local and international guidelines, such as the Basel IV Accord, corresponding Directives and Regulations of the European Union, including technical standards, as well as contemporary international banking practices. The Bank has adopted the Standardised Approach and the Basic Method with respect to the calculation of capital requirements in relation to,

2 **Financial risk management** *(continued)*

and management of, credit and market risks, and the Basic Indicator Approach with respect to operational risk. The Bank regularly updates its Internal Capital and Liquidity Adequacy Assessment Processes (ICAAP and ILAAP), that are approved by the Board of Directors.

2.1.2 Organisation

The Bank's Board of Directors is responsible for ensuring that adequate processes and procedures exist to ensure effective internal control systems for the Group. These internal control systems ensure that decision-making capability and the accuracy of the reporting and financial results are maintained at a high level at all times. The Board assumes responsibility for:

- setting business objectives, goals and the general strategic direction for Management with a view to maximise value;
- selecting and appointing the Chief Executive Officer who is entrusted with the day-to-day operations of the Group;
- management of the Group's operations;
- ensuring that significant business risks are identified and appropriately managed; and
- setting the highest business standards and code for ethical behaviour, and monitoring adherence with these.

In deciding how best to discharge its responsibilities, the Board upholds a policy of clear demarcation between its role and responsibilities and those of Management. It has defined the level of authority that it retains over strategy formulation and policy determination, and delegated authority and vested accountability for the Bank's day-to-day business in the Assets & Liabilities Committee and Credit Committee, and, for the Group's day-to-day operations, in an Executive Team comprising the Chief Executive Officer, Deputy Chief Executive Officers and Chief Officers. The Audit & Risk Committee reviews the processes and procedures to ensure the effectiveness of the Group's system of internal control, as well as the implementation of the Board's risk strategy by management. The Audit & Risk Committee is supported by the Internal Audit, Risk Management and Compliance functions.

Authority to operate the Bank and its subsidiaries is delegated to the Chief Executive Officer within the limits set by the Board. The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all operations. Group policies and procedures are in place for the reporting and addressing of fraudulent activities.

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives.

2.1.3 Risk policies

The Bank's Board of Directors is empowered to set out the overall risk policies and limits for all material risk types. The Board also decides on the general principles for managing and monitoring risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

Internal controls, procedures and processes are managed within the following areas:

- Finance
- Treasury
- Credit
- Internal Audit
- Risk Management
- IT
- Compliance
- Anti-Money Laundering

2 **Financial risk management** *(continued)*

2.1.4 Risk appetite

The risk appetite determines the maximum risk that the Group is willing to assume to meet business targets. To ensure coherence between the Group's strategic considerations regarding risk-taking and day-to-day decisions, from time to time, the Group formulates and updates its risk appetite for the purposes of strategic direction. The Group's risk appetite is set in a process based on a thorough analysis of its current risk profile. The Group identifies a number of key risk components and for each, determines a target that represents the Group's view of the component in question. The following are the key risk components:

- Credit risk
- Market risk
- Capital risk
- Liquidity risk
- Operational risk
- Information & cyber security risk
- Information technology risk
- Information management risk
- Financial crime risk
- Compliance risk
- Environmental, social and governance ('ESG') risk

2.1.5 Reporting

The Group allocates considerable resources to ensure the ongoing compliance with approved limits and to monitor its asset portfolio. In particular, the Bank has a fixed reporting cycle to ensure that the relevant management bodies, including the Board of Directors and the Executive Team, are kept informed on an ongoing basis of developments in the asset portfolio, on such matters as non-performing loans and other relevant information.

2.2 Risk exposures

In terms of the Capital Requirement Regulation ('CRR'), 'an exposure' is the amount at risk arising from the reporting credit institution's assets and off-balance sheet items. Consistent with this, an exposure would include the amount at risk arising from the Bank's:

- claims on a customer including actual and potential claims which would arise from the drawing down in full of undrawn advised facilities, which the Bank has committed itself to provide;
- contingent liabilities arising in the normal course of business, and those contingent liabilities which would arise from the drawing down in full of undrawn advised facilities which the Bank has committed itself to provide; and
- other on and off-balance sheet financial assets and commitments.

The Group is exposed to a number of risks, which it manages at different organisational levels.

The main categories of risk are:

- *Credit risk*: Credit risk stems from the possible non-prompt repayment or non-payment of existing and contingent obligations by the Group's counterparties, resulting in the loss of equity and profit. It is the risk that deterioration in the financial condition of a borrower will cause the asset value to decrease or be extinguished. Country risk and settlement risk are included in this category. Country risk refers to the risk of losses arising from economic or political changes that affect the country from which the asset originates. Settlement risk refers to the risk of losses through failure of the counterparty to settle outstanding dues on the settlement date owing to bankruptcy or other causes.
- *Market risk*: Risk of losses arising from unfavourable changes in the level and volatility of interest rates, foreign exchange rates or investment prices.
- *Liquidity risk*: Liquidity risk may be divided into two sub-categories:
    - Market (product) liquidity risk: Risk of losses arising from difficulty in accessing a product or market at the required time, price and amount.
    - Funding liquidity risk: Risk of losses arising from a timing mismatch between investing, placements and fund raising activities resulting in obligations missing the settlement date or satisfied at higher than normal rates.

2 **Financial risk management** *(continued)*

- *Operational risk*: Risk of loss resulting from the lack of skilful management or good governance within the Group and the inadequacy of proper control, which might involve internal operations, personnel, systems or external occurrences that in turn affect the income and capital funds of financial institutions. The Bank has adopted an operational risk management framework and procedures, which provide for the identification, assessment, management, monitoring and reporting of the Bank's operational risks.
- *ESG risk:* ESG risks refer to the risks of any negative financial impact on the Group and/or Bank stemming from environmental, social and governance factors that may have a negative impact on the financial performance of the Group or solvency of the Bank. The Group continues to evaluate its potential exposure towards climate and environmental risks.

The Bank's approach to management of the above risks is addressed in this note.

2.3 Credit risk

2.3.1 Introduction

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its investing activities.

Credit risk constitutes the Bank's largest risk in view of its significant lending and securities portfolios, which is monitored in a structured and formal manner through several mechanisms and procedures. The credit risk management and control functions are centralised.

2.3.2 Credit risk management

The granting of a credit facility (including loans and advances, loan commitments and guarantees) is based on the Bank's insight into the customer's financial position, which is reviewed regularly to assess whether the basis for the granting of credit has changed. Furthermore, the customer must be able to demonstrate, in all probability, the ability to repay the debt. Internal approval limits are in place starting from Bank operational managers leading up to the Credit Committee and the Board of Directors depending on the magnitude and the particular risks attached to the facility. Facilities are generally adequately secured either by property and/or guarantees and are reviewed periodically by management in terms of the exposure to the Bank and to ensure that collateral still covers the facility.

In order to minimise the credit risk undertaken, counterparty credit limits are defined with respect to investment activities, which limits consider a counterparty's creditworthiness, the value of collateral and guarantees pledged, which can reduce the overall credit risk exposure, as well as the type and the duration of the asset. In order to examine a counterparty's creditworthiness, the following are considered: country risk, quantitative and qualitative characteristics, as well as the industry sector in which the counterparty operates.

The Group has set limits of authority and has segregation of duties so as to maintain impartiality and independence during the approval process and control new and existing assets or credit facilities.

The Group manages, limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to industries and countries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. The exposure to any one borrower including banks and brokers is further restricted by sub limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored at end of day on a daily basis and on a real-time basis too.

During the financial year ended 31 December 2024, local economic activity remained relatively buoyant notwithstanding a stable but underwhelming global economy. The latter has been characterised by a continued disinflationary process that has brought inflation rates closer to central bank targets. Indeed, after peaking following the 2023 September ECB monetary policy decisions,

2 **Financial risk management** *(continued)*

ECB rates have been lowered over the course of 2024. Notwithstanding the four consecutive rate cuts in the latter half of the year, the ECB's monetary policy stance remains restrictive. However, in a context of a resilient labour market, latest ECB assessments also indicate that Euro Area economic growth is losing momentum. In fact, the Euro Area manufacturing sector continued to contract in 2024, while the growth in services has slowed. Euro Area firms are holding back their investment spending in the face of weak demand and a highly uncertain outlook. In this regard, European industries are finding it increasingly challenging to remain competitive, as exports remain weak. These weaknesses continue to be weighed by continued headwinds coming from lower confidence in private consumption and investment. Geopolitical risks related to the ongoing wars in Eastern Europe and the Middle East, also weigh on Euro Area growth, with the potential to disrupt energy supplies and global trade. On a more global scale, the IMF sees risks to economic outlook tilted more towards the downside due to a confluence of financial markets repricing, intensified sovereign debt stress in emerging market and developing economies, deeper contractions in China's property sector, renewed spikes in commodity prices due to escalating geopolitical tensions and disruption in global supply chains as a result of countries ratcheting up protectionist policies.

Notwithstanding this international context, as a small open economy, Malta continued to perform robustly during the course of 2024. The Central Bank of Malta expected Malta's real GDP to grow by 4.9% in 2024, before easing further to 3.9% in 2025, 3.6% in 2026 and 3.4% in 2027. Domestic demand, primarily in the form of private consumption, has been the main driver behind Malta's economic growth during the financial year ended 31 December 2024. The deceleration in growth reflects an expected normalisation in consumer demand.

This performance is also confirmed by the European Commission, which also mentions growing tourist arrivals and migration flows as contributing factors to growing GDP. On the former, the Commission reported that tourism in Malta exceeded the pre-pandemic levels in 2023 and continues to grow. Together with tourism, other services sectors (gaming industry, as well as professional, IT and financial services), lead to exports growing faster than imports in 2024.

While remaining strong, demand for labour is expected to moderate, reflecting the deceleration in economic growth and productivity gains. In view of this, the unemployment rate is expected to remain low, hovering close to the 3.1% mark. On the back of recent high inflation rates, employee compensation is expected to grow by 5.3% in 2024 and following a growth trajectory of figures close to 3.5% until 2027. For the year 2024, HICP inflation is expected to fall to 2.5%, and approach the 2.0% mark by 2027. Household disposable income is also expected to benefit from the Governments announced widening of income tax bands in its latest budget, while continuing to be supported by energy, fuel and cereal subsidies.

The Central Bank of Malta sees risks to Maltese GDP to be on the upside. However, downside risks foreseen by the Central Bank of Malta mainly relate to adverse implications on international trade due to geopolitical tensions, higher US tariffs, and the possibility of retaliatory measures.

Based on the above, economic uncertainty continues to remain a source of concern, especially in view of the volatile international context and growing urgency to address local structured economic issues. This uncertainty impacts the business model, income levels and/or cash flow generation capacity of a portion of the Bank's customers. This has impacted the performance of the Bank's expected credit loss models, requiring enhanced monitoring of model outputs.

In view of the nature of the Bank's portfolio, where a relatively small number of loans comprise a significant proportion of the loan book value, the Bank continued to apply an individual-debtor-focused credit management process. Such process enabled the identification of any deterioration in credit risk at the level of the Bank's material exposures at an early stage and the estimation of expected credit loss allowances using the best possible judgement.

Notwithstanding the resilience of the local economy, during 2024, the Bank continued to assess and individually rate on an ongoing basis those borrowers deemed mostly impacted by the current macro-economic uncertainties. Exposures deemed mostly impacted and in respect of which significant increase in credit risk ('SICR') and unlikeness-to-pay ('UTP') indicators have been observed are assigned an elevated internal credit rating, requiring closer and more frequent monitoring on a monthly or quarterly basis (depending on the extent of credit risk deterioration).

The Bank continued to monitor closely corporate and commercial exposures previously assigned to any of the underperforming grades (P2, P3) (note 2.3.8) to update credit risk assessments by reference to actual financial performance and, where available, financial forecasts.

2 **Financial risk management** *(continued)*

In relation to personal exposures, the Bank typically resorts more to portfolio measures or reviews in respect of groups of exposures exhibiting shared risk characteristics, unless specific debtor level information which suggests developments in the respective credit risk becomes known to the Bank.

The current macro-economic environment continues to give rise to an elevated level of uncertainty in respect of the economic outlook. Hence, the level of subjectivity underlying the ECL model parameters, including how these react to forward-looking economic conditions remains elevated. This necessitates more regular monitoring and rigorous evaluation of forecast economic conditions, together with heightened expert judgement, in order to best determine the range of possible economic outcomes used for the purposes of estimating ECL. Further information in respect of macro-economic forecasts reflected within the ECL calculations is provided in note 2.3.4. (Forward looking information incorporated in the ECL model).

2.3.3 Credit risk measurement

The measurement of credit exposure for risk management purposes considers that an exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD'). This is similar to the approach used for the purposes of measuring Expected Credit Loss ('ECL') under IFRS 9. Refer to note 2.3.4 for more details.

(a) Loans and advances to customers

The Group uses internal credit risk gradings (note 2.3.8) to reflect its assessment of the Probability of Default of individual counterparties. Internal credit risk gradings are based on payment behaviour, loan specific information and expert judgement.

Corporate and commercial

Information considered by the Group when determining the internal credit risk grades include the payment behaviour of the borrower and other information about borrowers which impact their creditworthiness, including level of income and/or financial performance.

The Group determines its internal rating grades at a borrower level. The Group incorporates any updated or new information/credit assessments on an ongoing basis. In addition, the Group also updates information about the creditworthiness of the borrower from sources such as financial statements.

The creditworthiness of the borrower is considered in every periodic review - normally on a yearly basis; or more frequent basis as deemed necessary. This determines the updated internal credit risk gradings.

Personal

After initial recognition, for retail business, the payment behaviour of the borrower is monitored on an ongoing basis. Any other known information about the borrower which impacts the respective credit worthiness, such as unemployment and previous delinquency history, is also captured.

(b) Other financial assets

Other financial assets include Balances with Central Bank of Malta, financial investments and loans and advances to banks. The Group utilises internally generated models (as described in note 2.3.4.3) to reflect its assessment of the Probability of Default of individual counterparties. These grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised published default rates over the prior 12 months.

In determining the Probability of Default of individual counterparties, the Group distinguishes between exposures considered 'investment-grade' and 'non-investment grade' based on credit ratings by recognised external rating agencies.

2 **Financial risk management** *(continued)*

2.3.4 Expected Credit Loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- a financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group;
- if a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 2.3.4.1 for a description of how the Bank determines when a significant increase in credit risk has occurred;
- if the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 2.3.4.2 for a description of how the Group defines credit-impaired and default;
- financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in 'Stages 2' or '3' have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 2.3.4.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL;
- a pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 2.3.4.4 includes an explanation of how the Group has incorporated this in its ECL models; and
- purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis ('Stage 3').

Further explanation is also provided in respect of how the Group determines appropriate groupings of loans and advances to customers for ECL measurement (refer to note 2.3.4.5).

The Expected Credit Loss requirements apply to financial assets measured at amortised cost and FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered 'Stage 1'. As outlined previously, financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'Stage 2' and financial assets for which there is objective evidence of impairment, thus considered to be in default or otherwise credit-impaired, would be classified as 'Stage 3'.

The Group recognises loss allowances at an amount equal to 12-month ECL for debt investment securities that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when it is considered 'investment-grade', as defined by recognised external rating agencies.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired financial assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

2.3.4.1 Significant increase in credit risk ('SICR')

To determine whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information. Such analysis is based on the Group's historical experience, credit assessment and forward-looking information.

2 **Financial risk management** *(continued)*

The Group primarily identifies whether a SICR has occurred for an exposure within the loans and advances to customers, through the Group's internal risk gradings. The Group allocates each exposure to an internal rating grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different internal rating grade.

The Group identifies SICR and classifies such non-defaulted exposures into 'Stage 2' when they fulfil at least one of the following conditions:

- the exposure is considered forborne;
- the credit quality of any other exposure(s) of the same customer is/are not considered 'regular' (except where otherwise stated in the Group's Credit Policy e.g. cash covered facilities); and
- the borrower's internal rating grade is not considered 'performing', as defined in note 2.3.8.

As referred to previously, existing geopolitical factors as well as the current market scenarios, with the consequential economic conditions, continue to pose an elevated level of uncertainty, particularly with respect to the identification of customers that would have experienced a SICR.

The Bank's individual-debtor-focused approach enables the identification of SICR of significant exposures, specifically within its corporate and commercial portfolio. These exposures are assessed periodically for SICR through individual credit risk assessments, on the basis of recently obtained management information, including forecasts. Exposures in respect of which SICR has been observed are attributed higher ECL, and are assigned an elevated internal rating of P2 or P3, hence requiring closer and more frequent monitoring on a monthly or quarterly basis (depending on the extent of credit risk deterioration) to facilitate timely identification of further deterioration in financial condition. The assessments continue to be performed by the Commercial Credit Department and are discussed and reviewed at Credit Committee or Board level as applicable.

For the purpose of achieving a comprehensive assessment the Bank also utilises, as applicable, segmentation techniques in relation to identifying indicators of SICR within both corporate & commercial and personal portfolios.

In relation to personal portfolios, SICR is generally determined on the basis of delinquency related indicators since less information is available at asset level to enable the timely identification of a SICR. The Bank continues to apply rigorously its credit assessment and oversight processes, which include monitoring of arrears. Personal borrowers are considered to exhibit signs of SICR and consequently downgraded to Stage 2 if they met the following criteria:

- repayments being past-due by more than 30 days; and
- other qualitative criteria, including but not limited to actual or potential loss of personal income.

In respect of individually significant loans within the corporate and commercial portfolio, during 2024, the Bank focused particularly on those borrowers that are deemed to be more susceptible to the current economic environment.

A set of criteria specifically designed to address credit risk deteriorations, is in place to determine whether borrowers exhibit signs of SICR. In summary, the Bank's monitoring typically includes the assessment of following risk criteria:

Corporate and commercial exposures	Personal exposures	All exposures
- information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with contractual conditions, quality of management and senior management changes; - data from credit reference agencies, press articles; and - actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	- internally collected data on customer behaviour – e.g. utilisation of credit card facilities; - affordability metrics; and - external data from credit reference agencies including industry-standard credit scores.	- payment record – this includes overdue status as well as a range of variables about payment ratios; - utilization of the granted limit; - requests for and granting of forbearance; and - existing and forecast changes in business, financial and economic conditions.

2 **Financial risk management** *(continued)*

The assessment of SICR incorporates forward-looking information (refer to note 2.3.4.4 for further information) and is performed at the counterparty level on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Risk Management function.

As a backstop, and as required by IFRS 9, the Group presumptively considers that a SICR occurs when an asset is more than 30 days past due. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

In the case of other financial assets (including loans and advances to banks and investments in debt securities), the Group applies the low credit risk simplification to all its exposures considered 'investment-grade', thus they are not subject to the SICR assessment. Moving from 'investment-grade' to 'non-investment grade' does not automatically mean that there has been a SICR.

2.3.4.2 Definition of default and credit-impaired assets

The Group's assessment to determine the extent of increase in credit risk of a financial instrument since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument. As a result, the definition of default is important.

The Group applies the definition of default in a manner consistent with internal credit risk management practices for the relevant instruments and the definition considers qualitative and quantitative factors where appropriate.

The Group determines that a financial instrument is credit-impaired (in default and in 'Stage 3' for IFRS 9 purposes) by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days for any material credit obligations to the Group;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons of an enduring nature relating to the borrower's financial condition, which indicates the borrower is in significant financial difficulty (unlikeliness to pay criteria); and
- the loan is otherwise considered to be in default in line with an instrument's terms and conditions.

Therefore, the definitions of credit-impaired and default are aligned so that 'Stage 3' represents all loans which are considered defaulted or credit-impaired.

In assessing whether a borrower is in default, the Group will consider indicators that are:

- qualitative – such as non-adherence to terms and conditions of sanction and/or other breaches of covenants, overdue status and non-payment of another obligation of the same obligor to the Group;
- quantitative – such as changes in probabilities of default; and
- based on data developed internally and obtained from external sources.

The default definition has been applied consistently to model the Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD') throughout the Bank's expected loss calculations.

As referred to previously, existing geopolitical conditions as well as the current market environments and the consequential economic impacts have continued to give rise to an elevated level of uncertainty, particularly with respect to the identification of customers that would have showed signs of unlikeness-to-pay ('UTP'). The Bank performs assessments to determine whether the current macro-economic circumstances may transform into long-term borrower financial difficulties, thereby potentially requiring a downgrade of individual exposures or exposures sharing similar credit risk characteristics to Stage 3 to reflect the level of change in credit risk.

Except for forborne exposures, an instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

2 **Financial risk management** *(continued)*

In the case of forborne exposures, the cure period comprises 12 consecutive monthly repayments made in a timely manner with a minimal grace period of one day (i.e. one or more repayments may be made no more than one day late).

The Group considers other financial assets to be in default when a payment due including a coupon payment is not effected.

2.3.4.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss ('ECL') is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD'). When calculating the Bank's ECL, special considerations were made to assess the impact of the current economic conditions. Further details are set out in note 2.3.4.4.

The ECL is determined by projecting the PD, EAD and LGD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, adjusted to reflect forward-looking information as described below.

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Accordingly, the 12-month and lifetime PDs represent the Probability of Default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

PD estimates are estimates at a certain date, which, for the loans and advances to customers, are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally-compiled data comprising both quantitative and qualitative factors. The PD calculation is based on a transition matrix approach. The main assumptions underlying such approach are that the PD depends on the particular period after origination ('months on book') and the current characteristics of the exposure or borrower. Default is considered to be an absorbing state, whereby if an exposure is defaulted, it remains in this state during future years. Market data is used for the PD of loans and advances to banks and investment securities. If a counterparty or exposure migrates between internal rating grades or external credit ratings, then this will lead to a change in the associated PD.

The 12 month and lifetime PDs are developed by utilising statistical methodologies to analyse historical observed data to estimate the probability of a borrower's transition from one internal rating class to another (or of staying in the same class) within a given horizon. The conditional PD is adjusted to consider forward-looking information through macro-economic modelling.

EAD represents the expected exposure in the event of a default (including any expected drawdowns of committed facilities). The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is the gross carrying amount at default.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- for amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis; and
- for revolving products, the Exposure at Default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

2 **Financial risk management** *(continued)*

The Loss Given Default ('LGD') represents the Bank's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral values at the time it is expected to be realised and the time value of money. The 12-month and lifetime LGD are determined based on the factors which impact the recoveries made post default.

For secured products, LGD is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed. The LGD for exposures secured by real estate will be derived from the adjusted loan-to-value ratio of the individual facilities, and takes into account the expected recovery by applying a costs to sell haircut and a market value haircut to the property value, and by discounting (using the effective interest rate) the updated market value of the property after haircuts, over a period of time equivalent to the perceived time to sell. The LGD for other exposures is based on the Group's perceived risk on the collateral. For unsecured products, LGDs are typically set at product level due to the limited differentiation of recoveries achieved across different borrowers. These LGDs are influenced by collection strategies.

The ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk. With respect to non-revolving credit facilities, the contractual life of the facility is considered. In the case of revolving credit facilities, provided that such facilities do not have a fixed term or repayment structure, the Group defines the lifetime of such exposures as 12 months, in case the next substantive credit review is within the next 12 months. For the credit cards portfolio, the Group also applies a lifetime of 12 months.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD. Refer to note 2.3.4.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculations are monitored and reviewed on a regular basis.

For individually significant credit impaired loans, management determines the size of the allowance required based on a range of factors such as the realisable value of security, the viability of the customer's business model and the capacity to generate cash flow to service debt obligations, under different scenarios. Judgement is applied in estimating the expected future cash flows from each borrower and the time to recover these cash flows under the different scenarios as well as to attach probabilities to those scenarios. The assumptions around forecasted recoveries from the sale of collateralised properties, including around valuation haircuts and time to recovery, are key drivers in the estimation of credit loss allowances in respect of individually assessed loans. The economic conditions within the local property market, driven by the current macro-economic environment, increases the level of expert judgement required to predict with reasonable accuracy the recoverability of exposures through the sale of collateral. To reflect the economic conditions currently being experienced, conservative judgements were applied by management in order to overcome limitations in respect of determining collateral valuations, and the uncertainty around the time to repossess properties held as collateral and to resell such properties in the open market.

2.3.4.4 Forward-looking information incorporated in the ECL model

The calculation of ECL incorporates forward-looking information. The Group performs a historical analysis to identify the key economic variables affecting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD may vary by portfolio.

In this respect, the Group has actually identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. The key drivers constitute Gross Domestic Product ('GDP') at constant prices, unemployment rates and inflation rates.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

2 **Financial risk management** *(continued)*

Three possible scenarios are considered to capture non-linearity across credit portfolios. The 'base line' scenario represents the most-likely outcome. It is based on authoritative sources forecasting these economic variables referred to above and providing the best estimate view of the economy. Apart from the 'base line' scenario, the Group considers two other macro-economic scenarios – Upside and Downside scenarios – which respectively represent a more optimistic and a more pessimistic outcome. Such scenarios reflect the current top and emergent risks and opportunities. The more optimistic and more pessimistic scenarios are economically plausible, and the more pessimistic scenario will not necessarily be as severe as scenarios used in stress testing.

Modelling of the economic scenarios, i.e. the forecast values of economic variables for optimistic and pessimistic scenarios, is performed on the basis of the historical values and annual forecast values for the base scenario, mainly based on the published three-year forecast of the Central Bank of Malta.

The pessimistic and optimistic scenarios are deemed to represent management's best forecast of an economically plausible upside and downside scenario.

Each scenario is weighted by a probability of occurrence, determined by a combination of macro-economic research and expert credit judgment, taking into account the range of possible outcomes each chosen scenario represents. The Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying the outcome by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any macro-economic forecasts, the projections and likelihood of occurrence are subject to an elevated degree of uncertainty and therefore, the actual outcomes may be significantly different to those projected.

Notwithstanding a stable but underwhelming global economy, local economic activity remained relatively buoyant in 2024. This was primarily driven by domestic demand in the form of private consumption. Other contributing factors included growing tourist arrivals and migration flows. Indeed, tourism in Malta exceeded the pre-pandemic levels in 2023 and is expected to continue growing. Together with tourism, during 2024 other services sectors (gaming industry, as well as professional, IT and financial services), led to exports growing faster than imports.

During the forecast horizon, the Central Bank of Malta is forecasting a deceleration in economic growth, due to an expected normalisation in consumer demand. As a result, Malta's real GDP was expected to grow by 4.9% in 2024. Growth is then predicted to ease further to 3.9% in 2025, 3.6% in 2026 and 3.4% in 2027. During this period, although remaining strong, demand for labour is expected to moderate, reflecting the deceleration in economic growth and productivity gains. In view of this, the unemployment rate is expected to remain low, hovering close to the 3.1% mark.

Being a small open economy, Malta is influenced by developments within the Euro Area, EU and the global market. Latest ECB assessments indicate that Euro Area economic growth is losing momentum in the face of weak demand and a highly uncertain outlook. Furthermore, persistent headwinds coming from lower consumer confidence, escalating geopolitical tensions in Eastern Europe and the Middle East, volatile energy supplies and global trade all weigh on Euro Area growth. The European Commission reported a similar narrative for the EU at large, projecting EU real GDP to grow by 0.9% in 2024 and 0.8% in the Euro Area. Going forward, the EU's economy is expected to grow by 1.5% in 2025 and 1.8% in 2026, on the back of recovering consumption and investment. Similarly, the Euro Area economy is set grow by 1.3% in 2025 and 1.6% in 2026.

Headline inflation in the Euro Area is set to fall to 2.4%, down from 5.4% in 2023. It is then expected to ease further to 2.1% in 2025 and 1.9% in 2026. The EU is expected to undergo a faster disinflationary process in 2024, with headline inflation falling to 2.6% (from 6.4% in 2023), 2.4% in 2025 and 2.0% in 2026.

In view of the ongoing disinflationary process, European central banks have eased their monetary policy stance. Particularly the ECB, has responded by announcing four consecutive rate cuts in the latter half of the year.

Apart from this disinflationary process, the ECB notes a resilient labour market in the Euro Area. The European Commission also reports a performing EU job market, however adding that employment growth appears to be gradually normalising.

On a more global scale, the IMF sees risks to economic outlook tilted more towards the downside. This is being weighed down by multiple factors which include financial markets repricing, intensified sovereign debt stress in emerging market and developing economies, deeper contractions in China's property sector, escalating geopolitical tensions that are leading to renewed spikes in commodity prices and countries ratcheting up protectionist policies which can disrupt global supply chains.

2 **Financial risk management** *(continued)*

The various factors mentioned above continue to influence the uncertainty surrounding economic forecasting. The ongoing recovery in 2024, along with base effects from the pandemic years, led to macroeconomic performance that may potentially deviate from the historical data on which the ECL models were developed and calibrated. These factors could potentially affect the performance of ECL models and their resulting projections.

In this regard, a very important judgement within the Bank's estimation of ECL allowances continues to be the determination of forward-looking scenarios reflecting potential future economic conditions under different scenarios and their impact on PDs and LGDs.

The most significant period-end assumptions used for the ECL estimate as at 31 December 2024 and 2023 are set out below. The 'base', 'upside' and 'downside' scenarios were used for all portfolios:

- The 'Base' Scenario captures business-as-usual macro-economic expectations, whereby the current rhythm of economic activity is maintained;
- The 'Downside' Scenario is based on a subdued level of economic activity hypothesized to correspond to prolonged period of an economic contraction;
- The 'Upside' Scenario is based on the assumption that it would be possible to marginally improve further over the economic conditions considered in the 'Base' Scenario.

	As of 31 December 2024		
	2025	**2026**	**2027**
Gross Domestic Product, constant prices (YoY)*			
'Base'	**3.90%**	**3.60%**	**3.40%**
Range of forecasts for alternative scenarios	**[0.9 - 6.9]%**	**[0.6 - 6.6]%**	**[0.4 - 6.4]%**
Unemployment rate (YoY)*			
'Base'	**3.2%**	**3.1%**	**3.1%**
Range of forecasts for alternative scenarios	**[1.8 - 4.6]%**	**[1.7- 4.5]%**	**[1.7– 4.5]%**
Inflation rate (YoY)*			
'Base'	**2.2%**	**2.0%**	**2.0%**
Range of forecasts for alternative scenarios	**[0.8 - 3.6]%**	**[0.6 - 3.4]%**	**[0.6 – 3.4]%**

	As of 31 December 2023		
	2024	2025	2026
Gross Domestic Product, constant prices (YoY)*			
'Base'	3.80%	3.60%	3.30%
Range of forecasts for alternative scenarios	[0.8 - 6.8]%	[0.6 - 6.6]%	[0.3 - 6.3]%
Unemployment rate (YoY)*			
'Base'	2.9%	2.9%	3.0%
Range of forecasts for alternative scenarios	[0.1 - 5.9]%	[0.1 - 5.9]%	[0 – 6.0]%
Inflation rate (YoY)*			
'Base'	3.0%	2.3%	2.0%
Range of forecasts for alternative scenarios	[0 - 6.0]%	[0.30 - 5.3]%	[1 - 5]%

*YoY = year on year % change

2 **Financial risk management** *(continued)*

The weightings assigned to each economic scenario were 68% (2023: 68%) for the 'Base' Scenario, 16% (2023: 16%) for the 'Downside' scenario and 16% (2023: 16%) for the 'Upside' scenario. The number of scenarios used is based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The economic scenarios were simulated over a full economic cycle.

The Bank considers the macro-economic forecasts to represent its best estimate of the possible outcomes after analysing its different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Bank's weightings take into account the current performance of the Maltese economy over the foreseeable future. The Board considers that the probability weightings assigned to the respective scenarios reflect an unbiased evaluation of range of possible outcomes.

Based on the above, the estimation of credit loss allowances as of 31 December 2024 and 2023 continued to require an elevated level of subjectivity and expert judgement. Despite the recovery in economic conditions, ECL estimates remain subject to a degree of economic uncertainty. In this respect, judgements applied by management in estimating ECL continue to reflect a degree of caution, both in the determination of probability of defaults for selection of economic scenarios and in terms of the calibration of scenario weightings.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an ongoing basis.

The outcome of the Bank's credit loss allowances estimation process is sensitive to judgements and estimations made through the reflection of several forward-looking economic conditions. Management has assessed the sensitivity of the Bank's expected credit losses by assigning a 100% weighting to the baseline, downside and upside scenarios respectively. The Bank's credit loss allowances would decrease by €3.2 million (2023: €4.3 million) if the allowances had to be calculated solely on the baseline scenario; ECLs would increase by €1.1 million (2023: €2.8 million) if these had to be estimated using only the downside scenario and would reduce by €4.6 million (2023: €5.7 million) if the upside scenario only were to be taken into consideration. This demonstrates the Bank's resilience in overcoming negative shocks and its ability to absorb such allowance changes, if necessary.

2.3.4.5 Categorisation of loans and advances to customers for ECL measurement

As part of the ECL model, the Group classifies its exposures to loans and advances to customers into homogeneous groups with similar credit risk characteristics that include instrument type and credit risk gradings. In this respect, the Group considers the following categories for ECL measurement:

- personal portfolio, which includes loans and advances to individual customers such as mortgages, credit cards and other consumer credit;
- construction and real estate portfolio, which includes loans and advances to customers in respect of financing construction of real estate projects for the purpose of re-sale or rental; and
- corporate and commercial portfolio, which includes loans and advances to business entities, other than construction and real estate related borrowers.

2.3.5 Maximum exposure to credit risk

An 'exposure' is defined as the amount at risk arising from the Group's assets and off-balance sheet items. The Group's maximum credit risk with respect to on- and off-balance sheet items can be classified into the following categories:

- Financial assets recognised on-balance sheet comprising principally balances with Central Bank of Malta, financial investments and loans and advances to banks and customers. The maximum exposure to credit risk of these financial assets equals their gross carrying amounts.
- Documentary credits and guarantee obligations incurred on behalf of third parties. The latter carry the same credit risk as loans, whilst documentary credits are collateralised by the underlying shipments of goods to which they relate, and therefore carry less risk than a loan to a customer. The maximum exposure to credit risk is the full amount that the Group would have to pay if the guarantees are called upon or if documentary credits are exercised.
- Loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities. The maximum exposure to credit risk is the full amount of the committed facilities. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. These exposures are monitored in the same manner in respect of loans and advances.

2 **Financial risk management** *(continued)*

The Group's credit risk exposures relating to on-balance sheet assets and off-balance sheet instruments, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, include the following:

	Group				Bank			
	2024		2023		**2024**		2023	
	Gross exposure € 000	**ECL allowance € 000**	Gross exposure € 000	ECL allowance € 000	**Gross exposure € 000**	**ECL allowance € 000**	Gross exposure € 000	ECL allowance € 000
Credit risk exposures relating to on-balance sheet assets:								
Subject to IFRS 9 expected credit loss allowance								
Financial assets measured at amortised cost:								
Balances with Central Bank of Malta and treasury bills	**146,872**	**-**	138,157	-	**146,872**	**-**	138,157	-
Cheques in course of collection	**266**	**-**	1,880	-	**266**	**-**	1,880	-
Debt securities	**21,132**	**(25)**	8,357	(72)	**21,132**	**(25)**	8,357	(72)
Loans and advances to banks	**46,198**	**(9)**	38,139	-	**40,973**	**(9)**	33,605	-
Loans and advances to customers								
- Corporate and commercial	**594,777**	**(7,486)**	529,052	(10,148)	**594,777**	**(7,486)**	529,052	(10,148)
- Personal	**286,325**	**(934)**	240,703	(1,303)	**286,333**	**(934)**	240,703	(1,303)
Trade and other receivables	**13,182**	**(203)**	11,460	(91)	**3,443**	**-**	3,405	-
Accrued income and other assets	**3,884**	**-**	3,704	-	**3,855**	**-**	3,676	-
Debt securities measured at FVOCI	**178,828**	**(224)**	199,965	(471)	**176,696**	**(224)**	197,700	(471)
Credit risk exposure	**1,291,464**	**(8,881)**	1,171,417	(12,085)	**1,274,347**	**(8,678)**	1,156,535	(11,994)
Credit risk exposures relating to off-balance sheet instruments:								
Contingent liabilities	**19,827**	**(12)**	14,315	(23)	**19,827**	**(12)**	14,315	(23)
Undrawn commitments to lend	**291,647**	**(71)**	257,338	(6)	**292,754**	**(71)**	258,448	(6)
Credit risk exposure	**311,474**	**(83)**	271,653	(29)	**312,581**	**(83)**	272,763	(29)

Accrued income substantially arises from loans and advances to customers.

2.3.6 Credit concentration risk

Within the Bank, concentration risk of losses results from inadequate diversification of the credit exposures. This risk is managed by actively measuring, reporting and monitoring on a regular and ongoing basis risk concentration levels against reasonable thresholds for industry sectors, counterparties, products, and collateral types.

Credit concentration risk by industry sector

The Group and Bank's financial investments measured at FVOCI, excluding equity investments, are analysed by industry sector in the following table:

2 **Financial risk management** *(continued)*

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Government	**147,232**	162,743	**146,029**	161,609
Corporate				
Tourism	**425**	422	**382**	379
Property and construction	**918**	1,368	**569**	804
Financial institutions	**27,415**	32,345	**26,878**	31,821
Other sectors	**2,838**	3,087	**2,838**	3,087
Gross financial investments measured at FVOCI	**178,828**	199,965	**176,696**	197,700

The Group and Bank's financial investments measured at amortised cost are analysed by industry sector in the following table:

	2024	2023
	€ 000	€ 000
Government	**14,875**	7,020
Corporate		
Tourism	**72**	72
Financial institutions	**5,884**	224
Other sectors	**301**	1,041
Gross financial investments measured at amortised cost	**21,132**	8,357

The industry sector analysis of the Group and Bank's loans and advances to customers (gross of expected credit losses) is described in the following table:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Manufacturing	**10,976**	10,223	**10,976**	10,223
Tourism	**63,810**	56,601	**63,810**	56,601
Trade	**51,497**	51,210	**51,497**	51,210
Property and construction	**296,231**	254,919	**296,231**	254,919
Personal, professional and home loans	**297,582**	249,196	**297,590**	249,196
Financial institutions	**144,022**	136,319	**144,022**	136,319
Other sectors	**16,984**	11,287	**16,984**	11,287
Gross advances to customers	**881,102**	769,755	**881,110**	769,755

A significant portion of the Bank's loans and advances to customers comprise exposures to corporates.

2 **Financial risk management** *(continued)*

As at 31 December 2024 and 2023, no loans and advances to customers were deemed to be prohibited large exposures, prior to any eligible exemptions, in accordance with the requirements of Part Four: Large Exposures, of the CRR. A limited number of customers account for a certain percentage of the Bank's loans and advances. Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk in the context of the CRR, these exposures are monitored and reported more frequently and rigorously.

Credit concentration risk by geographical region

The Group also monitors credit concentration risk by geographical region. The majority of the Group's exposures are in Malta in view of the Group's lending operations being conducted with Maltese customers. Moreover, the significant part of the Group investments in debt securities are issued by local government and local corporate entities.

The Group and Bank's balances with correspondent banks in different jurisdictions are split by geographical region as shown in the following table:

	Group		**Bank**	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Spain	**14,481**	9,668	**14,481**	9,668
Germany	**3,455**	9,086	**3,455**	9,086
Ireland	**10,884**	7,264	**10,884**	7,264
Malta	**5,230**	4,542	**5**	8
United States of America	**3,213**	2,824	**3,213**	2,824
United Kingdom	**4,377**	2,200	**4,377**	2,200
Italy	**2,153**	1,863	**2,153**	1,863
Belgium	**478**	437	**478**	437
Switzerland	**1,924**	249	**1,924**	249
Other	**3**	6	**3**	6
Gross loans and advances to banks	**46,198**	38,139	**40,973**	33,605

2.3.7 Information on credit quality of balances with banks, investments and treasury bills

The Group holds debt instruments that are issued by local government, local banks and other local corporate entities. All such securities are listed on the Malta Stock Exchange, which is currently the only locally-based Recognised Investment Exchange ('RIE'). The other debt securities held by the Group, issued by foreign governments and entities, are listed on other recognised exchanges. The Bank acquires debt securities and similar instruments issued by counterparties having strong financial background. These issuers are approved and regularly reviewed considering the process previously highlighted, focusing on market developments.

Within its daily operations the Bank transacts with banks and other financial institutions. The Bank primarily places short-term funds with pre-approved banks subject to limits in place and subject to the respective institution's credit rating being within controlled parameters. By conducting these transactions the Bank is running the risk of losing funds due to the possible delays in the repayment to the Bank of the existing and future obligations of the counterparty banks. Actual exposures are monitored against the limits on a daily basis and in a real-time manner. The credit status of the pre-authorised banks is monitored on an ongoing basis.

The Bank runs the risk of loss of funds due to the possible political, economic and other events in a particular country where funds have been placed or invested with several counterparties. Countries are assessed according to their size, economic data and prospects, and their credit ratings from international rating agencies. Existing country credit risk exposures are monitored and reviewed periodically. The Bank's assets are predominantly in Malta. The Bank's exposures to other countries are mainly limited to bank balances and money market placements with a total carrying amount of €40,968,000 (2023: €33,597,000) at the end of the reporting period.

At the end of the reporting period, none of these financial assets mentioned were past due or impaired.

2 **Financial risk management** *(continued)*

The following tables set out information about the credit quality of financial assets of the Bank measured at amortised cost and financial investments at FVOCI excluding equity investments. The credit quality of financial assets is based on external credit ratings assigned to issuers or counterparties by recognised external rating agencies:

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Balances with Central Bank of Malta and treasury bills at amortised cost				
Gross carrying amount	**146,872**	**-**	**-**	**146,872**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount – net of loss allowance	**146,872**	**-**	**-**	**146,872**

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Balances with Central Bank of Malta and treasury bills at amortised cost				
Gross carrying amount	138,157	-	-	138,157
Loss allowance	-	-	-	-
Carrying amount – net of loss allowance	138,157	-	-	138,157

2 **Financial risk management** *(continued)*

The credit rating of the Government of Malta as at 31 December 2024 and 2023 was considered as 'investment grade' and the loss allowance in respect of balances with the Central Bank of Malta was insignificant.

	2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Debt securities measured at FVOCI				
AAA to AA-	**11,423**	-	-	**11,423**
A+ to A-	**144,140**	-	-	**144,140**
BBB+ to BBB-	**15,312**	-	-	**15,312**
Unrated	**5,821**	-	-	**5,821**
Carrying amount – fair value	**176,696**	-	-	**176,696**
Loss allowance	**(224)**	-	-	**(224)**
Debt securities measured at amortised cost				
AAA to AA-	**7,480**	-	-	**7,480**
A+ to A-	**12,015**	-	-	**12,015**
Unrated	**1,637**	-	-	**1,637**
Gross carrying amount	**21,132**	-	-	**21,132**
Loss allowance	**(25)**	-	-	**(25)**
Carrying amount – net of loss allowance	**21,107**	-	-	**21,107**
Loans and advances to banks at amortised cost				
AAA to AA-	**3,215**	-	-	**3,215**
A+ to A-	**34,141**	-	-	**34,141**
BBB+ to BBB-	**2,153**	-	-	**2,153**
Lower than BB-	**1**	-	-	**1**
Unrated	**1,463**	-	-	**1,463**
Gross carrying amount	**40,973**	-	-	**40,973**
Loss allowance	**(9)**	-	-	**(9)**
Carrying amount – net of loss allowance	**40,964**	-	-	**40,964**

2 **Financial risk management** *(continued)*

Unrated debt securities primarily represent bonds listed on the Malta Stock Exchange which are unrated by international credit rating agencies.

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Debt securities measured at FVOCI				
AAA to AA-	15,500	-	-	15,500
A+ to A-	158,253	-	-	158,253
BBB+ to BBB-	17,599	-	-	17,599
Unrated	6,348	-	-	6,348
Carrying amount – fair value	197,700	-	-	197,700
Loss allowance	(471)	-	-	(471)
Debt securities measured at amortised cost				
A+ to A-	7,020	-	-	7,020
Unrated	1,337	-	-	1,337
Gross carrying amount	8,357	-	-	8,357
Loss allowance	(72)	-	-	(72)
Carrying amount – net of loss allowance	8,285	-	-	8,285
Loans and advances to banks at amortised cost				
AAA to AA-	3,266	-	-	3,266
A+ to A-	28,466	-	-	28,466
BBB+ to BBB-	1,863	-	-	1,863
Unrated	10	-	-	10
Gross carrying amount	33,605	-	-	33,605
Loss allowance	-	-	-	-
Carrying amount – net of loss allowance	33,605	-	-	33,605

As at 31 December 2024 and 2023, there were no purchased credit-impaired assets.

After the end of the reporting period there were no significant changes in credit ratings reflected in the tables above which have a material impact on the credit quality of the financial assets.

2.3.8 Information on credit quality of loans and advances to customers

The Bank manages the credit quality of its loans and advances to customers by using internal risk grades, which provide a progressively increasing risk profile ranging from 'P1' (best quality, less risky) to 'NP'. These risk grades are an essential tool for the Bank to identify both non-performing exposures and better-performing customers. The internal risk grades used by the Bank are as follows:

- Performing: Internal grade 'P1';
- Under performing: Internal grades 'P2', 'P3' and 'PF'; and
- Non-performing: Internal grades 'NP', 'NF' and 'NR'.

2 **Financial risk management** *(continued)*

P1

The Bank's loans and advances to customers which are categorised as 'P1' are principally debts in respect of which the payment of interest and/or capital is not overdue by 30 days and no recent history of customer default exists. Management does not expect any losses from non-performance by these customers.

P2

Loans and advances which attract a 'P2' grading are those which are receiving the close attention of the Bank's management and are being reviewed periodically in order to determine whether such advances should be reclassified to either the 'P1' or the 'P3' classification. Credit facilities that attract this category include those where the payment of interest and/or capital becomes overdue by 30 days and over but not exceeding 60 days.

P3

Loans and advances which attract a 'P3' grading are those having the weaknesses inherent in those loans and advances classified as 'P2' with the added characteristics that repayment is inadequately protected by the current sound worth and paying capacity of the borrower. Loans and advances so graded have a well-defined weakness or weaknesses that could jeopardise the repayment of the debt. They are characterised by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Credit facilities that attract this category include those where the payment of interest and/or capital becomes overdue by 60 days and over but not exceeding 90 days.

PF

Loans and advances which attract a 'PF' grading are those facilities (other than Non-Performing Exposures) in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments (financial difficulties).

A concession is deemed to have taken place when any of the following two actions are taken;

(a) a modification of the previous terms and conditions of a contract, as the debtor is considered unable to comply therewith, 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; and/or

(b) a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

NP

Loans and advances which attract a 'NP' grading are those facilities where the Bank deems the recoverability of principal to be remote as a result of worsening conditions of loans and advances classified as 'P3'. Credit facilities that attract this category include those where the payment of interest and/or capital becomes overdue by 90 days and over. Accordingly, these loans and advances are generally past due by more than 90 days and comprise those exposures which are deemed by the Bank as credit-impaired (see definition in note 2.3.4.2).

NF

Loans and advances which attract a 'NF' grading are credit-impaired facilities where the Bank deems the recoverability to be remote as a result of worsening conditions but in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing difficulties in meeting its financial commitments.

NR

Loans and advances which attract a 'NR' grading are credit-impaired facilities where the Bank deems recovery to be remote as a result of worsening conditions and where legal action against the obligor has commenced.

2 **Financial risk management** *(continued)*

The following table sets out information about the credit quality of the Bank's loans and advances to customers measured at amortised cost. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in note 2.3.4.3.

	2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Corporate and commercial				
P1	422,210	2,400	-	424,610
P2	-	89,758	-	89,758
P3	-	24,123	-	24,123
PF	-	12,146	-	12,146
NP	-	-	5,316	5,316
NF	-	-	33,223	33,223
NR	-	-	5,601	5,601
Gross carrying amount	422,210	128,427	44,140	594,777
Loss allowance	(712)	(412)	(6,362)	(7,486)
Carrying amount	421,498	128,015	37,778	587,291

	2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Personal				
P1	277,054	942	-	277,996
P2	-	164	-	164
P3	-	367	-	367
PF	-	1,259	-	1,259
NP	-	-	1,199	1,199
NF	-	-	5,087	5,087
NR	-	-	261	261
Gross carrying amount	277,054	2,732	6,547	286,333
Loss allowance	(268)	(34)	(632)	(934)
Carrying amount	276,786	2,698	5,915	285,399

2 **Financial risk management** *(continued)*

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Loans and advances to customers at amortised cost				
Total				
P1	**699,264**	**3,342**	**-**	**702,606**
P2	**-**	**89,922**	**-**	**89,922**
P3	**-**	**24,490**	**-**	**24,490**
PF	**-**	**13,405**	**-**	**13,405**
NP	**-**	**-**	**6,515**	**6,515**
NF	**-**	**-**	**38,310**	**38,310**
NR	**-**	**-**	**5,862**	**5,862**
Gross carrying amount	**699,264**	**131,159**	**50,687**	**881,110**
Loss allowance	**(980)**	**(446)**	**(6,994)**	**(8,420)**
Carrying amount	**698,284**	**130,713**	**43,693**	**872,690**

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Corporate and commercial				
P1	379,074	1,841	-	380,915
P2	-	51,370	-	51,370
P3	-	16,262	-	16,262
PF	-	52,562	-	52,562
NP	-	-	10,636	10,636
NF	-	-	6,462	6,462
NR	-	-	10,845	10,845
Gross carrying amount	379,074	122,035	27,943	529,052
Loss allowance	(1,270)	(1,020)	(7,858)	(10,148)
Carrying amount	377,804	121,015	20,085	518,904

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Personal				
P1	232,239	3,440	-	235,679
P2	-	1,962	-	1,962
P3	-	175	-	175
PF	-	1,612	-	1,612
NP	-	-	685	685
NF	-	-	590	590
Gross carrying amount	232,239	7,189	1,275	240,703
Loss allowance	(310)	(867)	(126)	(1,303)
Carrying amount	231,929	6,322	1,149	239,400

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Total				
P1	611,313	5,281	-	616,594
P2	-	53,332	-	53,332
P3	-	16,437	-	16,437
PF	-	54,174	-	54,174
NP	-	-	11,321	11,321
NF	-	-	7,052	7,052
NR	-	-	10,845	10,845
Gross carrying amount	611,313	129,224	29,218	769,755
Loss allowance	(1,580)	(1,887)	(7,984)	(11,451)
Carrying amount	609,733	127,337	21,234	758,304

As at 31 December 2024, the Bank's undrawn commitments to lend amounted to €292,754,000 (2023: €258,448,000) and predominantly comprise of sanctioned but not yet drawn facilities which are classified as 'Stage 1' (12-month ECL) upon drawdown by customers. Undrawn facilities in respect of existing 'Stage 2' and 'Stage 3' (Lifetime ECL) facilities as at 31 December 2024 were €11,642,000 and €689,000 respectively. As at 31 December 2023, amounts were not considered significant. ECL allowances on undrawn commitments as at 31 December 2024 amounted to €71,000 (2023: €6,000).

Contingent liabilities as at 31 December 2024 amounting to €19,827,000 (2023: €14,315,000) are all classified as 'Stage 1' (12-month ECL) by the Bank. ECL allowances on contingent liabilities as at 31 December 2024 amounted to €12,000 (2023: €23,000).

As at 31 December 2024 and 2023, there were no purchased or originated credit-impaired assets.

2 **Financial risk management** *(continued)*

The following table analyses the Bank's impaired loans and advances, gross of impairment allowances, by industry sector:

	2024 € 000	2023 € 000
Property and construction	**37,516**	20,801
Personal, professional and home loans	**6,574**	1,383
Trade	**4,794**	550
Financial institutions	**1,313**	564
Manufacturing	**156**	423
Tourism	**-**	2,494
Other sectors	**334**	3,003
Gross impaired advances to customers	**50,687**	29,218

The following table provides a detailed analysis of the credit quality of the Bank's lending portfolio as at 31 December 2024:

	Non-forborne exposures 2024 € 000	Forborne exposures 2024 € 000	Total 2024 € 000
Performing - Stage 1			
Loans which are not past due	**689,885**	**-**	**689,885**
Loans which are past due up to 30 days	**9,379**	**-**	**9,379**
	699,264	**-**	**699,264**
Performing - Stage 2			
Loans which are not past due			
P1	**994**	**-**	**994**
P2	**81,011**	**-**	**81,011**
P3	**24,265**	**-**	**24,265**
PF	**-**	**12,567**	**12,567**
Loans which are past up to 90 days			
Past due between 1 and 30 days	**4,155**	**838**	**4,993**
Past due between 31 to 90 days	**7,329**	**-**	**7,329**
	117,754	**13,405**	**131,159**
Non-performing - Stage 3			
Past due loans by 90 days or more and credit-impaired loans	**6,515**	**38,310**	**44,825**
Past due loans by 90 days or more and credit-impaired loans that are subject to judicial action	**5,629**	**233**	**5,862**
	12,144	**38,543**	**50,687**
Gross loans and advances	**829,162**	**51,948**	**881,110**
Expected credit losses			
12-month ECL	**(980)**	**-**	**(980)**
Lifetime ECL	**(5,224)**	**(2,216)**	**(7,440)**
Net loans and advances	**822,958**	**49,732**	**872,690**

2 **Financial risk management** *(continued)*

Interest income recognised during the financial year ended 31 December 2024 in respect of forborne exposures amounted to €2,793,000 (2023: €2,694,000).

The following table provides a detailed analysis of the credit quality of the Bank's lending portfolio as at 31 December 2023:

	Non-forborne exposures 2023 € 000	Forborne exposures 2023 € 000	Total 2023 € 000
Performing - Stage 1			
Loans which are not past due	604,157	-	604,157
Loans which are past due up to 30 days	7,156	-	7,156
	611,313	-	611,313
Performing - Stage 2			
Loans which are not past due			
P1	5,092	-	5,092
P2	51,341	-	51,341
P3	16,242	-	16,242
PF	-	51,302	51,302
Loans which are past due up to 90 days			
Past due between 1 and 30 days	825	2,872	3,697
Past due between 31 to 90 days	1,550	-	1,550
	75,050	54,174	129,224
Non-performing - Stage 3			
Past due loans by 90 days or more and credit-impaired loans	11,321	7,052	18,373
Past due loans by 90 days or more and credit-impaired loans that are subject to judicial action	10,630	215	10,845
Gross loans and advances	708,314	61,441	769,755
Expected credit losses			
12-month ECL	(1,580)	-	(1,580)
Lifetime ECL	(8,975)	(896)	(9,871)
Net loans and advances	697,759	60,545	758,304

During 2020, the Bank participated in the Malta Development Bank COVID-19 Guarantee Scheme, whereby the risk of newly originated loans under the scheme to viable businesses experiencing liquidity pressures resulting from the effects of the pandemic are mitigated by a government guarantee.

In this respect, as at 31 December 2024, gross loans subject to the Malta Development Bank COVID-19 Guarantee Scheme amounted to €3.7 million (2023: €6.4 million), of which a maximum amount of €3.4 million (2023: €5.8 million) is considered guaranteed, though subject to an overall capping of €1.7 million (2023: €2.9 million). As at 31 December 2024, originated gross loans, under this scheme, classified as Stage 1, Stage 2 and Stage 3 amounted to €2.4 million (2023: €3.4 million), €1.1 million (2023: €3.0 million) and €0.2 million (2023: nil) respectively.

The total ECL allowance in respect of loans subject to the Malta Development Bank COVID-19 Guarantee Scheme was insignificant.

2 **Financial risk management** *(continued)*

2.3.9 Modification of financial assets

The contractual terms of a loan may be revised for a number of reasons, including changes in market conditions, customer retention and other factors that are not related to the credit quality of a customer. Forbearance measures comprise concessions made on the contractual terms of a loan in response to a customer's financial difficulties. The Group categorises loans on which concessions have been granted under conditions of financial difficulties as 'forborne loans' when their contractual payment terms have been revised, because of significant concerns about the customer's ability to meet contractual payments when due.

When considering whether there is significant concern regarding a customer's ability to meet contractual loan repayments when due, the Group assesses the customer's delinquency status, account behaviour, repayment history, current financial situation and continued ability to repay.

If the customer is not meeting contractual repayments or it is evident that the client will be unable to do so without the renegotiation, there will be a significant concern regarding the ability to meet contractual payments. Indicators of significant concerns regarding a borrower's ability to pay include:

- the customer is currently in default on any of its debt;
- the customer has declared or is in the process of declaring bankruptcy or entering into a similar process;
- there is significant doubt as to whether the customer will continue to be a going concern; and
- the Group forecasts that the customer's entity-specific cash flows will be insufficient to service the debt (both interest and principal) in accordance with the contractual terms of the existing agreement through maturity.

A range of forbearance measures are employed by the Group in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default or call-in of facilities. They include extended payment terms, a reduction in principal repayments, the deferral of call-in of facilities and other forms of loan modifications. The Group's policies and procedures in this area allow the Group to provide a customer with terms and conditions that are more favourable than those provided initially. Loan forbearance is only granted in situations where the customer has shown a willingness to repay the loan and is expected to be able to meet the revised obligations. The Group's credit risk management policies set out restrictions on the number and frequency of forbearance measures and the minimum period an account must have been opened before any forbearance measure can be considered.

For the purposes of determining whether changes to a customer's agreement should be treated as forbearance the following types of modification could be regarded as concessionary in cases where the customer is in financial difficulty:

- reduction of the stated interest rate for the remaining original life of the debt;
- extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk;
- extension of maturity date or dates without any changes to the interest rate;
- reduction of the face amount or maturity amount of the debt; and
- reduction of accrued interest.

Term extension is the most common type of modification granted by the Group. Other types of concession, namely transfer to an interest-only arrangement or interest rate changes, occur less often.

In assessing whether forbearance is a sustainable strategy, the customer's entire exposures are reviewed and the customer's ability to meet the terms in relation to the revised obligations and other unchanged credit facilities is considered. In all cases, forbearance is only granted when the customer is expected to be able to meet the revised terms. When considering acceptable modified terms the Group considers the ability of the customer to be able to service the revised interest payments as a necessity. When principal payment modifications are utilised, the Group requires the customer to be able to comply with the revised terms as a necessary pre-condition for the restructuring to proceed.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk.

The risk of default of modified assets is assessed at the reporting date and compared with the risk under the original terms at initial recognition.

When the modification is not substantial it does not result in derecognition of the original asset (refer to note 1.4.5).

2 **Financial risk management** *(continued)*

The Group monitors the subsequent performance of forborne loans and may determine that the credit risk has significantly improved after restructuring:

- modified assets are moved from 'Stage 3' (Lifetime ECL) to 'Stage 2' (Lifetime ECL) only if they have performed in accordance with the new terms for 12 consecutive months;
- modified assets are moved from 'Stage 3' (Lifetime ECL) to 'Stage 1' (12-month ECL) only if they have performed in accordance with the new terms for 36 consecutive months or more; and
- modified assets are moved from 'Stage 2' (Lifetime ECL) to 'Stage 1' (12-month ECL) only if they have performed in accordance with the new terms for 24 consecutive months or more.

A non-performing forborne exposure is categorised as non-forborne upon the lapse of 36 consecutive months of performance in accordance with the new terms.

The gross carrying amount of the assets subject to modifications described above, not considered as forbearance activities, as at 31 December 2024 amounted to €14,687,000 (2023: €26,909,000).

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to forborne loans that moved from Stage 3 (Lifetime ECL) or 'Stage 2' (Lifetime ECL) to 'Stage 1'.

The movement in the carrying amount of forborne loans and advances, before expected credit loss allowances, is analysed below:

	Forborne exposures 2024 € 000	Forborne exposures 2023 € 000
At 1 January	**61,441**	58,040
Loans to which forbearance measures have been extended during the year	**15,633**	31,125
Repayments	**(10,439)**	(815)
Retired from forborne	**(14,687)**	(26,909)
At 31 December	**51,948**	61,441

Forborne loans, gross of expected credit losses, are analysed by industry sector as follows:

	2024 € 000	2023 € 000
Property and construction	**37,176**	34,340
Financial institutions	**1,013**	17,523
Trade	**7,152**	5,860
Personal, professional and home loans	**6,346**	2,202
Other sectors	**261**	1,516
	51,948	61,441

As at 31 December 2024 and 2023, forborne loans mainly comprised of exposures to customers based in Malta.

2 **Financial risk management** *(continued)*

2.3.10 Loss allowances

Reconciliation of 12-month and lifetime ECL provision

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between 'Stage 1' and 'Stages 2' or '3' due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period upon full repayment;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets written off during the period and reversal of allowances related to assets that were written off.

2 **Financial risk management** *(continued)*

The following tables explain the changes in the Group's loss allowance between the beginning and the end of the annual period:

	2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Debt securities measured at FVOCI				
Loss allowance as at 1 January 2024	471	-	-	471
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	(247)	-	-	(247)
Total net income statement credit during the year	(247)	-	-	(247)
Loss allowance as at 31 December 2024	224	-	-	224
Debt securities measured at amortised cost				
Loss allowance as at 1 January 2024	72	-	-	72
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	(47)	-	-	(47)
Total net income statement charge during the year	(47)	-	-	(47)
Loss allowance as at 31 December 2024	25	-	-	25
Loans and advances to banks at amortised cost				
Loss allowance as at 1 January 2024	-	-	-	-
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	9	-	-	9
Total net income statement credit/(charge) during the year	9	-	-	9
Loss allowance as at 31 December 2024	9	-	-	9
Undrawn commitments				
Loss allowance as at 1 January 2024	-	5	1	6
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	70	(5)	-	65
Total net income statement credit/(charge) during the year	70	(5)	-	65
Loss allowance as at 31 December 2024	70	-	1	71
Contingent liabilities				
Loss allowance as at 1 January 2024	23	-	-	23
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	(11)	-	-	(11)
Total net income statement credit during the year	(11)	-	-	(11)
Loss allowance as at 31 December 2024	12	-	-	12

2 **Financial risk management** *(continued)*

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Loans and advances to customers at amortised cost				
Corporate and commercial				
Loss allowance as at 1 January 2024	1,270	1,020	7,858	10,148
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(14)	14	-	-
Transfer from Stage 2 to Stage 1	22	(22)	-	-
Transfer from Stage 2 to Stage 3	-	(483)	483	-
Transfer from Stage 3 to Stage 2	-	31	(31)	-
Net remeasurement of ECL arising from stage transfers	(19)	(28)	96	49
Total remeasurement of loss allowance arising from transfers in stages	(11)	(488)	548	49
New financial assets originated	441	38	1	480
Changes to risk parameters (model inputs: PDs/LGDs/EADs)*	(734)	(83)	573	(244)
Financial assets derecognised	(253)	(84)	(231)	(568)
Other changes	1	8	(207)	(198)
Total net income statement (charge)/credit during the year	(556)	(609)	684	(481)
Other movements				
Write-offs	-	-	(2,379)	(2,379)
Unwinding of discount	-	-	198	198
Loss allowance as at 31 December 2024	714	411	6,361	7,486

2 **Financial risk management** *(continued)*

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Loans and advances to customers at amortised cost				
Personal				
Loss allowance as at 1 January 2024	**310**	**867**	**126**	**1,303**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	**(1)**	**1**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(1)**	**-**	**1**	**-**
Transfer from Stage 2 to Stage 1	**8**	**(8)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(826)**	**826**	**-**
Transfer from Stage 3 to Stage 1	**10**	**-**	**(10)**	**-**
Net remeasurement of ECL arising from stage transfers	**(17)**	**8**	**53**	**44**
Total remeasurement of loss allowance arising from transfers in stages	**(1)**	**(825)**	**870**	**44**
New financial assets originated	**151**	**-**	**90**	**241**
Changes to risk parameters (model inputs: PDs/LGDs/EADs)*	**(186)**	**1**	**(603)**	**(788)**
Financial assets derecognised	**(8)**	**-**	**(64)**	**(72)**
Other changes	**(1)**	**(8)**	**207**	**198**
Total net income statement (charge)/credit during the year	**(45)**	**(832)**	**500**	**(377)**
Other movements				
Unwinding of discount	**-**	**-**	**8**	**8**
Loss allowance as at 31 December 2024	**265**	**35**	**634**	**934**

2 **Financial risk management** *(continued)*

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Loans and advances to customers at amortised cost				
Total				
Loss allowance as at 1 January 2024	**1,580**	**1,887**	**7,984**	**11,451**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	**(15)**	**15**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(1)**	**-**	**1**	**-**
Transfer from Stage 2 to Stage 1	**30**	**(30)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(1,309)**	**1,309**	**-**
Transfer from Stage 3 to Stage 1	**10**	**-**	**(10)**	**-**
Transfer from Stage 3 to Stage 2	**-**	**31**	**(31)**	**-**
Net remeasurement of ECL arising from stage transfers	**(36)**	**(20)**	**149**	**93**
Total remeasurement of loss allowance arising from transfers in stages	**(12)**	**(1,313)**	**1,418**	**93**
New financial assets originated	**592**	**38**	**91**	**721**
Changes to risk parameters (model inputs: PDs/LGDs/EADs)*	**(920)**	**(82)**	**(30)**	**(1,302)**
Financial assets derecognised	**(261)**	**(84)**	**(295)**	**(640)**
Total net income statement (charge)/credit during the year	**(601)**	**(1,441)**	**1,184**	**(858)**
Other movements				
Write-offs	**-**	**-**	**(2,379)**	**(2,379)**
Unwinding of discount	**-**	**-**	**206**	**206**
Loss allowance as at 31 December 2024	**979**	**446**	**6,995**	**8,420**

The movements reflected within the line item "Changes to risk parameters" have been analysed and described in notes 2.3.4.3, 2.3.4.4 and 2.3.9.

*The movements reflected within the line item "Changes to risk parameters" reflect changes in ECL due to improvements in macroeconomic variables impacting Stage 1 and Stage 2 PDs.

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Debt securities measured at FVOCI				
Loss allowance as at 1 January 2023	526	-	-	526
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	(55)	-	-	(55)
Total net income statement charge during the year	(55)	-	-	(55)
Loss allowance as at 31 December 2023	471	-	-	471
Debt securities measured at amortised cost				
Loss allowance as at 1 January 2023	-	-	-	-
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	72	-	-	72
Total net income statement charge during the year	72	-	-	72
Loss allowance as at 31 December 2023	72	-	-	72
Undrawn commitments				
Loss allowance as at 1 January 2023	6	-	1	7
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	(6)	5	-	(1)
Total net income statement credit during the year	(6)	5	-	(1)
Loss allowance as at 31 December 2023	-	5	1	6
Contingent liabilities				
Loss allowance as at 1 January 2023	36	-	-	36
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	(13)	-	-	(13)
Total net income statement charge during the year	(13)	-	-	(13)
Loss allowance as at 31 December 2023	23	-	-	23

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost				
Corporate and commercial				
Loss allowance as at 1 January 2023	1,924	1,548	5,687	9,159
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(287)	287	-	-
Transfer from Stage 1 to Stage 3	(4)	-	4	-
Transfer from Stage 2 to Stage 1	450	(450)	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-
Net remeasurement of ECL arising from stage transfers	(189)	143	1	(46)
Total remeasurement of loss allowance arising from transfers in stages	(27)	(20)	1	(46)
New financial assets originated	397	160	-	557
Changes to risk parameters (model inputs: PDs/LGDs/EADs)*	(980)	(381)	1,950	589
Financial assets derecognised	(44)	(287)	(13)	(344)
Total net income statement credit during the year	(654)	(528)	1,938	756
Other movements				
Unwinding of discount	-	-	233	233
Loss allowance as at 31 December 2023	1,270	1,020	7,858	10,148

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Personal				
Loss allowance as at 1 January 2023	415	66	309	790
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(19)	19	-	-
Transfer from Stage 2 to Stage 1	31	(31)	-	-
Transfer from Stage 2 to Stage 3	-	(1)	1	-
Transfer from Stage 3 to Stage 1	39	-	(39)	-
Transfer from Stage 3 to Stage 2	-	158	(158)	-
Net remeasurement of ECL arising from stage transfers	(9)	34	-	25
Total remeasurement of loss allowance arising from transfers in stages	42	179	(196)	25
New financial assets originated	177	13	2	192
Changes to risk parameters (model inputs: PDs/LGDs/EADs)	(299)	610	12	323
Financial assets derecognised	(25)	(1)	(3)	(29)
Total net income statement credit during the year	(105)	801	(185)	511
Other movements				
Unwinding of discount	-	-	2	2
Loss allowance as at 31 December 2023	310	867	126	1,303

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Total				
Loss allowance as at 1 January 2023	2,339	1,614	5,996	9,949
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(306)	306	-	-
Transfer from Stage 1 to Stage 3	(4)	-	4	-
Transfer from Stage 2 to Stage 1	481	(481)	-	-
Transfer from Stage 2 to Stage 3	-	(1)	1	-
Transfer from Stage 3 to Stage 1	42	-	(42)	-
Transfer from Stage 3 to Stage 2	-	158	(158)	-
Net remeasurement of ECL arising from stage transfers	(198)	177	-	(21)
Total remeasurement of loss allowance arising from transfers in stages	15	159	(195)	(21)
New financial assets originated	574	173	2	749
Changes to risk parameters (model inputs: PDs/LGDs/EADs)*	(1,279)	229	1,962	912
Financial assets derecognised	(69)	(288)	(16)	(373)
Total net income statement credit during the year	(759)	273	1,753	1,267
Other movements				
Unwinding of discount	-	-	235	235
Loss allowance as at 31 December 2023	1,580	1,887	7,984	11,451

The movements reflected within the line item “Changes to risk parameters” have been analysed and described in notes 2.3.4.3, 2.3.4.4 and 2.3.9.

*The movements reflected within the line item “Changes to risk parameters” reflect changes in ECL as a consequence of updates to specific model inputs impacting Stage 1 and Stage 2 PDs. The increase in ECL on Stage 3 exposures principally arises on a particular borrower following an update to the respective LGD parameter.

2 **Financial risk management** *(continued)*

The unwinding of discount on 'Stage 3' financial assets is reported within 'Interest Income' so that interest income is recognised on the amortised cost basis (after deducting the ECL allowance).

Remeasurement of loss allowances arising from foreign-exchange and other movements were not considered significant.

Changes in the gross carrying amount that contributed to changes in loss allowance

The following table explains changes in the gross carrying amount of the Group's financial assets to help demonstrate their significance to the changes in the loss allowance for the same portfolios as highlighted above:

	2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Balances with Central Bank of Malta and treasury bills				
Gross carrying amount as at 1 January 2024	138,157	-	-	138,157
New financial assets originated	6,016,795	-	-	6,016,795
Financial assets derecognised	(6,008,080)	-	-	(6,008,080)
Gross carrying amount as at 31 December 2024	146,872	-	-	146,872
Debt securities measured at FVOCI				
Gross carrying amount as at 1 January 2024	199,965	-	-	199,965
Financial assets derecognised	(29,283)	-	-	(29,283)
Fair value and other movements	8,146	-	-	8,146
Gross carrying amount as at 31 December 2024	178,828	-	-	178,828
Debt securities measured at amortised cost				
Gross carrying amount as at 1 January 2024	8,357	-	-	8,357
New financial assets originated	12,542	-	-	12,542
Other movements	233	-	-	233
Gross carrying amount as at 31 December 2024	21,132	-	-	21,132
Loans and advances to banks at amortised cost				
Gross carrying amount as at 1 January 2024	38,139	-	-	38,139
New financial assets originated	4,319,694	-	-	4,319,694
Financial assets derecognised	(4,311,635)	-	-	(4,311,635)
Gross carrying amount as at 31 December 2024	46,198	-	-	46,198

2 **Financial risk management** *(continued)*

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Loans and advances to customers at amortised cost				
Corporate and commercial				
Gross carrying amount as at 1 January 2024	379,074	122,035	27,943	529,052
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(43,190)	43,190	-	-
Transfer from Stage 1 to Stage 3	(2,407)	-	2,407	-
Transfer from Stage 2 to Stage 1	13,310	(13,310)	-	-
Transfer from Stage 2 to Stage 3	-	(27,511)	27,511	-
Transfer from Stage 3 to Stage 2	-	1,951	(1,951)	-
Total changes in gross carrying amounts arising from transfers in stages	(32,287)	4,320	27,967	-
New financial assets originated	116,054	15,156	2,004	133,214
Changes in gross carrying amount in respect of facilities present as at 1 January 2024	(20,864)	(4,877)	(6,005)	(31,746)
Financial assets derecognised	(22,895)	(8,580)	(4,801)	(36,276)
Write-offs	-	-	(2,621)	(2,621)
Other changes	3,129	372	(347)	3,154
Total net change during the year	43,137	6,391	16,197	65,725
Gross carrying amount as at 31 December 2024	422,211	128,426	44,140	594,777

2 **Financial risk management** *(continued)*

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	€ 000	**€ 000**	**€ 000**	**€ 000**
Loans and advances to customers at amortised cost				
Personal				
Gross carrying amount as at 1 January 2024	**232,239**	**7,189**	**1,275**	**240,703**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	**(789)**	**789**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(420)**	**-**	**420**	**-**
Transfer from Stage 2 to Stage 1	**799**	**(799)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(3,868)**	**3,868**	**-**
Transfer from Stage 3 to Stage 1	**11**	**-**	**(11)**	**-**
Total changes in gross carrying amounts arising from transfers in stages	**(399)**	**(3,878)**	**4,277**	**-**
New financial assets originated	**62,704**	**3**	**1,391**	**64,098**
Changes in gross carrying amount in respect of facilities present as at 1 January 2024	**(7,090)**	**(129)**	**(222)**	**(7,441)**
Financial assets derecognised	**(7,279)**	**(81)**	**(521)**	**(7,881)**
Other changes	**(3,129)**	**(372)**	**347**	**(3,154)**
Total net change during the year	**44,807**	**(4,457)**	**5,272**	**45,622**
Gross carrying amount as at 31 December 2024	**277,046**	**2,732**	**6,547**	**286,325**

2 **Financial risk management** *(continued)*

	2024			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost				
Total				
Gross carrying amount as at 1 January 2024	611,313	129,224	29,218	769,755
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(43,979)	43,979	-	-
Transfer from Stage 1 to Stage 3	(2,827)	-	2,827	-
Transfer from Stage 2 to Stage 1	14,109	(14,109)	-	-
Transfer from Stage 2 to Stage 3	-	(31,379)	31,379	-
Transfer from Stage 3 to Stage 1	11	-	(11)	-
Transfer from Stage 3 to Stage 2	-	1,951	(1,951)	-
Total changes in gross carrying amounts arising from transfers in stages	(32,686)	442	32,244	-
New financial assets originated	178,758	15,159	3,395	197,312
Changes in gross carrying amount in respect of facilities present as at 1 January 2024	(27,954)	(5,006)	(6,227)	(39,187)
Financial assets derecognised	(30,174)	(8,661)	(5,322)	(44,157)
Write-offs	-	-	(2,621)	(2,621)
Total net change during the year	87,944	1,934	21,469	111,347
Gross carrying amount as at 31 December 2024	699,257	131,158	50,687	881,102

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Balances with Central Bank of Malta and treasury bills				
Gross carrying amount as at 1 January 2023	132,119	-	-	132,119
New financial assets originated	3,986,316	-	-	3,986,316
Financial assets derecognised	(3,980,278)	-	-	(3,980,278)
Gross carrying amount as at 31 December 2023	138,157	-	-	138,157
Debt securities measured at FVOCI				
Gross carrying amount as at 1 January 2023	213,391	-	-	213,391
Financial assets derecognised	(9,477)	-	-	(9,477)
Fair value and other movements	(3,949)	-	-	(3,949)
Gross carrying amount as at 31 December 2023	199,965	-	-	199,965
Debt securities measured at amortised cost				
New financial assets purchased	8,359	-	-	8,359
Other movements	(2)	-	-	(2)
Gross carrying amount as at 31 December 2024	8,357	-	-	8,357
Loans and advances to banks at amortised cost				
Gross carrying amount as at 1 January 2023	27,615	-	-	27,615
New financial assets originated	271,954	-	-	271,954
Financial assets derecognised	(261,430)	-	-	(261,430)
Gross carrying amount as at 31 December 2023	38,139	-	-	38,139

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Corporate and commercial				
Gross carrying amount as at 1 January 2023	344,301	164,071	25,816	534,188
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(29,758)	29,758	-	-
Transfer from Stage 1 to Stage 3	(2,322)	-	2,322	-
Transfer from Stage 2 to Stage 1	68,134	(68,134)	-	-
Transfer from Stage 2 to Stage 3	-	(254)	254	-
Transfer from Stage 3 to Stage 1	51	-	(51)	-
Transfer from Stage 3 to Stage 2	-	281	(281)	-
Total changes in gross carrying amounts arising from transfers in stages	36,105	(38,349)	2,244	-
New financial assets originated	39,903	11,869	47	51,819
Changes in gross carrying amount in respect of facilities present as at 1 January 2023	(14,539)	(5,022)	883	(18,678)
Financial assets derecognised	(26,696)	(10,534)	(1,047)	(38,277)
Total net change during the year	34,773	(42,036)	2,127	(5,136)
Gross carrying amount as at 31 December 2023	379,074	122,035	27,943	529,052

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL € 000	Stage 2 Lifetime ECL € 000	Stage 3 Lifetime ECL € 000	Total € 000
Loans and advances to customers at amortised cost				
Personal				
Gross carrying amount as at 1 January 2023	181,897	3,480	1,996	187,373
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(2,636)	2,636	-	-
Transfer from Stage 1 to Stage 3	(198)	-	198	-
Transfer from Stage 2 to Stage 1	616	(616)	-	-
Transfer from Stage 2 to Stage 3	-	(97)	97	-
Transfer from Stage 3 to Stage 1	338	-	(338)	-
Transfer from Stage 3 to Stage 2	-	515	(515)	-
Total changes in gross carrying amounts arising from transfers in stages	(1,880)	2,438	(558)	-
New financial assets originated	63,147	65	2	63,214
Changes in gross carrying amount in respect of facilities present as at 1 January 2023	(3,424)	1,861	(141)	(1,704)
Financial assets derecognised	(7,501)	(655)	(24)	(8,180)
Total net change during the year	50,342	3,709	(721)	53,330
Gross carrying amount as at 31 December 2023	232,239	7,189	1,275	240,703

2 **Financial risk management** *(continued)*

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€ 000	€ 000	€ 000	€ 000
Loans and advances to customers at amortised cost				
Total				
Gross carrying amount as at 1 January 2023	526,198	167,551	27,812	721,561
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	(32,394)	32,394	-	-
Transfer from Stage 1 to Stage 3	(2,520)	-	2,520	-
Transfer from Stage 2 to Stage 1	68,750	(68,750)	-	-
Transfer from Stage 2 to Stage 3	-	(351)	351	-
Transfer from Stage 3 to Stage 1	389	-	(389)	-
Transfer from Stage 3 to Stage 2	-	796	(796)	-
Total changes in gross carrying amounts arising from transfers in stages	34,225	(35,911)	1,686	-
New financial assets originated	103,050	11,934	49	115,033
Changes in gross carrying amount in respect of facilities present as at 1 January 2023	(17,963)	(3,161)	742	(20,382)
Financial assets derecognised	(34,197)	(11,189)	(1,071)	(46,457)
Total net change during the year	85,115	(38,327)	1,406	48,194
Gross carrying amount as at 31 December 2023	611,313	129,224	29,218	769,755

Undrawn commitments to lend as at 31 December 2024 amounted to €291,647,000 (2023: €257,338,000) and predominantly comprise of sanctioned but not yet drawn facilities which are classified as 'Stage 1' (12-month ECL) upon drawdown by customers. Changes in gross carrying amount of undrawn commitments to lend mainly relate to existing facilities drawn down by customers and new facilities sanctioned during 2024 and 2023.

Contingent liabilities as at 31 December 2024 amounting to €19,827,000 (2023: €14,315,000) are all classified as 'Stage 1' (12-month ECL) by the Group. Changes in gross carrying amount of contingent liabilities mainly related to the expiry or enforcement of existing financial guarantees and the issuance of new financial guarantees during 2024 and 2023.

Changes in gross carrying amount arising from foreign-exchange and other movements were not significant.

2.3.11 Write-off policy

The Group writes off loans and advances to customers when it determines that these are uncollectible, it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-offs.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

The outstanding contractual amounts of assets written off during the year ended 31 December 2024 amounted to €2,621,000 (2023: €nil).

2 **Financial risk management** *(continued)*

2.3.12 Collateral

The Group employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank's Board established a policy regarding the acceptability of types of collateral and valuation parameters.

Longer-term finance and lending to corporate and commercial entities are generally secured; revolving individual credit facilities are generally unsecured.

The main types of collateral obtained are as follows:

- for corporate and commercial lending, charges over real estate properties, cash or securities; and
- for personal lending (including home loans and consumer credit), mortgages over residential properties, cash or securities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

Management assesses the market value of collateral as part of the loan origination process. This assessment is reviewed periodically through ongoing credit file reviews. The Group requests additional collateral in accordance with the underlying agreement when necessary.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

A portion of the Group's financial assets has sufficiently low 'loan-to-value' ('LTV') ratios, which result in nil loss allowance being recognised in accordance with the Group's Expected Credit Loss model. As at 31 December 2024, the gross carrying amount of such financial assets is €573,906,000 (2023: €485,112,000).

The extendible value of the collateral is the lower of the fair value of a pledged asset for lending purposes and the gross carrying amount of the secured loans.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

2 **Financial risk management** *(continued)*

	As at 31 December 2024			
Credit-impaired assets	**Gross exposure € 000**	**Impairment allowance € 000**	**Carrying amount € 000**	**Extendible value of collateral held € 000**
Corporate and commercial				
- Overdrafts	**5,721**	**819**	**4,902**	**15,997**
- Term loans	**37,988**	**5,497**	**32,491**	**164,445**
Personal				
- Term loans	**1,467**	**178**	**1,289**	**3,029**
Total credit-impaired assets	**45,176**	**6,494**	**38,682**	**183,471**

	As at 31 December 2023			
Credit-impaired assets	Gross exposure € 000	Impairment allowance € 000	Carrying amount € 000	Extendible value of collateral held € 000
Corporate and commercial				
- Overdrafts	4,253	1,108	3,145	6,324
- Term loans	20,581	4,859	15,722	48,377
Personal				
- Term loans	1,235	86	1,149	3,694
- Credit cards	3	1	2	3
Total credit-impaired assets	26,072	6,054	20,018	58,398

2 **Financial risk management** *(continued)*

Financial assets that are credit-impaired, but with no collateral held in this respect, are shown below:

	As at 31 December 2024		
Credit-impaired assets	**Gross exposure € 000**	**Impairment allowance € 000**	**Carrying amount € 000**
Corporate and commercial			
- Overdrafts	**428**	**46**	**382**
- Credit cards	**3**	**-**	**3**
Personal			
- Overdrafts	**110**	**86**	**24**
- Term loans	**4,957**	**355**	**4,602**
- Credit cards	**13**	**13**	**-**
Total credit-impaired assets	**5,511**	**500**	**5,011**

	As at 31 December 2023		
Credit-impaired assets	Gross exposure € 000	Impairment allowance € 000	Carrying amount € 000
Corporate and commercial			
- Overdrafts	629	387	242
- Term loans	2,480	1,506	974
Personal			
- Overdrafts	8	8	-
- Term loans	9	9	-
- Credit cards	20	20	-
Total credit-impaired assets	3,146	1,930	1,216

It is the Bank's policy to dispose of properties acquired through judicial action in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy properties acquired through judicial action for business use.

2 **Financial risk management** *(continued)*

The following tables show the distribution of LTV ratios for the Bank's loans and advances to customers.

Corporate and commercial

	Non-forborne exposures 2024 € 000	**Forborne exposures 2024 € 000**	**Total 2024 € 000**	Non-forborne exposures 2023 € 000	Forborne exposures 2023 € 000	Total 2023 € 000
Performing - Stage 1						
Not collateralised	**57,785**	**-**	**57,785**	39,069	-	39,069
Fully collateralised:						
Less than 50% LTV	**265,156**	**-**	**265,156**	276,216	-	276,216
51% to 75% LTV	**79,859**	**-**	**79,859**	42,182	-	42,182
76% to 90% LTV	**6,925**	**-**	**6,925**	1,829	-	1,829
91% to 100% LTV	**9,561**	**-**	**9,561**	14,095	-	14,095
	361,501	**-**	**361,501**	334,322	-	334,322
Partially collateralised:						
Greater than 100% LTV	**2,924**	**-**	**2,924**	5,683	-	5,683
Total performing – Stage 1	**422,210**	**-**	**422,210**	379,074	-	379,074
Underperforming – Stage 2						
Not collateralised	**2,531**	**-**	**2,531**	1,715	2,121	3,836
Fully collateralised:						
Less than 50% LTV	**81,210**	**4,965**	**86,175**	46,345	25,979	72,324
51% to 75% LTV	**12,065**	**6,876**	**18,941**	19,304	11,253	30,557
76% to 90% LTV	**4,968**	**-**	**4,968**	377	-	377
91% to 100% LTV	**417**	**-**	**417**	-	-	-
	98,660	**11,841**	**110,501**	66,026	37,232	103,258
Partially collateralised:						
Greater than 100% LTV	**15,089**	**306**	**15,395**	1,732	13,209	14,941
Total underperforming – Stage 2	**116,280**	**12,147**	**128,427**	69,473	52,562	122,035
Non-Performing – Stage 3						
Not collateralised	**427**	**4**	**431**	3,109	-	3,109
Fully collateralised:						
Less than 50% LTV	**1,161**	**27,450**	**28,611**	6,034	5,809	11,843
51% to 75% LTV	**4,151**	**5,769**	**9,920**	6,298	653	6,951
76% to 90% LTV	**956**	**-**	**956**	1,695	215	1,910
91% to 100% LTV	**31**	**233**	**264**	-	-	-
	6,299	**33,452**	**39,751**	14,027	6,677	20,704
Partially collateralised:						
Greater than 100% LTV	**3,958**	**-**	**3,958**	4,130	-	4,130
Total non-performing – Stage 3	**10,684**	**33,456**	**44,140**	21,266	6,677	27,943
At 31 December	**549,174**	**45,603**	**594,777**	469,813	59,239	529,052

2 **Financial risk management** *(continued)*

Personal

	Non-forborne exposures 2024 € 000	**Forborne exposures 2024 € 000**	**Total 2024 € 000**	Non-forborne exposures 2023 € 000	Forborne exposures 2023 € 000	Total 2023 € 000
Performing - Stage 1						
Not collateralised	**14,408**	**-**	**14,408**	10,888	-	10,888
Fully collateralised:						
Less than 50% LTV	**77,548**	**-**	**77,548**	61,904	-	61,904
51% to 75% LTV	**72,340**	**-**	**72,340**	69,804	-	69,804
76% to 90% LTV	**108,026**	**-**	**108,026**	85,895	-	85,895
91% to 100% LTV	**3,281**	**-**	**3,281**	3,161	-	3,161
	261,195	**-**	**261,195**	220,764	-	220,764
Partially collateralised:						
Greater than 100% LTV	**1,451**	**-**	**1,451**	587	-	587
Total performing – Stage 1	**277,054**	**-**	**277,054**	232,239	-	232,239
Underperforming – Stage 2						
Not collateralised	**122**	**-**	**122**	3,902	2	3,904
Fully collateralised:						
Less than 50% LTV	**641**	**988**	**1,629**	257	1,112	1,369
51% to 75% LTV	**-**	**270**	**270**	657	259	916
76% to 90% LTV	**711**	**-**	**711**	713	239	952
91% to 100% LTV	**-**	**-**	**-**	48	-	48
	1,352	**1,258**	**2,610**	1,675	1,610	3,285
Partially collateralised:						
Greater than 100% LTV	**-**	**-**	**-**	-	-	-
Total underperforming – Stage 2	**1,474**	**1,258**	**2,732**	5,577	1,612	7,189
Non-Performing – Stage 3						
Not collateralised	**181**	**4,899**	**5,080**	31	6	37
Fully collateralised:						
Less than 50% LTV	**486**	**188**	**674**	433	212	645
51% to 75% LTV	**185**	**-**	**185**	1	-	1
76% to 90% LTV	**347**	**-**	**347**	217	372	589
	1,018	**188**	**1,206**	651	584	1,235
Partially collateralised:						
Greater than 100% LTV	**261**	**-**	**261**	3	-	3
Total non-performing – Stage 3	**1,460**	**5,087**	**6,547**	685	590	1,275
At 31 December	**279,988**	**6,345**	**286,333**	238,501	2,202	240,703

2 **Financial risk management** *(continued)*

Total

	Non-forborne exposures 2024 € 000	**Forborne exposures 2024 € 000**	**Total 2024 € 000**	Non-forborne exposures 2023 € 000	Forborne exposures 2023 € 000	Total 2023 € 000
Performing - Stage 1						
Not collateralised	**72,193**	**-**	**72,193**	49,957	-	49,957
Fully collateralised:						
Less than 50% LTV	**342,704**	**-**	**342,704**	338,120	-	338,120
51% to 75% LTV	**152,199**	**-**	**152,199**	111,986	-	111,986
76% to 90% LTV	**114,951**	**-**	**114,951**	87,724	-	87,724
91% to 100% LTV	**12,842**	**-**	**12,842**	17,256	-	17,256
	622,696	**-**	**622,696**	555,086	-	555,086
Partially collateralised:						
Greater than 100% LTV	**4,375**	**-**	**4,375**	6,270	-	6,270
Total performing – Stage 1	**699,264**	**-**	**699,264**	611,313	-	611,313
Underperforming – Stage 2						
Not collateralised	**2,653**	**-**	**2,653**	5,617	2,123	7,740
Fully collateralised:						
Less than 50% LTV	**81,851**	**5,953**	**87,804**	46,602	27,091	73,693
51% to 75% LTV	**12,065**	**7,146**	**19,211**	19,961	11,512	31,473
76% to 90% LTV	**5,679**	**-**	**5,679**	1,090	239	1,329
91% to 100% LTV	**417**	**-**	**417**	48	-	48
	100,012	**13,099**	**113,111**	67,701	38,842	106,543
Partially collateralised:						
Greater than 100% LTV	**15,089**	**306**	**15,395**	1,732	13,209	14,941
Total underperforming – Stage 2	**117,754**	**13,405**	**131,159**	75,050	54,174	129,224
Non-Performing – Stage 3						
Not collateralised	**608**	**4,903**	**5,511**	3,140	6	3,146
Fully collateralised:						
Less than 50% LTV	**1,647**	**27,638**	**29,285**	6,467	6,021	12,488
51% to 75% LTV	**4,336**	**5,769**	**10,105**	6,299	653	6,952
76% to 90% LTV	**1,303**	**-**	**1,303**	1,912	587	2,499
91% to 100% LTV	**31**	**233**	**264**	-	-	-
	7,317	**33,640**	**40,957**	14,678	7,261	21,939
Partially collateralised:						
Greater than 100% LTV	**4,219**	**-**	**4,219**	4,133	-	4,133
Total non-performing – Stage 3	**12,144**	**38,543**	**50,687**	21,951	7,267	29,218
At 31 December	**829,162**	**51,948**	**881,110**	708,314	61,441	769,755

2 **Financial risk management** *(continued)*

2.3.13 Trade and other receivables

The Bank's subsidiary assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales. The subsidiary monitors the performance of these financial assets on a regular basis to identify expected and incurred collection losses which are inherent in the subsidiary's receivables taking into account historical experience in collection of accounts receivable.

Standard credit terms are in place for individual clients, however, wherever possible, new corporate and commercial customers are analysed individually for creditworthiness before the subsidiary's standard payment and service delivery terms and conditions are offered. The entity's review includes external creditworthiness databases when available. The subsidiary establishes an allowance for credit losses that represents its estimate of both incurred and expected losses in respect of trade and other receivables. This allowance represents expected credit losses ('ECL') against individual exposures.

The subsidiary applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The movement in provisions for impairment in respect of trade receivables is disclosed in note 16. Other overdue trade receivables amount to €309,000 (2023: €431,000). Trade receivable amounting €139,000 (2023: €272,000) were overdue by at least three months, whereas €170,000 (2023: €159,000) were overdue by at least nine months.

The subsidiary's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

2.3.14 Contingencies and commitments

Guarantees and standby letters of credit carry the same credit risk as loans. Documentary credits and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. These exposures are monitored in the same manner outlined above in respect of loans and advances.

2.4 Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Accordingly, market risk for the Group consists of three elements:

- Interest rate risk, which is the risk of losses because of changes in interest rates;
- Exchange rate risk, which is the risk of losses on the Group's positions in foreign currency because of changes in exchange rates; and
- Equity price risk, which is the risk of losses because of changes in investment prices.

2 **Financial risk management** *(continued)*

2.4.1 Interest rate risk

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group, through its banking operations, takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but losses may occur in the event that unexpected movements arise.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice within different time periods or on different terms. The Bank accepts deposits from customers at both fixed and floating rates and for varying terms. This poses a risk to the Bank, which risk is managed by monitoring on a continuous basis the level of mismatch of interest rate repricing taking cognisance of the terms of the Bank's main assets, loans and advances to customers, that are principally repriceable at the Bank's discretion. The Bank also invests in highly liquid quality assets and other short-term instruments for the purposes of mitigating exposures to fluctuations in interest rates. The Bank is accordingly in a position to manage the interest rate terms of its principal financial assets and simultaneously to effect changes to interest terms of liabilities reflecting the Bank's strategy together with market developments. The Group seeks to manage its net interest spread, considering the cost of capital, by investing funds in a portfolio of assets with a longer term than the liabilities funding them (therefore normally giving rise to a negative maturity gap position) but with shorter repricing periods or terms. The Bank manages the shorter term nature of the liabilities funding the assets for the purposes of ensuring a steady base of deposits with differing terms over the medium to longer term. The Bank's Assets & Liabilities Committee is primarily responsible for oversight over the Bank's interest rate risk management process and monitors actively the interest rate risk measures utilised by the Bank.

Credit facilities and commitments to lend funds to customers are granted at market interest rates prevailing at drawdown date.

The financial years ended 31 December 2024 and 2023, have been characterised by a continued disinflationary process that has brought inflation rates closer to central bank targets. In a context of a resilient labour market, latest ECB assessments also indicate that Euro Area economic growth is losing momentum. The underwhelming performance continues to be weighed by headwinds coming from lower confidence in private consumption and investment. Geopolitical risks related to the ongoing wars in Eastern Europe and the Middle East, also weigh on Euro Area growth, with the potential to disrupt energy supplies and global trade. Within this context, ECB rates have been lowered over the course of 2024, after having peaked in September 2023. Following four consecutive rate cuts in the latter half of 2024, as of 31 December 2024, the ECB set its Deposit Facility rate to 3.00%, the MRO rate to 3.15% and the MLF rate 3.40%. Despite these rate cuts, the ECB's monetary policy stance remains restrictive.

2 **Financial risk management** *(continued)*

The following tables summarise the Group's exposures to interest rate risks. These analyse the Group's financial instruments, which are interest-bearing, at their carrying amounts categorised by the earlier of contractual repricing or maturity dates.

Group	Carrying amount	Average effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Non-interest bearing
	€ 000	%	€ 000	€ 000	€ 000	€ 000	€ 000
As at 31 December 2024							
Financial assets							
Balances with Central Bank of Malta, treasury bills and cash	154,480	3.12	146,872	-	-	-	7,608
Debt and other fixed income instruments measured at FVOCI	178,828	1.06	2,661	6,224	118,170	51,773	-
Debt and other fixed income instruments measured at amortised cost	21,107	4.30	-	-	14,000	7,107	-
Loans and advances to banks	46,189	2.43	45,189	1,000	-	-	-
Loans and advances to customers	872,682	3.73	694,909	44,822	129,975	433	2,543
Total financial assets	1,273,286		889,631	52,046	262,145	59,313	10,151
Financial liabilities							
Amounts owed to banks	438	0.15	410	-	-	-	28
Amounts owed to customers	1,120,006	1.29	515,217	66,702	275,996	49,231	212,860
Total financial liabilities	1,120,444		515,627	66,702	275,996	49,231	212,888
Interest repricing gap			374,004	(14,656)	(13,851)	10,082	
Cumulative gap			374,004	359,348	345,497	355,579	

2 **Financial risk management** *(continued)*

Group

	Carrying amount	Average effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Non-interest bearing
	€ 000	%	€ 000	€ 000	€ 000	€ 000	€ 000
As at 31 December 2023							
Financial assets							
Financial assets							
Balances with Central Bank of Malta, treasury bills and cash	147,043	4.19	137,174	983	-	-	8,886
Debt and other fixed income instruments measured at FVOCI	199,965	1.01	1,475	26,998	97,100	74,392	-
Debt and other fixed income instruments measured at amortised cost	8,285	5.12	-	-	7,227	1,058	-
Loans and advances to banks	38,139	2.59	37,739	400	-	-	-
Loans and advances to customers	758,304	3.67	594,376	53,652	106,060	759	3,457
Total financial assets	1,151,736		770,764	82,033	210,387	76,209	12,343
Financial liabilities							
Amounts owed to banks	145	0.22	134	-	-	-	11
Amounts owed to customers	1,019,075	1.09	488,388	104,885	167,407	77,571	180,824
Total financial liabilities	1,019,220		488,522	104,885	167,407	77,571	180,835
Interest repricing gap			282,242	(22,852)	42,980	(1,362)	
Cumulative gap			282,242	259,390	302,370	301,008	

2 **Financial risk management** *(continued)*

Bank

	Carrying amount	Average effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Non-interest bearing
	€ 000	%	€ 000	€ 000	€ 000	€ 000	€ 000
As at 31 December 2024							
Financial assets							
Balances with Central Bank of Malta, treasury bills and cash	**153,361**	**3.12**	**146,872**	**-**	**-**	**-**	**6,489**
Debt and other fixed income instruments measured at FVOCI	**176,696**	**1.01**	**2,661**	**6,224**	**118,070**	**49,741**	**-**
Debt and other fixed income instruments measured at amortised cost	**21,107**	**4.30**	**-**	**-**	**14,000**	**7,107**	**-**
Loans and advances to banks	**40,964**	**2.74**	**40,964**	**-**	**-**	**-**	**-**
Loans and advances to customers	**872,690**	**3.73**	**694,916**	**44,822**	**129,975**	**433**	**2,544**
Total financial assets	**1,264,818**		**885,413**	**51,046**	**262,045**	**57,281**	**9,033**
Financial liabilities							
Amounts owed to banks	**438**	**0.15**	**410**	**-**	**-**	**-**	**28**
Amounts owed to customers	**1,121,816**	**1.29**	**515,504**	**67,102**	**275,996**	**49,231**	**213,983**
Total financial liabilities	**1,122,254**		**515,914**	**67,102**	**275,996**	**49,231**	**214,011**
Interest repricing gap			**369,499**	**(16,056)**	**(13,951)**	**8,050**	
Cumulative gap			**369,499**	**353,443**	**339,492**	**347,542**	

2 **Financial risk management** *(continued)*

Bank

	Carrying amount	Average effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Non-interest bearing
	€ 000	%	€ 000	€ 000	€ 000	€ 000	€ 000
As at 31 December 2023							
Financial assets							
Financial assets							
Balances with Central Bank of Malta, treasury bills and cash	146,308	4.19	137,174	983	-	-	8,151
Debt and other fixed income instruments measured at FVOCI	197,700	1.01	1,474	26,682	96,611	72,933	-
Debt and other fixed income instruments measured at amortised cost	8,285	5.12	-	-	7,227	1,058	-
Loans and advances to banks	33,605	2.59	33,605	-	-	-	-
Loans and advances to customers	758,304	3.67	594,376	53,652	106,060	759	3,457
Total financial assets	1,144,202		766,629	81,317	209,898	74,750	11,608
Financial liabilities							
Amounts owed to banks	145	0.22	134	-	-	-	11
Amounts owed to customers	1,021,254	1.09	488,764	105,285	167,407	77,571	182,227
Total financial liabilities	1,021,399		488,898	105,285	167,407	77,571	182,238
Interest repricing gap			277,731	(23,968)	42,491	(2,821)	
Cumulative gap			277,731	253,763	296,254	293,433	

2 **Financial risk management** *(continued)*

2.4.2 Interest rate profile

At the end of the reporting periods the interest rate profile of the Group's interest-bearing financial instruments was:

Group	**Fixed rate**		**Variable rate**	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Interest-bearing assets				
Balances with Central Bank of Malta and treasury bills	**138,320**	129,737	**8,552**	8,420
Debt and other fixed income instruments measured at: FVOCI	**178,828**	199,965	**-**	-
Amortised cost	**21,107**	8,285	**-**	-
Loans and advances to banks	**27,243**	16,698	**18,946**	21,441
Loans and advances to customers	**185,170**	168,298	**684,969**	586,548
	550,668	522,983	**712,467**	616,409
Interest-bearing liabilities				
Amounts owed to banks	**-**	23	**410**	112
Amounts owed to customers	**484,266**	431,721	**422,880**	406,530
	484,266	431,744	**423,290**	406,642

At the end of the reporting periods the interest rate profile of the Bank's interest-bearing financial instruments was:

Bank	**Fixed rate**		**Variable rate**	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Interest-bearing assets				
Balances with Central Bank of Malta and treasury bills	**138,320**	129,737	**8,552**	8,420
Debt and other fixed income instruments measured at: FVOCI	**176,696**	197,700	**-**	-
Amortised cost	**21,107**	8,285	**-**	-
Loans and advances to banks	**24,743**	16,298	**16,221**	17,307
Loans and advances to customers	**185,170**	168,298	**684,976**	586,548
	546,036	520,318	**709,749**	612,275
Interest-bearing liabilities				
Amounts owed to banks	**-**	23	**410**	112
Amounts owed to customers	**484,666**	432,121	**423,167**	406,906
	484,666	432,144	**423,577**	407,018

2 **Financial risk management** *(continued)*

2.4.3 Fair value sensitivity analysis for fixed rate instruments

The Group's instruments exposing the Bank to fair value interest rate risk consist of quoted debt securities measured at FVOCI (also refer to note 6) since these are fair valued with fair value changes recognised in other comprehensive income. In this respect, the fair value sensitivity analysis for fixed rate instruments is performed in respect of debt financial investments measured at FVOCI. An increase of 200 basis points in the yield to maturity of each respective debt security would lead to a decrease in value of debt financial investments measured at FVOCI amounting to €13.9 million (2023: €14.1 million). Likewise, a decrease of 200 basis points in interest rates would lead to an increase in value of debt financial investments measured at FVOCI amounting to €15.1 million (2023: €22.9 million). All other financial instruments subject to fixed interest rates are measured at amortised cost.

2.4.4 Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates had increased/decreased by 250 basis points (assuming a parallel shift of 250 basis points in yields) with all other variables held constant, the pre-tax result for the year would change by the following amounts determined by applying the shift to the net variable interest exposure of the Group/Bank at the end of the reporting periods:

Group	**2024**	2023
	€ 000	€ 000
(+) 250 bp	**7,229**	5,244
(-) 250 bp	**(7,229)**	(5,244)

Bank	**2024**	2023
	€ 000	€ 000
(+) 250 bp	**7,154**	5,131
(-) 250 bp	**(7,154)**	(5,131)

2.4.5 Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows particularly within the Bank's operations. Foreign exchange risk to the Bank is the risk that earnings and values fluctuate as a result of changes in foreign exchange rates. The Bank's foreign exchange risk arises when financial assets or liabilities are denominated in currencies which are different from the Bank's functional currency.

The Bank essentially manages this risk by ensuring that foreign currency liabilities are utilised to fund assets denominated in the same foreign currency thereby matching asset and liability positions as much as is practicable. This mechanism is reflected in the figures reported in the tables below which present this matching process.

The Bank maintains its exposure to foreign currencies within prescribed limits set by the Bank's ALCO. ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions which are monitored on a real-time basis.

The Bank enters into forward foreign exchange contracts with customers in the normal course of its business. Generally, it is the Bank's policy to cover the exposure arising from forward contracts. As a result, the Group would not be exposed to any significant exchange risk in respect of outstanding derivative financial instruments. The Bank also retains a deposit margin covering a portion of the notional amount of the respective contract from the customer thereby reducing the extent of credit risk should the derivative client default. The Bank did not have any outstanding derivative financial instruments as at 31 December 2024 and 2023.

2 **Financial risk management** *(continued)*

The following tables summarise the Group's exposures to foreign currency risk. Included in the tables are the Group's financial instruments which are subject to foreign exchange risk at carrying amounts, categorised by currency.

Group	**Total**	**EUR**	**GBP**	**USD**	**Other**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**
As at 31 December 2024					
Financial assets					
Balances with Central Bank of Malta, treasury bills and cash	**154,480**	**132,038**	**202**	**22,210**	**30**
Financial investments measured at FVOCI	**187,003**	**177,187**	**4,024**	**5,792**	**-**
Financial investments measured at amortised cost	**21,107**	**13,627**	**-**	**7,480**	**-**
Loans and advances to banks	**46,189**	**9,346**	**18,888**	**15,987**	**1,968**
Loans and advances to customers	**872,682**	**868,368**	**3,727**	**587**	**-**
Other assets	**16,074**	**12,591**	**380**	**2,252**	**851**
Total financial assets	**1,297,535**	**1,213,157**	**27,221**	**54,308**	**2,849**
Financial liabilities					
Amounts owed to banks	**438**	**424**	**-**	**-**	**14**
Amounts owed to customers	**1,120,006**	**1,039,443**	**27,058**	**51,553**	**1,952**
Other liabilities	**41,600**	**39,623**	**273**	**1,234**	**470**
Total financial liabilities	**1,162,044**	**1,079,490**	**27,331**	**52,787**	**2,436**
Net currency position		**133,667**	**(110)**	**1,521**	**413**
Commitments and contingent liabilities	**311,392**	**310,859**	**3**	**530**	**-**

2 **Financial risk management** *(continued)*

Group	Total	EUR	GBP	USD	Other
	€ 000	€ 000	€ 000	€ 000	€ 000
As at 31 December 2023					
Financial assets					
Balances with Central Bank of Malta, treasury bills and cash	147,043	124,871	220	21,932	20
Financial investments measured at FVOCI	208,485	194,479	4,915	9,091	-
Financial investments measured at amortised cost	8,285	8,285	-	-	-
Loans and advances to banks	38,139	11,098	4,099	20,135	2,807
Loans and advances to customers	758,304	749,956	7,201	1,143	4
Other assets	15,898	13,084	425	1,734	655
Total financial assets	1,176,154	1,101,773	16,860	54,035	3,486
Financial liabilities					
Amounts owed to banks	145	145	-	-	-
Amounts owed to customers	1,019,075	947,752	16,400	52,127	2,796
Other liabilities	41,621	39,767	316	1,077	461
Total financial liabilities	1,060,841	987,664	16,716	53,204	3,257
Net currency position		114,109	144	831	229
Commitments and contingent liabilities	271,624	269,917	1,164	543	-

Under the scenario that the euro appreciates by 20% against all currencies the effect would result in a decrease of €365,000 (2023: €240,000) in the carrying amount of financial instruments with the adverse impact recognised in profit or loss. Should the euro depreciate against all currencies by 20%, the effect would result in a gain of €365,000 (2023: €240,000) in the carrying amount of financial instruments and the favourable impact would be recognised in profit or loss.

2 **Financial risk management** *(continued)*

The following tables summarise the Bank's exposures to foreign currency risk. Included in the tables are the entity's financial instruments which are subject to foreign exchange risk at carrying amounts, categorised by currency.

Bank	**Total**	**EUR**	**GBP**	**USD**	**Other**
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**
As at 31 December 2024					
Financial assets					
Balances with Central Bank of Malta, treasury bills and cash	**153,361**	**130,919**	**202**	**22,210**	**30**
Financial investments measured at FVOCI	**184,871**	**175,055**	**4,024**	**5,792**	**-**
Financial investments measured at amortised cost	**21,107**	**13,627**	**-**	**7,480**	**-**
Loans and advances to banks	**40,964**	**4,257**	**18,888**	**15,851**	**1,968**
Loans and advances to customers	**872,690**	**868,376**	**3,727**	**587**	**-**
Other assets	**6,510**	**6,057**	**58**	**395**	**-**
Total financial assets	**1,279,503**	**1,198,291**	**26,899**	**52,315**	**1,998**
Financial liabilities					
Amounts owed to banks	**438**	**424**	**-**	**-**	**14**
Amounts owed to customers	**1,121,816**	**1,041,251**	**27,058**	**51,554**	**1,953**
Other liabilities	**25,120**	**24,791**	**103**	**213**	**13**
Total financial liabilities	**1,147,374**	**1,066,466**	**27,161**	**51,767**	**1,980**
Net currency position		**131,825**	**(262)**	**548**	**18**
Commitments and contingent liabilities	**312,499**	**311,966**	**3**	**530**	**-**

2 **Financial risk management** *(continued)*

Bank	Total	EUR	GBP	USD	Other
	€ 000	€ 000	€ 000	€ 000	€ 000
Aa at 31 December 2023					
Financial assets					
Balances with Central Bank of Malta, treasury bills and cash	146,308	124,136	220	21,932	20
Financial investments measured at FVOCI	206,220	192,214	4,915	9,091	-
Financial investments measured at amortised cost	8,285	8,285	-	-	-
Loans and advances to banks	33,605	6,563	4,099	20,136	2,807
Loans and advances to customers	758,304	749,956	7,201	1,143	4
Other assets	7,906	7,509	91	305	1
Total financial assets	1,160,628	1,088,663	16,526	52,607	2,832
Financial liabilities					
Amounts owed to banks	145	145	-	-	-
Amounts owed to customers	1,021,254	949,930	16,400	52,128	2,796
Other liabilities	25,749	25,509	142	87	11
Total financial liabilities	1,047,148	975,584	16,542	52,215	2,807
Net currency position		113,079	(16)	392	25
Commitments and contingent liabilities	272,734	271,027	1,164	543	-

Under the scenario that the euro appreciates by 20% against all currencies the effect would result in a decrease of €61,000 (2023: €80,000) in the carrying amount of financial instruments with the adverse impact recognised in profit or loss. Should the euro depreciate against all currencies by 20%, the effect would result in a gain of €61,000 (2023: €80,000) in the carrying amount of financial instruments and the favourable impact would be recognised in profit or loss.

2.4.6 Equity price risk

The exposure of the Group to this risk is not significant in view of the extent of the Group's holdings of equity investments designated at FVOCI (refer to note 6) which are not deemed significant in the context of the Group's statement of financial position. These investments are principally locally quoted equity instruments issued by local well-known corporates. Frequent management reviews are carried out to ensure continued high quality of the portfolio.

2.5 Liquidity risk

Liquidity risk is defined as the risk of losses due to:

- the Group's funding costs increasing disproportionately;
- lack of funding preventing the Group from establishing new business; and
- lack of funding which will ultimately prevent the Group from meeting its obligations.

In relation to the Bank's operations, liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows. The Group is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan draw-downs and guarantees together with other related off-balance sheet instruments. Such outflows would deplete available cash resources for client lending and investments. In extreme circumstances, lack of liquidity could result in sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, systemic shocks and natural disasters.

2 **Financial risk management** *(continued)*

The objective of the Group's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. It is the Bank's target to maintain a diversified and stable funding base with the objective of enabling it to respond quickly and smoothly to unforeseen liquidity requirements.

The Group manages this risk by ensuring that its assets and liabilities are matched in terms of maturities as much as is practicable. However, the Bank ought to manage its net interest spread by investing funds in a portfolio of assets with a longer term than the liabilities funding them (therefore giving rise to a negative maturity gap position). To mitigate exposures arising in this respect, the Bank holds significant liquid assets in the form of Malta Government treasury bills, money market placements and other short-term instruments for managing liquidity risk to support payment obligations and contingent funding in a stressed market environment.

The Bank's Advances-to-Deposit ratio of 77.8% (2023: 74.3%) at the end of the reporting period reflects Management's prudent stance in the context of liquidity management.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is designed to promote the short-term resilience of a bank's liquidity profile. This ratio became a minimum regulatory standard under the European Commission Delegated Regulation 2015/61.

The LCR aims to ensure that a bank has adequate unencumbered high-quality liquid assets ('HQLA') to meet its liquidity requirements within a 30-calendar-day liquidity stress scenario. Generally, HQLA consists of cash or assets that can be converted into cash at little or no loss of value in markets.

The LCR as at 31 December 2024 as calculated by the Bank was 231.8% (2023: 301.8%). During the financial years ended 31 December 2024 and 2023, the LCR was in excess of both the regulatory minimum and the risk appetite thresholds set by the bank.

Net Stable Funding Ratio

The Net Stable Funding Ratio ('NSFR') is a metric showing how a bank is able to maintain sufficient stable funding relative to required stable funding, and reflects a bank's long-term funding profile (typically, with a term of more than one year).

The NSFR is calculated in line with the requirements of the Capital Requirements Regulation (EU) No 575/2013 ('CRR').

The NSFR as at 31 December 2024 as calculated by the Bank was 147.0% (2023: 155.7%). During the financial years ended 31 December 2024 and 2023, the NSFR was in excess of both the regulatory minimum and the risk appetite thresholds set by the bank.

The Bank's ALCO focuses on the Bank's management process with respect to market and funding liquidity risks.

The Group's liquidity management process, focusing on the liquidity of the Bank and that of its principal subsidiary, includes:

- management of day-to-day funding, by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the Bank against internal and regulatory requirements; and
- managing the concentration and profile of debt maturities.

The Bank also monitors the level and type of undrawn lending commitments and the impact of contingent liabilities such as guarantees as part of the liquidity management process previously referred to. As at 31 December 2024, the Bank had outstanding guarantees on behalf of third parties amounting to €12,619,000 (2023: €11,286,000), which are cancellable upon the request of the third parties. The Group's liquidity exposures arising from these commitments and contingencies are expected to expire principally within a period of twelve months from the end of the reporting period.

The following tables analyse the Group's and Bank's principal financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

2 **Financial risk management** *(continued)*

Group

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
As at 31 December 2024						
Financial assets						
Balances with Central Bank of Malta, treasury bills and cash	**145,928**	**-**	**-**	**-**	**8,552**	**154,480**
Financial investments measured at FVOCI	**2,661**	**6,224**	**118,170**	**51,773**	**8,175**	**187,003**
Financial investments measured at amortised cost	**-**	**-**	**14,000**	**7,107**	**-**	**21,107**
Loans and advances to banks	**45,189**	**1,000**	**-**	**-**	**-**	**46,189**
Loans and advances to customers	**149,781**	**70,137**	**157,808**	**494,956**	**-**	**872,682**
Other assets	**13,419**	**2,379**	**-**	**-**	**276**	**16,074**
Total financial assets	**356,978**	**79,740**	**289,978**	**553,836**	**17,003**	**1,297,535**
Financial liabilities						
Amounts owed to banks	**438**	**-**	**-**	**-**	**-**	**438**
Amounts owed to customers	**728,077**	**66,702**	**275,996**	**49,231**	**-**	**1,120,006**
Other liabilities	**22,340**	**624**	**1,863**	**8,333**	**8,440**	**41,600**
Total financial liabilities	**750,855**	**67,326**	**277,859**	**57,564**	**8,440**	**1,162,044**
Maturity gap	**(393,877)**	**12,414**	**12,119**	**496,272**		
Cumulative gap	**(393,877)**	**(381,463)**	**(369,344)**	**126,928**		

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
As at 31 December 2023						
Financial assets						
Balances with Central Bank of Malta, treasury bills and cash	138,702	983	-	-	7,358	147,043
Financial investments measured at FVOCI	1,475	26,998	97,100	74,392	8,520	208,485
Financial investments measured at amortised cost	-	-	7,227	1,058	-	8,285
Loans and advances to banks	37,739	400	-	-	-	38,139
Loans and advances to customers	137,556	49,065	140,617	431,066	-	758,304
Other assets	13,275	2,379	-	-	244	15,898
Total financial assets	328,747	79,825	244,944	506,516	16,122	1,176,154
Financial liabilities						
Amounts owed to banks	145	-	-	-	-	145
Amounts owed to customers	669,212	104,885	167,407	77,571	-	1,019,075
Other liabilities	23,974	594	1,269	7,853	7,931	41,621
Total financial liabilities	693,331	105,479	168,676	85,424	7,931	1,060,841
Maturity gap	(364,584)	(25,654)	76,268	421,092		
Cumulative gap	(364,584)	(390,238)	(313,970)	107,122		

2 Financial risk management *(continued)*

Bank

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
As at 31 December 2024						
Financial assets						
Balances with Central Bank of Malta, treasury bills and cash	**144,809**	**-**	**-**	**-**	**8,552**	**153,361**
Financial investments measured at FVOCI	**2,661**	**6,224**	**118,070**	**49,741**	**8,175**	**184,871**
Financial investments measured at amortised cost	**-**	**-**	**14,000**	**7,107**	**-**	**21,107**
Loans and advances to banks	**40,964**	**-**	**-**	**-**	**-**	**40,964**
Loans and advances to customers	**149,789**	**70,137**	**157,808**	**494,956**	**-**	**872,690**
Other assets	**3,855**	**2,379**	**-**	**-**	**276**	**6,510**
Total financial assets	**342,078**	**78,740**	**289,878**	**551,804**	**17,003**	**1,279,503**
Financial liabilities						
Amounts owed to banks	**438**	**-**	**-**	**-**	**-**	**438**
Amounts owed to customers	**729,487**	**67,102**	**275,996**	**49,231**	**-**	**1,121,816**
Other liabilities	**12,117**	**624**	**1,863**	**6,280**	**4,236**	**25,120**
Total financial liabilities	**742,042**	**67,726**	**277,859**	**55,511**	**4,236**	**1,147,374**
Maturity gap	**(399,964)**	**11,014**	**12,019**	**496,293**		
Cumulative gap	**(399,964)**	**(388,950)**	**(376,931)**	**119,362**		

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	No maturity date	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
As at 31 December 2023						
Financial assets						
Balances with Central Bank of Malta, treasury bills and cash	137,967	983	-	-	7,358	146,308
Financial investments measured at FVOCI	1,475	26,682	96,611	72,932	8,520	206,220
Financial investments measured at amortised cost	-	-	7,227	1,058	-	8,285
Loans and advances to banks	33,605	-	-	-	-	33,605
Loans and advances to customers	137,556	49,065	140,617	431,066	-	758,304
Other assets	5,283	2,379	-	-	244	7,906
Total financial assets	315,886	79,109	244,455	505,056	16,122	1,160,628
Financial liabilities						
Amounts owed to banks	145	-	-	-	-	145
Amounts owed to customers	670,991	105,285	167,407	77,571	-	1,021,254
Other liabilities	12,923	594	1,269	6,378	4,585	25,749
Total financial liabilities	684,059	105,879	168,676	83,949	4,585	1,047,148
Maturity gap	(368,173)	(26,770)	75,779	421,107		
Cumulative gap	(368,173)	(394,943)	(319,164)	101,943		

2 **Financial risk management** *(continued)*

The Bank's amounts owed to customers of €637,150,000 (2023: €589,133,000) as at 31 December 2024 are repayable on demand and included in the "within 3 months" bucket in the tables. However, the Bank's experience is that a significant portion of such deposits remains stable. Additionally, a significant part of other deposits maturing within 3 months from the end of the reporting period is typically renewed. The tables below analyse the Group's and Bank's principal non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Group

	Less than 3 months € 000	**Between 3 months and 1 year € 000**	**Between 1 year and 5 years € 000**	**More than 5 years € 000**	**Total € 000**
As at 31 December 2024					
Financial liabilities					
Amounts owed to banks	**438**	**-**	**-**	**-**	**438**
Amounts owed to customers	**728,887**	**68,674**	**301,387**	**57,162**	**1,156,110**
Other liabilities	**12,850**	**1,519**	**3,709**	**6,367**	**24,445**
Total financial liabilities	**742,175**	**70,193**	**305,096**	**63,529**	**1,180,993**

	Less than 3 months € 000	Between 3 months and 1 year € 000	Between 1 year and 5 years € 000	More than 5 years € 000	Total € 000
As at 31 December 2023					
Financial liabilities					
Amounts owed to banks	145	-	-	-	145
Amounts owed to customers	669,922	106,960	177,459	90,185	1,044,526
Other liabilities	24,055	997	3,206	6,093	34,351
Total financial liabilities	694,122	107,957	180,665	96,278	1,079,022

Bank

	Less than 3 months € 000	**Between 3 months and 1 year € 000**	**Between 1 year and 5 years € 000**	**More than 5 years € 000**	**Total € 000**
As at 31 December 2024					
Financial liabilities					
Amounts owed to banks	**438**	**-**	**-**	**-**	**438**
Amounts owed to customers	**730,909**	**68,492**	**298,339**	**61,418**	**1,159,158**
Other liabilities	**12,127**	**1,349**	**2,728**	**5,078**	**21,282**
Total financial liabilities	**743,474**	**69,841**	**301,067**	**66,496**	**1,180,878**

	Less than 3 months € 000	Between 3 months and 1 year € 000	Between 1 year and 5 years € 000	More than 5 years € 000	Total € 000
As at 31 December 2023					
Financial liabilities					
Amounts owed to banks	145	-	-	-	145
Amounts owed to customers	671,702	107,363	177,459	90,185	1,046,709
Other liabilities	12,928	795	2,517	5,328	21,568
Total financial liabilities	684,775	108,158	179,976	95,513	1,068,422

2 **Financial risk management** *(continued)*

2.6 Operational risk

Operational risk is the risk of losses due to:

- deficient or erroneous internal procedures;
- human or system errors;
- external events, including legal events;
- internal and external fraud;
- employment practices and workplace safety;
- clients, products and business practices;
- damage to physical assets;
- business disruption and system failures; and
- execution, delivery and process management.

Operational risk is thus often associated with specific and one-off events, such as failure to observe business or working procedures, defects or breakdowns of the technical infrastructure, criminal acts, fire and storm damage or litigation. Operational risks are non-financial risks. Operational risk management relies on a framework of policies implemented by the different operational functions and which implementation is overseen by the Risk Management Function.

A financial measurement of this risk is arrived at by the Bank for the purpose of allocating risk capital using the Basic Indicator Approach as outlined in the CRR. The capital requirement for operational risk under this method was calculated at €4,907,000 (2023: €4,464,000).

2.7 Capital risk management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the consolidated statement of financial position, are:

- to comply with the capital requirements set by the MFSA with respect to the Bank's operations;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Accordingly, the purpose of the Group's capital management is essentially that of ensuring efficient use of capital taking cognisance of the Group's risk appetite and profile as well as its objectives for business development. The Group is subject to externally imposed capital requirements only in respect of the Bank's activities as a credit institution. The Bank is a licensed financial services provider and must therefore comply with the capital requirements under the relevant laws and regulations.

The Bank's Executive Team and ALCO are responsible for managing the Bank's regulatory capital. The Bank aims to maintain a strong capital base to support the risks inherent in its business, investing in accordance with its strategy and meeting regulatory capital requirements at all times. Internal capital adequacy assessments are aligned with the regulatory and supervisory requirements and with the Bank's assessment of risk, including credit, market and operational risks.

The Bank manages its capital requirements based on internal targets, which are set above the prescribed minimum capital requirements, i.e. levels established within the CRR and the additional capital requirements required by the MFSA for supervisory purposes.

Minimum capital requirements are computed for credit, market and operational risks. The CRR requires a bank to maintain a ratio of total regulatory capital to risk-weighted exposure amounts (the 'Capital requirements ratio') at or above the prescribed minimum of 8%. The Bank is compliant with the requirements laid down in the CRR.

In March 2023, the Bank received from the MFSA a SREP Decision letter, whereby in addition to the regulatory requirements stated above, the Bank is expected to maintain a Pillar 2 Requirement ('P2R') of 3.25% to be held in excess of the minimum own funds requirement and to be maintained at all times in accordance with Article 104a of the Capital Requirements Directive ('CRD').

2 **Financial risk management** *(continued)*

In addition to the prescribed minimum, Banking Rule BR/15: 'Capital Buffers of Credit Institutions authorised under the Banking Act 1994' requires banks to hold additional buffers, namely the 'capital conservation buffer' and the 'countercyclical buffer'. Automatic restrictions on capital distributions apply if the Bank's CET1 capital falls below the level of its combined buffer requirement.

The Bank is required to maintain a capital conservation buffer of 2.5% and the institution-specific countercyclical buffer as determined by Article 140 (1) of Directive 2013/36/EU (known as CRD), both of which are composed of CET1 capital.

CRD 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 set in the range of 0-2.5% of relevant credit exposure risk-weighted exposure amounts, 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. Given that the local group's exposures are essentially all contained within Malta, the buffer is set at a minimum amount of 0.01%.

Moreover, during 2023, the Central Bank of Malta introduced a Sectoral Systemic Risk Buffer ('sSyRB') of 1% on risk-weighted domestic mortgage exposures to households to be increased to 1.5% during 2024.

In addition, a Pillar 2 Guidance ('P2G') of 2% and made up entirely of CET 1 Capital is to be held over and above the Overall Capital Requirement ('OCR') of 13.93%.

During the financial year ended 31 December 2024, the Bank's OCR and P2G were met at all times. The Bank's OCR and P2G were 15.93% (2023: 15.86%) as at 31 December 2024.

During the financial year ended 31 December 2023, the Bank's OCR was met at all times. The Bank's P2G was also met at all times with the exception of short periods during the fourth quarter of financial year 2023 resulting from a decline in the fair-value of fixed-income securities. Following the Rights Issue and the issuance of 61,828,332 new ordinary shares at a price of €0.75 per share, as disclosed in Note 18, the P2G was also met at year end. The proceeds from the rights issue, amounting to €45.7 million and constituting CET1 capital, have been applied by the Bank to further strengthen its capital base with a view to ensuring that the Bank is well-positioned to meet the capital buffers required in terms of regulatory requirements and to supplement the funding requirements for the implementation of the Bank's strategic objectives as described in the Prospectus.

The Capital requirements ratio expresses Own funds as a proportion of risk-weighted assets and off-balance sheet instruments in relation to Credit Risk together with notional risk-weighted assets in respect of Operational Risk and Market Risk.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet instruments, with some adjustments to reflect the more contingent nature of the potential losses. Risk-weighted assets are measured using the 'Standardised Approach' for credit risk with risk-weights being assigned to assets and off-balance sheet instruments according to their asset class and credit risk mitigation. For the determination of credit assessments, independent rating agencies are nominated as required.

Total risk-weighted exposure amounts are determined by multiplying the capital requirements for market risk and operational risk by 12.5 (i.e. the reciprocal of the minimum capital ratio of 8%) and adding the resulting figures to the sum of risk-weighted exposure amounts for credit risk.

2.8 Fair values of financial assets and liabilities

2.8.1 Financial instruments measured at fair value

The Group's financial instruments which are carried at fair value include the Group's debt securities and equity instruments measured at FVOCI (note 6). The Group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset either directly i.e. as prices, or indirectly i.e. derived from prices (Level 2).
- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (Level 3).

2 **Financial risk management** *(continued)*

The IFRS 13 hierarchy of valuation techniques is based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

The Bank considers only relevant and observable market prices in its valuations. Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

The fair value of the Bank's financial assets measured at FVOCI, which are principally traded in active markets, is mainly based on quoted market prices. Hence, as at 31 December 2024 and 2023, the principal financial instruments that are measured at fair value, consisting of the investments measured at FVOCI, were valued using principally Level 1 inputs.

No transfers of financial instruments between different levels of the fair value hierarchy have occurred during the financial years ended 31 December 2024 and 2023.

2.8.2 Financial instruments not measured at fair value

Loans and advances to banks and customers

These categories of assets are presented net of expected credit loss allowances. As at 31 December 2024, the Group's aggregate carrying amount in this respect was €918,870,000 (2023: €796,000,000). The loans and advances to customers, which are subject to floating interest rates, are measured at the amount of €684,969,000 (2023: €586,548,000). This carrying value approximates to fair value in view of the fact that these loans and advances are repriceable at the Group's discretion. The carrying amount of loans and advances to customers, which are subject to fixed interest rates, is deemed fairly close to fair value in view of their maturity profile. A significant part of loans and advances to customers are repayable on call and at short notice, as highlighted in Note 8. Loans and advances to banks, comprising term placements maturing within one month from the end of the reporting period, are carried at the amount of €24,743,000 (2023: €16,298,000). Other loans and advances to banks are predominantly repayable on call and at short notice, as disclosed in Note 7 to the financial statements. Generally, interest rates on loans and advances reflect current market rates, and the Directors consider the carrying amounts to be a reasonable estimate of their fair value principally in view of the relatively short periods to repricing or maturity from the end of the reporting periods. The current market interest rates utilised for fair value estimation, which reflect essentially the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

Trade and other receivables

This category principally represents short-term trade receivables arising from postal operations in respect of which the carrying amount is a reasonable approximation of fair value.

Amounts owed to banks and customers

These categories of financial liabilities are carried at amortised cost and amount to €1,120,444,000 as at 31 December 2024 (2023: €1,019,220,000). 19.0% (2023: 17.7%) of these liabilities are non-interest bearing, 46.0% (2023: 47.9%) of these liabilities have a contractual repricing term of three months or less, 6.0% (2023: 10.3%) reprice between three months and one year, 24.6% (2023: 16.4%) reprice between one year and five years while 4.4% (2023: 7.6%) are repriceable after more than five years. A very significant portion of amounts owed to banks and customers are repayable on demand as disclosed within Note 20 and 21 to the financial statements. Accordingly, in view of their profile, the fair value of these financial liabilities is not deemed to be significantly different from their carrying amounts. This applies to variable rate deposits in view of the short periods to repricing, but also applies to liabilities subject to fixed interest rates, based on discounting future contractual cash flows at current market interest rates, taking into account the short periods to maturity. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

Debt securities measured at amortised cost

Debt securities measured at amortised cost had a fair value of €21,400,000 as at 31 December 2024 (2023: €8,447,000), compared to the carrying amount of €21,107,000 (2023: €8,285,000). The fair value of these investments, which are principally traded in active markets, is mainly based on quoted market prices which are categorised as Level 1 inputs.

2 **Financial risk management** *(continued)*

Other financial instruments

The fair values of certain other financial assets, including balances with the Central Bank of Malta and accrued income, are considered to approximate their respective carrying values due to their short-term nature.

3 **Accounting estimates and judgements**

3.1 Critical accounting estimates and judgements in applying the Group's accounting policies

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

3.2 Measurement of expected credit losses

The measurement of the Expected Credit Loss allowance for financial assets measured at amortised cost and debt securities measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.

A number of significant judgements are required in measurement of Expected Credit Loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios and associated ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 2.

3.3 Assessment of estimates and judgements

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these consolidated financial statements, which have been highlighted above, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

However, the Directors would like to draw attention to those accounting judgements that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In this respect these primarily comprise assumptions and estimates relating to the calculation of expected credit loss allowances in respect of loans and advances to customers (see notes 2.3, 8 and 32).

As previously explained, although the local economic activity remained relatively buoyant during 2024, it keeps operating in a context of a stable but underwhelming global economy. Within the Euro Area, the ECB's monetary policy stance remains restrictive despite consecutive rate cuts. ECB assessments also indicate that Euro Area economic growth has lost momentum in 2024 due to weak demand, a highly uncertain outlook and difficulties to remain competitive. These weaknesses continue to be weighed by geopolitical risks related to the ongoing conflicts, which carry the potential to disrupt energy supplies and global trade.

On a more global scale, the IMF sees increased downside risks to economic outlook due to a mix of financial markets repricing, intensified sovereign debt stress in a number of emerging markets and developing economies. In addition, analysts are also mindful of deeper contractions in China's property sector, volatile commodity prices due to geopolitical tensions in Eastern Europe and the Middle East. Lastly, the increased risk of countries ratcheting up protectionist policies also carry the risk of more disruptions to global supply chains.

3 **Accounting estimates and judgements** *(continued)*

The exercise of judgement in making estimations requires the use of assumptions that are highly subjective and very sensitive to the risk factors detailed in note 2.3.4. In addition, many of the factors have a high degree of interdependency and there is no single factor to which loan credit loss allowances as a whole is sensitive.

The underlying models and their calibration, including how they react to forward-looking economic conditions, continue to remain highly subjective.

Significant judgement is required in establishing the number, severity and relative weightings of forward-looking economic scenarios given the rapidly changing economic conditions and wide economic forecasts due to the potential impacts of the factors referred to previously, namely further inflationary pressures and ensuing monetary policy changes, together with geopolitical developments in respect of the military conflict between Russia and Ukraine and other conflicts in the Middle East. Euro Area's ability to regain its competitiveness and improve its economic performance is another relevant factor.

Significant judgement is therefore also required in making assumptions about the effects of inflation, interest rates, economic growth, and supply chain disruptions. As alluded to earlier, there is an absence of an observable historical trend that can accurately represent the severity and speed of such forecasts, which represent a high degree of estimation uncertainty, particularly in assessing downside scenarios. Such complexities have never been modelled.

In view of the above, management considered the sensitivity of the ECL outcome to the macro-economic forecasts by recalculating the ECL under the different scenarios, applying a 100% weighting to each scenario.

The effect of economic uncertainty on the ECL outcome is disclosed in the sensitivity analysis presented in Note 2.3.4.4. The ECL calculated for the upside and downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes as there is a high degree of estimation uncertainty in the numbers representing tail risk scenarios when assigned a 100% weighting.

Management applied a higher level of expert judgement in order to assess the impact of the current geopolitical and macro-economic environment on the local group's level of defaults, including evaluating the impact of monetary policy on both the incidence of default events and the severity of losses as described below.

The identification of customers experiencing significant increase in credit risk or credit impairment in the context of the elevated level of uncertainty is also highly judgemental due to limitations in available credit information on customers in certain instances.

As previously explained in view of the nature of the Bank's portfolio, where a relatively small number of loans comprise a significant proportion of the loan book value, the Bank continued to apply an individual-debtor-focused credit management process.

Judgement was required in determining whether individually significant loans have experienced a SICR or a UTP event, especially within the Bank's corporate and commercial portfolio. In this respect, as part of management's response to the current economic environment, the Bank assesses and individually rates those individually significant borrowers which are deemed mostly impacted by market and economic pressures through individual periodic credit assessments on the basis of recently obtained management information, including forecasts. As part of these credit assessments, judgement is exercised in evaluating all relevant information on indicators of impairment, particularly where factors indicate deterioration in the financial condition and outlook of borrowers affecting their ability to pay.

For individually significant credit impaired loans, management determines the size of the allowance required based on a range of factors such as the realisable value of security, the viability of the customers' business model and the capacity to generate cash flows to service debt obligations, under different scenarios. Judgement is applied in estimating the expected future cash flows from each borrower and the time to recover these cash flows under the different scenarios as well as to attach probabilities to those scenarios. The assumptions around forecasted recoveries from the sale of collateralised properties, including valuation haircuts and time to recovery, are key drivers in the estimation of credit loss allowances in respect of individually assessed loans. The current economic conditions within the local property market increases the level of expert judgement required to predict with reasonable accuracy the recoverability of exposures through the sale of collateral.

3 **Accounting estimates and judgements** *(continued)*

In line with the results of reviews described above, the outcome of the individual assessments indicate that the level of business experienced by the borrowers is robust and indicative of more effective business models. The current economic developments are unlikely to have any significant impact on any of the Bank's individually significant customers, which would then in turn materially impact the overall Bank's credit risk level, other than what is already considered in the forward-looking information incorporated within the ECL model.

As highlighted previously, during 2024 the Bank continued to perform regular and detailed reviews on its lending customers on individual and sectorial bases. The results of such reviews, also in the context of the improved economic performance during 2024, suggest a marked improvement in the business and prospects of the same borrowers and accordingly the Bank determined that the level of credit risk emanating directly from the unprecedented economic disruptions has decreased considerably. Particularly, in respect of corporate and commercial exposures, during 2024, the Bank continued to carry out assessments on such borrowers on an ongoing basis through individual ad-hoc credit reviews.

4 **Segmental information**

The Group has two reporting segments, as described below, which are the Group's strategic business units and cash-generating units. The strategic business units offer different services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors reviews internal management reports. The following summary describes the operations in each of the Group's reportable segments:

- Banking services comprise the Group's banking and other activities carried out as a licensed credit institution, an authorised currency dealer and financial intermediary. Stockbroking activities may also be carried out since the Bank is a member of the Malta Stock Exchange; and
- Postal services comprise the Group's postal activities, being the sole licensed Universal Service Provider of postal services in Malta.

4 **Segmental information** *(continued)*

The Group's internal reporting to the Board of Directors and senior executives is analysed according to the below segments. Information about reportable segments:

	Banking services		Postal services		Total	
	2024	2023	**2024**	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000	**€ 000**	€ 000
Interest receivable	**37,996**	33,585	**147**	113	**38,143**	33,698
Interest expense	**(10,826)**	(7,780)	**(57)**	(57)	**(10,883)**	(7,837)
Postal sales and other revenue	**72**	109	**39,111**	38,611	**39,183**	38,720
Net fee and commission income	**5,340**	4,184	**1,033**	999	**6,373**	5,183
Other operating income	**1,246**	668	**233**	(39)	**1,479**	629
Segment operating income	**33,828**	30,766	**40,467**	39,627	**74,295**	70,393
Depreciation and amortisation	**(1,132)**	(1,184)	**(2,492)**	(1,975)	**(3,624)**	(3,159)
Net movement in expected credit losses	**1,039**	(1,316)	**(112)**	55	**927**	(1,261)
Employee compensation and benefits	**(9,513)**	(8,895)	**(17,016)**	(15,489)	**(26,529)**	(24,384)
Other costs	**(9,383)**	(7,215)	**(16,229)**	(19,532)	**(25,612)**	(26,747)
Operating profit	**14,839**	12,156	**4,618**	2,686	**19,457**	14,842
Share of (loss)/profit attributed to investment accounted for using the equity method, net of tax	**(101)**	53	**59**	(368)	**(42)**	(315)
Profit before taxation	**14,738**	12,209	**4,677**	2,318	**19,415**	14,527
Income tax expense	**(5,548)**	(4,474)	**(1,709)**	(435)	**(7,257)**	(4,909)
Profit for the year	**9,190**	7,735	**2,968**	1,883	**12,158**	9,618
Segment total assets	**1,335,804**	1,217,744	**52,618**	47,390	**1,388,422**	1,265,134
Capital expenditure during the year	**416**	900	**2,104**	1,757	**2,520**	2,657
Segment total liabilities	**1,150,144**	1,047,870	**19,357**	18,472	**1,169,501**	1,066,342

There were no material inter-segment transactions.

The Group mainly provides banking and postal services within the local market and economic sectors. From a customers' perspective, during 2024 MaltaPost p.l.c. generated 50.7% (2023: 52.0%) of its revenue internationally.

The Group's reliance on any single customer is not considered significant for disclosure purposes.

5 **Balances with Central Bank of Malta, treasury bills and cash**

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Balances with Central Bank of Malta	**146,872**	126,302	**146,872**	126,302
Malta Government treasury bills	**-**	11,855	**-**	11,855
Cash in hand	**7,608**	8,886	**6,489**	8,151
	154,480	147,043	**153,361**	146,308

5 **Balances with Central Bank of Malta, treasury bills and cash** *(continued)*

Balances with the Central Bank of Malta include a reserve deposit amounting to €7,237,000 (2023: €7,358,000) held in terms of Regulation (EC) No.1745/2003 of the European Central Bank. The average reserve deposit balance held for the relevant maintenance period amounted to €7,871,000 (2023: €7,358,000).

At 31 December 2024, the Bank had pledged a deposit with the Central Bank of Malta amounting to €1,315,000 (2023: €1,062,000) in favour of the Depositor Compensation Scheme to comply with local regulatory requirements.

As at 31 December 2024 and 2023, the credit loss allowance on balances with Central Bank of Malta and Malta Government treasury bills was insignificant.

6 **Financial investments**

Financial investments include the following:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Measured at FVOCI				
Debt and other fixed income instruments	**178,828**	199,965	**176,696**	197,700
Equity instruments	**8,175**	8,520	**8,175**	8,520
Measured at amortised cost				
Debt and other fixed income instruments	**21,107**	8,285	**21,107**	8,285
	208,110	216,770	**205,978**	214,505

Debt and other fixed income instruments measured at FVOCI are analysed as follows:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Issued by public bodies:				
- local government	**141,008**	156,209	**139,805**	155,075
- foreign governments	**6,224**	6,534	**6,224**	6,534
- supranational	**4,010**	7,304	**4,010**	7,304
Issued by public issuers:				
- local banks	**12,197**	11,748	**11,660**	11,225
- local corporates	**2,836**	3,554	**2,444**	2,946
- foreign banks	**7,243**	8,763	**7,243**	8,763
- foreign corporates	**5,310**	5,853	**5,310**	5,853
	178,828	199,965	**176,696**	197,700

As at 31 December 2024, credit loss allowances in respect of debt instruments measured at FVOCI computed in accordance with the IFRS 9 expected credit loss model, were €224,000 (2023: €471,000).

6 **Financial investments** *(continued)*

Debt and other fixed income instruments measured at amortised cost are analysed as follows:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Issued by public bodies:				
- local government	**12,016**	7,020	**12,016**	7,020
- foreign governments	**2,860**	-	**2,860**	-
- supranational	**2,695**	-	**2,695**	-
Issued by public issuers:				
- local banks	**224**	224	**224**	224
- local corporates	**1,412**	1,113	**1,412**	1,113
- foreign banks	**1,925**	-	**1,925**	
Expected credit loss allowances	**(25)**	(72)	**(25)**	(72)
	21,107	8,285	**21,107**	8,285

At 31 December 2024, the Bank held Malta Government Stocks measured at FVOCI with a carrying amount of €7,956,000 (2023: €7,893,000) pledged with the Central Bank of Malta, in terms of Directive No. 8 of the Central Bank of Malta Act (Cap. 204) as security for a facility that was not utilised during the reporting periods.

The debt securities held by the Group are listed on the Malta Stock Exchange or on other recognised exchanges.

The movement in debt and other fixed income financial investments measured at FVOCI is summarised as follows:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
At 1 January	**199,965**	213,391	**197,700**	210,862
Amortisation	**(883)**	(1,364)	**(881)**	(1,364)
Redemptions/disposals	**(29,642)**	(9,478)	**(29,423)**	(9,348)
Fair value movement	**8,946**	(2,380)	**8,858**	(2,243)
Foreign exchange differences	**442**	(204)	**442**	(207)
At 31 December	**178,828**	199,965	**176,696**	197,700

The movement in debt and other fixed income financial investments measured at amortised cost is summarised as follows:

	Group and Bank	
	2024	2023
	€ 000	€ 000
At 1 January	**8,285**	-
Acquisitions	**12,542**	8,359
Amortisation	**12**	(2)
Foreign exchange differences	**221**	-
Expected credit loss allowances	**47**	(72)
At 31 December	**21,107**	8,285

6 Financial investments *(continued)*

The movement in equity financial investments designated at FVOCI is summarised as follows:

	Group and Bank	
	2024	2023
	€ 000	€ 000
At 1 January	**8,520**	7,424
Acquisitions	**88**	-
Disposals	**(416)**	-
Fair value movement	**(74)**	1,123
Foreign exchange differences	**57**	(27)
At 31 December	**8,175**	8,520

Equity instruments measured at FVOCI consist of equities listed on the Malta Stock Exchange.

During the year, the Bank disposed of its equity investment in Tigne Mall plc as a result of the squeeze-out process initiated by the major shareholder of Tigne Mall plc. The sold shares had a fair value of €416,000, and the Bank realised a gain of €216,000 which had already been reflected in Other Comprehensive Income. This gain has been reclassified to retained earnings and the transfer amounted to €140,000, net of related tax.

The disclosure requirements emanating from IFRS 13 in respect of equity investments designated at FVOCI were not deemed necessary by the directors taking cognisance of the insignificance of the carrying amount of these equity investments in the context of the statement of financial position as at 31 December 2024 and 2023.

7 Loans and advances to banks

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Repayable on call and at short notice	**18,955**	19,841	**16,230**	17,307
Term loans and advances	**27,243**	18,298	**24,743**	16,298
Gross loans and advances to banks	**46,198**	38,139	**40,973**	33,605
Credit loss allowances	**(9)**	-	**(9)**	-
Net loans and advances to banks	**46,189**	38,139	**40,964**	33,605

8 Loans and advances to customers

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Repayable on call and at short notice	**114,456**	118,166	**114,464**	118,166
Term loans and advances	**766,646**	651,589	**766,646**	651,589
Gross loans and advances to customers	**881,102**	769,755	**881,110**	769,755
Credit loss allowances	**(8,420)**	(11,451)	**(8,420)**	(11,451)
Net loans and advances to customers	**872,682**	758,304	**872,690**	758,304
Credit loss allowances				
Stage 1	**979**	1,580	**979**	1,580
Stage 2	**446**	1,887	**446**	1,887
Stage 3	**6,995**	7,984	**6,995**	7,984
	8,420	11,451	**8,420**	11,451

Assets acquired in settlement of debt amounting to €703,000 (2023: €703,000) are presented as assets classified as held for sale.

9 Investments in subsidiaries

Name of company	Country of incorporation	Nature of business	Equity interest		Carrying amount	
			2024	2023	**2024**	2023
			%	%	**€ 000**	€ 000
Redbox Limited	Malta	Holding company	**100**	100	**17,926**	16,809
Lombard Capital Asset Management Ltd	Malta	Asset management	**-**	100	**-**	325
Lombard Select SICAV p.l.c.	Malta	Collective Investment Scheme	**100**	100	**1**	1

The registered office of these entities is situated at 67, Republic Street, Valletta, Malta.

At 31 December 2024, Redbox Limited held 73.0% (2023: 72.0%) of the equity share capital and voting rights of MaltaPost p.l.c., a listed company incorporated and operating in Malta, comprising the Group's postal services reportable segment (see note 4). The remaining 27.0% (2023: 28.0%) is held by the general public.

The increase in investment in Redbox Limited is attributable to the allotment of ordinary shares of Maltapost p.l.c. of €0.125 each at a premium of €0.315 each as a scrip issue in lieu of dividends payable to Redbox Limited. Subsequent to this, Redbox Limited made a bonus share issue in the ratio of one bonus share for every 15.0532 shares held which increased the total issued and paid up share capital of the company.

During the current financial year, the Bank, acting as the sole shareholder of Lombard Capital Asset Management Limited had approved the voluntary dissolution and consequential winding up of the company. The effects of this development on the Bank's financial statements are insignificant.

9 **Investments in subsidiaries** *(continued)*

MaltaPost p.l.c. subsidiaries are shown below:

Subsidiary	Registered office	Percentage of shares held	Nature of business
Tanseana Limited	305, Qormi Road, Marsa, MTP 1001, Malta	100% of ordinary shares	Document management Services
Ciabro Limited	22, Warehouse il-Moll tal-Pont, Marsa, MRS1400, Malta	100% of ordinary shares	Leasing warehouse space
PostaInsure Agency Limited	4, Old Bakery Street, Valletta, VLT 1450, Malta	49% of ordinary shares (rights to appoint 60% of the investee's Board of Directors)	Insurance agent - General insurance services

The profit or loss allocated to non-controlling interests of MaltaPost p.l.c. during the financial year under review, accumulated non-controlling interests of the subsidiary at the end of the reporting period and dividends paid to non-controlling interests are presented within the Group's statement of changes in equity. Financial information about the assets, liabilities, revenues, profit or loss, total comprehensive income and cash flows of the subsidiary are disclosed within the annual report and financial statements of MaltaPost p.l.c., which are publicly available in view of the company's listed status. Financial information about the subsidiary is also disclosed within note 4 to these financial statements dealing with segmental information. The non-controlling interests of this subsidiary are not deemed material to the reporting entity with respect to the Bank's consolidated financial statements for the purpose of disclosures in terms of the requirements of IFRS 12 'Disclosure of interests in other entities'.

The end of the reporting period of the audited financial statements of MaltaPost p.l.c. and its associate IVALIFE Insurance Limited that have been utilised in the preparation of these consolidated financial statements is 30 September 2024, since the financial statements prepared as of this date constitute the most recent audited financial statements of the respective companies. The Bank has considered the utilisation of the subsidiary's financial information as at 31 December 2024 as impractical for the purposes of preparation of its consolidation financial statements.

Lombard Select SICAV p.l.c.

Lombard Select SICAV p.l.c. is a wholly-owned subsidiary of the Bank which had not yet started operating as at 31 December 2024. Lombard Select SICAV p.l.c. will be a multi-fund public liability investment company with variable share capital (SICAV) under registration number SV 554. The Company qualifies as a 'Maltese undertaking for the collective investment in transferable securities ('UCITS')' in terms of the UCITS Regulation and the UCITS Directive.

Lombard Capital Asset Management Limited

During 2024, Lombard Capital Asset Management Limited voluntarily surrendered its license.

10 **Investments in associates**

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
At 1 January	**3,292**	2,607	**1,645**	1,645
Additions	**1,000**	1,000	**-**	-
Share of results	**(42)**	(315)	**-**	-
At 31 December	**4,250**	3,292	**1,645**	1,645
At 31 December				
Cost	**5,520**	4,520	**1,645**	1,645
Share of results	**(1,270)**	(1,228)	**-**	-
Carrying amount	**4,250**	3,292	**1,645**	1,645

10 **Investments in associates** *(continued)*

The Group's associates at 31 December 2024 and 2023 are shown below:

Name of company	Country of incorporation	Nature of business	Equity interest		Group Carrying amount	
			2024	2023	**2024**	2023
			%	%	**€ 000**	€ 000
Gozo Hotels Company Limited	Malta	Accommodation	**33.3**	33.3	**1,475**	1,576
IVALIFE Insurance Limited	Malta	Insurance	**25.0**	25.0	**2,775**	1,716

MaltaPost p.l.c. controls 25% of the share capital (and holds an equivalent amount of voting rights) of IVALIFE Insurance Limited, an unlisted company which was incorporated in Malta towards the end of 2019 and commenced operations in 2021. The company was established to provide Class I and Class III long term business of insurance within Malta with a registered office at Centris Business Gateway II, Level 1 D, Triq is-Salib tal-Imrieħel, Central Business District, Birkirkara, Malta. During the 2024 financial year, MaltaPost p.l.c. further injected capital amounting to €1,000,000 in its associate IVALIFE Insurance Limited. The Group's 25% share of the profits registered by the associate during the current financial year, amounting to €59,000 was reflected within the Group's 2024 financial results.

In previous financial years the exposure with Gozo Hotels Company Limited with a carrying amount of €1,645,000 had been recognised as an investment in associate on the basis that the Bank controls 33.3% of the shares (and holds an equivalent amount of voting rights). The Group is deemed to have significant influence over the investee in accordance with the requirements of IAS 28 'Investments in Associates'. The Group's share of loss amounting to €101,000 (2023: share of profit €53,000), was reflected within the Group's 2024 financial result in respect of this investment.

Gozo Hotels Company Limited is an unlisted company incorporated and operating in Malta. Its principal activity is the operation of the Hotel Calypso in Marsalforn, Gozo, and its registered address is 'Calypso', Għar Qawqla Street, Żebbuġ, Gozo.

These associates are not considered material for the reporting entity, with respect to the Bank's consolidated financial statements, as at 31 December 2024 for the purposes of disclosures in terms of the requirements of IFRS 12 'Disclosure of interests in other entities'.

11 Intangible assets

	Group				Bank
	Goodwill € 000	Computer software € 000	Other intangible assets € 000	Total € 000	Computer software € 000
At 1 January 2023					
Cost	857	7,783	140	8,780	3,449
Accumulated amortisation	-	(6,623)	(36)	(6,659)	(3,392)
Net book amount	857	1,160	104	2,121	57
Year ended 31 December 2023					
At 1 January 2023	857	1,160	104	2,121	57
Additions	-	666	-	666	-
Amortisation for the year	-	(577)	(18)	(595)	(38)
At 31 December 2023	857	1,249	86	2,192	19
At 31 December 2023					
Cost	857	8,449	140	9,446	3,449
Accumulated amortisation	-	(7,200)	(54)	(7,254)	(3,430)
Net book amount	857	1,249	86	2,192	19
Year ended 31 December 2024					
At 1 January 2024	**857**	**1,249**	**86**	**2,192**	**19**
Additions	**-**	**578**	**-**	**578**	**-**
Amortisation for the year	**-**	**(567)**	**(17)**	**(584)**	**(9)**
At 31 December 2024	**857**	**1,260**	**69**	**2,186**	**10**
At 31 December 2024					
Cost	**857**	**9,027**	**140**	**10,024**	**3,449**
Accumulated amortisation	**-**	**(7,767)**	**(71)**	**(7,838)**	**(3,439)**
Net book amount	**857**	**1,260**	**69**	**2,186**	**10**

11.1 *Impairment test for the cash-generating unit to which goodwill has been allocated*

The recognised goodwill represents payments made by the Group in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. As at 31 December 2024 and 2023 the recognised goodwill amounted to €857,000 and related to the acquisition of MaltaPost p.l.c.

In applying the requirements of IAS 36, 'Impairment of assets', in relation to goodwill arising in business combinations, the Directors carried out an impairment test at the end of the reporting period to obtain comfort that the recoverable amount of the cash-generating unit to which goodwill has been allocated is at least equal to its carrying amount.

The recoverable amount of the cash-generating unit is based on fair value less costs to sell.

This calculation takes into account the market capitalisation of MaltaPost p.l.c. based on the quoted price of its equity on the Malta Stock Exchange at a price per share of €0.47 as at 31 December 2024 (2023: €0.47 as adjusted to reflect the impacts of the share split effected by MaltaPost p.l.c.). On this basis, the recoverable amount of the cash-generating unit is higher than its carrying amount.

12 Property, plant and equipment

Group	Land and buildings € 000	Computer equipment € 000	Other € 000	Total € 000
At 1 January 2023				
Cost or valuation	64,195	5,366	15,016	84,577
Accumulated depreciation	(3,695)	(4,200)	(10,307)	(18,202)
Net book amount	60,500	1,166	4,709	66,375
Year ended 31 December 2023				
At 1 January 2023	60,500	1,166	4,709	66,375
Additions	419	617	1,163	2,199
Disposals	-	(11)	(20)	(31)
Adjustments to right-of-use assets	503	-	-	503
Depreciation charge for the year	(1,014)	(554)	(996)	(2,564)
Depreciation released on disposals	-	11	18	29
At 31 December 2023	60,408	1,229	4,874	66,511
At 31 December 2023				
Cost or valuation	65,117	5,972	16,159	87,248
Accumulated depreciation	(4,709)	(4,743)	(11,285)	(20,737)
Net book amount	60,408	1,229	4,874	66,511
Year ended 31 December 2024				
At 1 January 2024	**60,408**	**1,229**	**4,874**	**66,511**
Revaluation surplus arising during the year:				
Effect on cost or valuation	**3,839**	**-**	**-**	**3,839**
Effect on accumulated depreciation	**1,219**	**-**	**-**	**1,219**
Additions	**120**	**582**	**1,362**	**2,064**
Disposals	**(120)**	**(237)**	**(184)**	**(541)**
Adjustments to right-of-use assets	**857**	**-**	**-**	**857**
Depreciation charge for the year	**(1,430)**	**(533)**	**(1,077)**	**(3,040)**
Depreciation released on disposals	**120**	**237**	**184**	**541**
Other adjustment				
Effect on cost or valuation	**-**	**-**	**(24)**	**(24)**
Effect on accumulated depreciation	**-**	**-**	**24**	**24**
At 31 December 2024	**65,013**	**1,278**	**5,159**	**71,450**
At 31 December 2024				
Cost or valuation	**69,813**	**6,317**	**17,313**	**93,443**
Accumulated depreciation	**(4,800)**	**(5,039)**	**(12,154)**	**(21,993)**
Net book amount	**65,013**	**1,278**	**5,159**	**71,450**

12 **Property, plant and equipment** *(continued)*

Bank	**Land and buildings € 000**	**Computer equipment € 000**	**Other € 000**	**Total € 000**
At 1 January 2023				
Cost or valuation	42,919	3,229	3,180	49,328
Accumulated depreciation	(2,002)	(2,370)	(2,556)	(6,928)
Net book amount	40,917	859	624	42,400
Year ended 31 December 2023				
At 1 January 2023	40,917	859	624	42,400
Additions	318	457	245	1,020
Disposals	-	(11)	(20)	(31)
Adjustments to right-of-use assets	18	-	-	18
Depreciation charge for the year	(592)	(404)	(185)	(1,181)
Depreciation released on disposals	-	11	18	29
At 31 December 2023	40,661	912	682	42,255
At 31 December 2023				
Cost or valuation	43,255	3,675	3,405	50,335
Accumulated depreciation	(2,594)	(2,763)	(2,723)	(8,080)
Net book amount	40,661	912	682	42,255
Year ended 31 December 2024				
At 1 January 2024	**40,661**	**912**	**682**	**42,255**
Revaluation surplus arising during the year:				
Effect on cost or valuation	**2,580**	**-**	**-**	**2,580**
Effect on accumulated depreciation	**582**	**-**	**-**	**582**
Additions	**96**	**250**	**192**	**538**
Disposals	**(120)**	**(5)**	**(37)**	**(162)**
Depreciation charge for the year	**(595)**	**(368)**	**(194)**	**(1,157)**
Depreciation released on disposals	**120**	**5**	**37**	**162**
At 31 December 2024	**43,324**	**794**	**680**	**44,798**
At 31 December 2024				
Cost or valuation	**45,811**	**3,920**	**3,560**	**53,291**
Accumulated depreciation	**(2,487)**	**(3,126)**	**(2,880)**	**(8,493)**
Net book amount	**43,324**	**794**	**680**	**44,798**

In 2024, the adjustments to the Group's right-of-use assets referred to in the table above, comprise the impacts of the reassessment of the lease term in respect of lease extensions attributable to lease agreements of MaltaPost p.l.c, which resulted in an increase in right-of-use assets of €857,000 (2023: €503,000).

In 2023, the adjustments to the Bank's right-of-use assets pertains to a specific lease contract resulting in an increase in right-of-use assets of €18,000.

12 **Property, plant and equipment** *(continued)*

Land and buildings presented in the tables above include improvements to leasehold properties as follows:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
At 1 January	**2,016**	2,126	**1,529**	1,493
Additions	**8**	155	**8**	147
Disposals	**(120)**	-	**(120)**	-
Depreciation charge for the year	**(250)**	(265)	**(113)**	(111)
Depreciation released on disposals	**120**	-	**120**	-
At 31 December	**1,774**	2,016	**1,424**	1,529

As at 31 December 2024, property, plant and equipment of the Group and the Bank includes right-of-use assets of €4,839,000 (2023: €4,442,000) and €2,813,000 (2023: €3,011,000) respectively, as disclosed in note 13.

12.1 Fair valuation of land and buildings

The Bank's land and buildings were revalued on 31 December 2024, while the subsidiary's land and buildings were revalued on 30 September 2024, by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the carrying amounts of the Group's properties, on the basis of the valuations carried out by the independent property valuers.

Valuations were made on the basis of open market value taking cognisance of the specific location of the properties, the size of the sites, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location. During 2024, the carrying values of the properties, classified within property, plant and equipment, have been adjusted to the valuations and the net resultant adjustment comprised an increase of €5,058,000 in the carrying values for the Group and an increase of €3,162,000 in the carrying value for the Bank, to reflect the property's estimated open market value on an individual asset level. This increase was recognised in other comprehensive income in the property revaluation reserve.

The revaluation surplus net of applicable deferred income taxes is accordingly shown in 'other reserves' in shareholders' equity (note 19).

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (i.e. unobservable inputs) (Level 3).

The Bank's land and buildings comprise various offices and operational premises, including the Bank's head office. The subsidiary's land and buildings, within property, plant and equipment, comprises the head office, mail delivery hubs and retail outlets. All the Group's recurring property fair value measurements use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the years ended 31 December 2024 and 2023.

A reconciliation from the opening balance to the closing balance of land and buildings for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above. The principal movements for the years ended 31 December 2024 and 2023 are extensively described with the tables referred to above.

For all Group properties, their current use equates to the highest and best use.

12 **Property, plant and equipment** *(continued)*

12.2 Valuation processes

The valuations of the properties are performed on a periodic basis taking into consideration the valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Bank such as current terms and conditions of lease agreements. This information is derived from the Bank's financial systems and is subject to the Bank's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related, such as rental yields, discount rates and sales prices. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by management.

When management considers that the valuation report is appropriate, the valuation report is considered by the Audit & Risk Committee as part of its monitoring responsibility for effective financial reporting.

At the end of every reporting period, management assess whether any significant changes or developments have been experienced since the last external valuation. This is supported by an assessment performed by the independent firm of property valuers. Management reports to the Audit and Risk Committee on the outcome of this assessment.

12.3 Valuation techniques

The Level 3 fair valuation of the Bank's property was determined using a multi-criteria approach, namely the rent capitalisation method and an adjusted sales comparison approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property.

The external valuations of the subsidiary's Level 3 property have been performed using predominantly an adjusted sales comparison approach.

In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals in the local market, the valuations have predominately been performed using unobservable inputs. The significant inputs to the approaches used are generally those described below:

- Rent capitalisation method: an annual rent rate per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property, together with a growth rate and a market capitalisation rate utilised for capitalisation of rental income streams.
- Adjusted sales comparison approach: a sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property.

12.4 Information about fair value measurements using significant unobservable inputs (Level 3)

Description by class based on highest and best use	Fair value	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Current use as Bank's offices and operational premises	€22 million	Rent capitalisation method	Rental value (€/sqm) Growth rate (%) Capitalisation rate (%)	60 – 367 (226) 2 per annum 6 – 8 (7)
	€17 million	Adjusted sales comparison approach	Sales price per square metre (€)	2,000 – 15,000 (3,179)
Current use as subsidiary's office premises, retail outlets and mail delivery hubs	€19 million	Adjusted sales comparison approach	Sales price per square metre (€)	1,500 – 6,900 (4,116)

12 **Property, plant and equipment** *(continued)*

The higher the rental value or the growth rate, the higher the resultant fair value. Conversely, the lower the capitalisation rate, the higher the resultant fair value.

The higher the sales price per square metre, the higher the resultant fair valuation.

12.5 Historical cost of land and buildings

If the land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:

	Group		**Bank**	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Cost	**38,331**	38,331	**24,526**	24,550
Accumulated depreciation	**(3,743)**	(3,491)	**(3,086)**	(2,897)
Net book amount at 31 December	**34,588**	34,840	**21,440**	21,653

13 **Leases**

The Group leases various locations for offsite ATMs, offices, branches and motor vehicles as well as low value items such as IT equipment. Rental contracts are typically made for fixed periods but may have extension options. Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Most extension options in property and motor vehicle leases have been included in the lease liability as the lease term reflects the exercise of such options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset within 'Property, plant and equipment' (note 12) and a corresponding liability at the date at which the leased asset is available for use by the Group within 'Other liabilities' (note 23).

13 **Leases** *(continued)*

	Group			Bank		
	Buildings € 000	**Other € 000**	**Total € 000**	**Buildings € 000**	**Other € 000**	**Total € 000**
At 1 January 2023						
Cost	5,502	315	5,817	3,891	-	3,891
Accumulated depreciation	(1,351)	(179)	(1,530)	(717)	-	(717)
Net book amount	4,151	136	4,287	3,174	-	3,174
Year ended 31 December 2023						
At 1 January 2023	4,151	136	4,287	3,174	-	3,174
Additions	90	120	210	-	120	120
Adjustments upon reassessment of lease term in respect of extensions (see Note 12)	503	-	503	-	-	-
Adjustments upon reassessment of lease payments (see Note 12)	-	-	-	18	-	18
Depreciation charge for the year	(474)	(84)	(558)	(279)	(22)	(301)
At 31 December 2023	4,270	172	4,442	2,913	98	3,011
At 31 December 2023						
Cost	6,095	435	6,530	3,909	120	4,029
Accumulated depreciation	(1,825)	(263)	(2,088)	(996)	(22)	(1,018)
Net book amount	4,270	172	4,442	2,913	98	3,011
Year ended 31 December 2024						
At 1 January 2024	**4,270**	**172**	**4,442**	**2,913**	**98**	**3,011**
Additions	**-**	**122**	**122**	**-**	**122**	**122**
Adjustments upon reassessment of lease term in respect of extensions (see Note 12)	**857**	**-**	**857**	**-**	**-**	**-**
Depreciation charge for the year	**(477)**	**(105)**	**(582)**	**(278)**	**(42)**	**(320)**
At 31 December 2024	**4,650**	**189**	**4,839**	**2,635**	**178**	**2,813**
At 31 December 2024						
Cost	**6,952**	**557**	**7,509**	**3,909**	**242**	**4,151**
Accumulated depreciation	**(2,302)**	**(368)**	**(2,670)**	**(1,274)**	**(64)**	**(1,338)**
Net book amount	**4,650**	**189**	**4,839**	**2,635**	**178**	**2,813**

The Group and the Bank's lease liabilities are presented below:

	Group		Bank	
	2024 € 000	2023 € 000	**2024 € 000**	2023 € 000
Lease liabilities (Note 23)				
Current	**928**	407	**678**	149
Non-current	**4,175**	4,138	**2,373**	2,921
	5,103	4,545	**3,051**	3,070

13 **Leases** *(continued)*

The following tables show the movements in lease liabilities during the year:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Lease liabilities				
At beginning of year	**4,545**	4,228	**3,070**	3,104
Additions	**122**	183	**122**	69
Payments	**(542)**	(491)	**(213)**	(194)
Interest charge	**121**	122	**72**	73
Adjustments upon reassessment of lease term in respect of extensions	**857**	503	**-**	-
Adjustments upon reassessment of lease payments	**-**	-	**-**	18
At end of year	**5,103**	4,545	**3,051**	3,070

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
The income statement reflects the following amounts relating to leases:				
Depreciation charge of right-of-use assets	**582**	558	**320**	301
Interest expense	**121**	122	**72**	73
Expense relating to short-term leases (included in administrative expenses)	**509**	394	**95**	87
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**211**	205	**34**	33

The total cash payments for leases, including short-term and low-value leases, in 2024 was €1,387,000 (2023: €1,212,000) for the Group and €334,000 (2023: €319,000) for the Bank.

There was no expense relating to variable lease payments which were not included in the measurement of lease liabilities.

14 **Deferred tax assets and liabilities**

Deferred taxes are calculated using the principal tax rate of 35% (2023: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property, which is computed on the basis applicable to disposals of immovable property, based on tax effects on the transfer value.

14 Deferred tax assets and liabilities *(continued)*

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets 2024 € 000**	**Liabilities 2024 € 000**	**Net 2024 € 000**	Assets 2023 € 000	Liabilities 2023 € 000	Net 2023 € 000
Deferred tax asset, after offsetting						
Differences between depreciation and capital allowances	**-**	**(252)**	**(252)**	-	(42)	(42)
Provisions for liabilities and charges	**720**	**-**	**720**	288	-	288
Credit loss allowances	**3,361**	**-**	**3,361**	4,385	-	4,385
Fair value movements on financial investments	**4,049**	**-**	**4,049**	7,048	-	7,048
Others	**83**	**-**	**83**	15	-	15
	8,213	**(252)**	**7,961**	11,736	(42)	11,694
Deferred tax liability						
Revaluation of property	**-**	**(4,824)**	**(4,824)**	-	(4,099)	(4,099)
	-	**(4,824)**	**(4,824)**	-	(4,099)	(4,099)

Bank	**Assets 2024 € 000**	**Liabilities 2024 € 000**	**Net 2024 € 000**	Assets 2023 € 000	Liabilities 2023 € 000	Net 2023 € 000
Deferred tax asset, after offsetting						
Differences between depreciation and capital allowances	**-**	**(174)**	**(174)**	-	(140)	(140)
Provisions for liabilities and charges	**522**	**-**	**522**	119	-	119
Credit loss allowances	**3,291**	**-**	**3,291**	4,353	-	4,353
Fair value movements on financial investments	**4,050**	**-**	**4,050**	7,049	-	7,049
Others	**83**	**-**	**83**	-	-	-
	7,946	**(174)**	**7,772**	11,521	(140)	11,381
Deferred tax liability						
Revaluation of property	**-**	**(3,279)**	**(3,279)**	-	(2,800)	(2,800)
	-	**(3,279)**	**(3,279)**	-	(2,800)	(2,800)

Movement in deferred tax assets and liabilities relate to:

Group

	At 1 January 2023 € 000	Recognised in profit or loss € 000	Recognised in other comprehensive income € 000	**At 31 December 2023 € 000**	**Recognised in profit or loss € 000**	**Recognised in other comprehensive income € 000**	**At 31 December 2024 € 000**
Differences between depreciation and capital allowances	(110)	68	-	**(42)**	**(210)**	**-**	**(252)**
Provisions for liabilities and charges	344	-	(56)	**288**	**403**	**29**	**720**
Credit loss allowances	3,831	535	19	**4,385**	**(1,110)**	**86**	**3,361**
Revaluation of property	(4,099)	-	-	**(4,099)**	**-**	**(725)**	**(4,824)**
Fair value movements on investments	6,788	-	260	**7,048**	**-**	**(2,999)**	**4,049**
Others	36	(21)	-	**15**	**68**	**-**	**83**
	6,790	582	223	**7,595**	**(849)**	**(3,609)**	**3,137**

14 Deferred tax assets and liabilities *(continued)*

Bank

	At 1 January 2023 € 000	Recognised in profit or loss € 000	Recognised in other comprehensive income € 000	**At 31 December 2023 € 000**	**Recognised in profit or loss € 000**	**Recognised in other comprehensive income € 000**	**At 31 December 2024 € 000**
Differences between depreciation and capital allowances	(134)	(6)	-	**(140)**	**(34)**	**-**	**(174)**
Provisions for liabilities and charges	119	-	-	**119**	**403**	**-**	**522**
Credit loss allowances	3,778	556	19	**4,353**	**(1,148)**	**86**	**3,291**
Revaluation of property	(2,800)	-	-	**(2,800)**	**-**	**(479)**	**(3,279)**
Fair value movements on investments	6,789	-	260	**7,049**	**-**	**(2,999)**	**4,050**
Others	-	-	-	**-**	**83**	**-**	**83**
	7,752	550	279	**8,581**	**(696)**	**(3,392)**	**4,493**

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period. The deferred tax liabilities reflected in other comprehensive income relate principally to the revaluation of property, plant and equipment and the fair valuation of investments measured at FVOCI (note 34).

15 Inventories

	Group		**Bank**	
	2024 € 000	2023 € 000	**2024 € 000**	2023 € 000
Postal supplies and materials	**331**	327	**-**	-
Merchandise	**522**	425	**-**	-
Stocks for resale	**822**	570	**822**	570
Other stock items	**56**	69	**56**	69
	1,731	1,391	**878**	639

16 Trade and other receivables

	Group		**Bank**	
	2024 € 000	2023 € 000	**2024 € 000**	2023 € 000
Trade receivables - net of expected credit loss allowances	**6,341**	4,840	**-**	-
Others	**6,638**	6,529	**3,443**	3,405
	12,979	11,369	**3,443**	3,405

The Expected Credit Loss allowances in respect of trade receivables are analysed as follows:

	Group		**Bank**	
	2024 € 000	2023 € 000	**2024 € 000**	2023 € 000
Loss allowance as at 1 January	**91**	146	**-**	-
Net charge/(credit) recognised in profit or loss during the year	**112**	(55)	**-**	-
Loss allowance as at 31 December	**203**	91	**-**	-

17 Accrued income and other assets

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Accrued income	**2,553**	2,405	**2,524**	2,377
Prepayments	**1,551**	1,499	**757**	861
Other assets	**1,331**	1,299	**1,331**	1,299
	5,435	5,203	**4,612**	4,537

18 Share capital

Bank

	2024		2023	
	No. of shares 000s	**€ 000**	No. of shares 000s	€ 000
Authorised				
Ordinary shares of €0.125 each	**300,000**	**37,500**	300,000	37,500
Issued				
Ordinary shares of €0.125 each	**154,572**	**19,322**	154,572	19,322

By virtue of a resolution dated 22 June 2023, the shareholders of the Bank approved the allotment of 2,016,197 ordinary shares of €0.125 each as a bonus issue of one (1) share for every forty-five (45) shares held by shareholders on the Company's Register of Members as at close of business on 19 July 2023, and thereby increased the issued and fully paid share capital to 92,743,931 shares of 0.125 each, resulting in a paid share capital of €11,592,991.

By virtue of a resolution dated 22 June 2023, the shareholders of the Bank approved the issuance of up to 65,000,000 new ordinary shares of a nominal value of €0.125 per share in the same class as the shares in the Bank which were in issue as at that date. On 20 September 2023 the Bank announced that it received regulatory approval from Malta Financial Services Authority for a prospectus dated 20 September 2023 in relation to a rights issue of 2 new ordinary shares for every 3 ordinary shares held by shareholders appearing on the Bank's Register of Members at the Central Securities Depositary of the Malta Stock Exchange as at the close of trading on 19 September 2023, at an offer price of €0.75 per share. The admissibility to listing on the Official List of the Malta Stock Exchange of up to 61,828,332 new ordinary shares in the Bank having a nominal value of €0.125 each was also approved.

New ordinary shares of 61,828,332 having a nominal value of €0.125 each were issued, allotted, and admitted to listing on the Official List of Malta Stock Exchange on 16 November 2023, with trading commencing on 17 November 2023, thereby increasing the issued share capital to €19,321,533 divided into 154,572,263 Ordinary Shares of €0.125 each, fully paid-up.

The proceeds have been applied by the Bank to further strengthen its capital base with a view to ensuring that the Bank is well-positioned to meet the capital buffers required in terms of regulatory requirements and to supplement the funding requirements for the implementation of the Bank's strategic objectives as described in the Prospectus.

19 Reserves

These reserves are non-distributable.

19.1 Share premium

The share premium comprises premium attributable to the scrip issue of ordinary shares. Utilisation of the share premium account is governed by the requirements of Article 114 within the Companies Act, Chapter 386 of the Laws of Malta.

19 **Reserves** *(continued)*

19.2 Revaluation and other reserves

The Group and the Bank had the following reserves as at end of the reporting period:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Property revaluation reserve	**17,016**	13,109	**12,851**	10,168
Investment revaluation reserve	**(7,877)**	(13,349)	**(7,936)**	(13,345)
Other reserve	**1,871**	1,660	**2,133**	1,880
	11,010	1,420	**7,048**	(1,297)

The property revaluation reserve relates to the fair valuation of the land and buildings component of property, plant and equipment, and the balance represents the cumulative net increase in fair value of such property, net of related deferred tax.

The investment revaluation reserve represents the cumulative net change in fair values of financial assets measured at FVOCI held by the Group and by the Bank, net of related deferred tax impacts.

The other reserve mainly represents amounts set aside by the Bank from its retained earnings in relation to the Depositor Compensation Scheme (the 'Scheme'), reflecting the carrying amount of assets which as at end of the financial year are pledged in favour of the Scheme to comply with local regulatory requirements. The other reserve also reflects the impact of actuarial gains and losses with respect to pension obligations of MaltaPost p.l.c. recognised in other comprehensive income in accordance with the Group's accounting policy, net of any related deferred tax impacts.

The movements in these reserves are also analysed in the Statements of Changes in Equity and in note 34.

20 **Amounts owed to banks**

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Term deposits with agreed maturity dates or periods of notice	**23**	23	**23**	23
Repayable on demand	**415**	122	**415**	122
	438	145	**438**	145

21 **Amounts owed to customers**

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Term deposits with agreed maturity dates	**484,266**	431,721	**484,666**	432,121
Repayable on demand	**635,740**	587,354	**637,150**	589,133
	1,120,006	1,019,075	**1,121,816**	1,021,254

22 Provisions for liabilities and other charges

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Obligation to Government	**1,060**	1,034	**-**	-
Legal	**1,490**	340	**1,490**	340
Other Expected Credit Losses on off-balance sheet items	**83**	29	**83**	29
	2,633	1,403	**1,573**	369

These provisions are predominantly non-current in nature.

Group	**2024**				2023			
	Obligation to Government	**Legal claims**	**Expected Credit Loss allowance**	**Total**	Obligation to Government	Legal claims	Expected Credit Loss allowance	Total
	€ 000	**€ 000**	**€ 000**	**€ 000**	€ 000	€ 000	€ 000	€ 000
At 1 January	**1,034**	**340**	**29**	**1,403**	1,305	340	43	1,688
Actuarial losses/(gains) – recognised in other comprehensive income	**84**	**-**	**-**	**84**	(159)	-	-	(159)
Charge/(reversal) - recognised in profit or loss	**31**	**1,150**	**-**	**1,181**	(429)	-	-	(429)
Crystallised obligations	**(89)**	**-**	**-**	**(89)**	(150)	-	-	(150)
Impact of settlements	**-**	**-**	**-**	**-**	467	-	-	467
Change in ECL provision on off-balance sheet items	**-**	**-**	**54**	**54**	-	-	(14)	(14)
At 31 December	**1,060**	**1,490**	**83**	**2,633**	1,034	340	29	1,403

The obligation to Government arises in terms of Article 8A of the Pensions Ordinance (Chapter 93 of the Laws of Malta), covering former Government employees who opted to become full-time employees of MaltaPost p.l.c., and who continued to be entitled to pension benefits which go beyond the National Insurance Scheme. The pension benefits scheme is a final salary defined benefit plan and is unfunded.

Obligation to Government recognised in the statement of financial position is derived as follows:

	2024	2023
	€ 000	€ 000
Present value of unfunded obligations	**1,931**	1,817
Crystallised obligations	**(871)**	(783)
	1,060	1,034

The amounts recognised in other comprehensive income are as follows:

	2024	2023
	€ 000	€ 000
Net actuarial (losses)/gains - attributable to financial assumptions	**(84)**	159
	(84)	159

Crystallised obligations relate to amounts which became payable as at the end of the reporting period.

22 **Provisions for liabilities and other charges** *(continued)*

In computing the provision, the Group used a weighted average discount rate of 3.52% (2023: 4.42%). Assumptions regarding future mortality experience are based on published mortality tables in Malta, which translate into an average life expectancy of 83 (2023: 83) depending on age and gender of the beneficiaries. These factors are deemed to be the main assumptions used in the computation of the liability. The sensitivity of the obligation to changes in these assumptions is considered immaterial for disclosure purposes.

Bank

	2024			2023		
	Legal claims € 000	**Expected Credit Loss allowance € 000**	**Total € 000**	Legal claims € 000	Expected Credit Loss allowance € 000	Total € 000
At 1 January	**340**	**29**	**369**	340	43	383
Charge recognised in profit or loss	**1,150**	**-**	**1,150**	-	-	-
Change in ECL provision on off-balance sheet items	**-**	**54**	**54**	-	(14)	(14)
At 31 December	**1,490**	**83**	**1,573**	340	29	369

In addition, the Bank is also a defendant in legal actions by other customers as a result of which the Directors are of the opinion that no liability will arise.

23 **Other liabilities**

	Group		**Bank**	
	2024 € 000	2023 € 000	**2024 € 000**	2023 € 000
Trade payables	**5,640**	7,242	**-**	-
Bills payable	**5,373**	3,845	**5,373**	3,845
Lease liabilities	**5,103**	4,545	**3,051**	3,070
Other payables	**10,381**	13,130	**6,456**	9,321
	26,497	28,762	**14,880**	16,236

24 **Accruals and deferred income**

	Group		**Bank**	
	2024 € 000	2023 € 000	**2024 € 000**	2023 € 000
Accrued interest	**7,323**	6,152	**7,324**	6,153
Other	**6,524**	5,150	**2,319**	1,805
	13,847	11,302	**9,643**	7,958

25 Commitments and contingent liabilities

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Contingent liabilities				
Guarantee obligations incurred on behalf of third parties	**12,619**	11,286	**12,619**	11,286
Documentary credits	**7,208**	3,029	**7,208**	3,029
	19,827	14,315	**19,827**	14,315
Commitments				
Credit facilities and other commitments to lend	**291,647**	257,338	**292,754**	258,448
Capital commitments	**389**	77	**79**	77
	292,036	257,415	**292,833**	258,525

Credit facilities and other commitments to lend funds to customers are granted at prevailing market interest rates at drawdown date.

As at 31 December 2024, expected credit losses arising on contingent liabilities and undrawn commitments to lend of the Group and the Bank amounted to €83,000 (2023: €29,000).

Capital commitments as at 31 December 2024 and 2023 mainly relate to the acquisition of property, plant and equipment.

Total future minimum lease payments under non-cancellable short-term leases, with a lease term of less than 12 months, are as follows:

	2024	2023
	€ 000	€ 000
Current		
Within 1 year	**654**	538

Specific lease agreements include an option to renew the lease after the original term but the amounts presented in the table above do not reflect payments subsequent to renewal.

The Group is also committed to pay a licence fee of 1.50% (2023: 1.50%) of its total gross revenue from postal services within the scope of the universal services.

26 Net interest income

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Interest income				
On loans and advances to banks	**1,405**	296	**1,333**	263
On loans and advances to customers	**28,989**	26,461	**28,989**	26,461
On balances with Central Bank of Malta	**4,992**	3,778	**4,992**	3,778
On Malta Government treasury bills	**60**	990	**60**	990
	35,446	31,525	**35,374**	31,492
On debt and other fixed income instruments	**3,568**	3,539	**3,496**	3,460
Net amortisation of premiums and discounts	**(871)**	(1,366)	**(869)**	(1,366)
	2,697	2,173	**2,627**	2,094
Total interest income	**38,143**	33,698	**38,001**	33,586
Interest expense				
On amounts owed to banks	**(2)**	(2)	**(2)**	(2)
On amounts owed to customers	**(10,760)**	(7,713)	**(10,763)**	(7,716)
On leases	**(121)**	(122)	**(72)**	(73)
Total interest expense	**(10,883)**	(7,837)	**(10,837)**	(7,791)
Net interest income	**27,260**	25,861	**27,164**	25,795

27 Net fee and commission income

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Fee and commission income				
Retail banking customer fees	**3,855**	3,246	**3,856**	3,249
Brokerage	**72**	59	**72**	59
Other	**2,715**	2,166	**1,682**	1,167
Total fee and commission income	**6,642**	5,471	**5,610**	4,475
Fee and commission expense				
Inter-bank transaction fees	**(246)**	(270)	**(246)**	(270)
Other	**(23)**	(18)	**(23)**	(18)
Total fee and commission expense	**(269)**	(288)	**(269)**	(288)
Net fee and commission income	**6,373**	5,183	**5,341**	4,187

Fee and commission income is principally recognised at a point in time.

28 Postal sales and other revenues

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Stamps, parcel post and postal stationery including income from foreign inbound mail	**34,038**	33,629	**-**	-
Collectibles and philatelic sales	**733**	772	**500**	488
Other	**4,412**	4,319	**-**	-
	39,183	38,720	**500**	488

29 Dividend income

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Subsidiary undertaking	**-**	-	**1,445**	1,657
Equity investment measured at FVOCI	**465**	203	**465**	203
	465	203	**1,910**	1,860

30 Net trading income

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Gains on foreign exchange activities	**628**	378	**665**	525

31 Employee compensation and benefits

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Staff costs				
Wages, salaries and allowances	**24,731**	22,738	**9,002**	8,424
Social security costs	**1,798**	1,646	**511**	471
	26,529	24,384	**9,513**	8,895

	Group		Bank	
	2024	2023	**2024**	2023
Average number of employees				
Executives and senior managerial	**47**	48	**35**	36
Other managerial, supervisory and clerical	**373**	356	**173**	169
Others	**523**	502	**6**	6
	943	906	**214**	211

32 Net movement in expected credit losses

Movement in expected credit losses during 2024 was as follows:

	Group			Bank		
	Write-downs € 000	Reversals of write-downs € 000	Total € 000	Write-downs € 000	Reversals of write-downs € 000	Total € 000
Trade receivables						
Stage 3	(112)	-	(112)	-	-	-
Total trade receivables	(112)	-	(112)	-	-	-
Loans and advances to banks						
Stage 1	(9)	-	(9)	(9)	-	(9)
Total loans and advances to banks	(9)	-	(9)	(9)	-	(9)
Loans and advances to customers						
Stage 1	-	601	601	-	601	601
Stage 2	-	1,441	1,441	-	1,441	1,441
Stage 3	(1,184)	-	(1,184)	(1,184)	-	(1,184)
Write offs	(129)	-	(129)	(129)	-	(129)
Recoveries	-	63	63	-	63	63
Total loans and advances to customers	(1,313)	2,105	792	(1,313)	2,105	792
Debt securities measured at FVOCI						
Stage 1	-	247	247	-	247	247
Total financial investments measured at FVOCI	-	247	247	-	247	247
Debt securities measured at amortised cost						
Stage 1	-	47	47	-	47	47
Total financial Investments measured at amortised Cost	-	47	47	-	47	47
Other financial assets						
Stage 1	-	16	16	-	16	16
Total other financial assets	-	16	16	-	16	16
Off-balance sheet items						
Stage 1	(59)	-	(59)	(59)	-	(59)
Stage 2	-	5	5	-	5	5
Total off-balance sheet items	(59)	5	(54)	(59)	5	(54)
Net movement in expected credit losses	(1,493)	2,420	927	(1,381)	2,420	1,039

32 **Net movement in expected credit losses** *(continued)*

Movement in expected credit losses during 2023 was as follows:

	Group			Bank		
	Write-downs € 000	Reversals of write-downs € 000	Total € 000	Write-downs € 000	Reversals of write-downs € 000	Total € 000
Trade receivables						
Stage 3	-	55	55	-	-	-
Total trade receivables	-	55	55	-	-	-
Loans and advances to customers						
Stage 1	-	759	759	-	759	759
Stage 2	(273)	-	(273)	(273)	-	(273)
Stage 3	(1,753)	-	(1,753)	(1,753)	-	(1,753)
Recoveries	-	38	38	-	38	38
Total loans and advances to customers	(2,026)	797	(1,229)	(2,026)	797	(1,229)
Debt securities measured at FVOCI						
Stage 1	-	55	55	-	55	55
Total financial investments measured at FVOCI	-	55	55	-	55	55
Debt securities measured at amortised cost						
Stage 1	(72)	-	(72)	(72)	-	(72)
Total financial investments measured at amortised cost	(72)	-	(72)	(72)	-	(72)
Other financial assets						
Stage 1	(84)	-	(84)	(84)	-	(84)
Total other financial assets	(84)	-	(84)	(84)	-	(84)
Off-balance sheet items						
Stage 1	-	19	19	-	19	19
Stage 2	(5)	-	(5)	(5)	-	(5)
Total off-balance sheet items	(5)	19	14	(5)	19	14
Net movement in expected credit losses	(2,187)	926	(1,261)	(2,187)	871	(1,316)

33 **Profit before taxation**

Profit before taxation is stated after charging and crediting the following:

	Group		Bank	
	2024 € 000	2023 € 000	**2024 € 000**	2023 € 000
After charging				
Directors' emoluments				
- fees	**148**	139	**102**	93
- other emoluments	**368**	395	**368**	391
After crediting				
Net income from investment services	**429**	334	**429**	334

33 Profit before taxation *(continued)*

Other operating costs are analysed as follows:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Foreign outbound mail	**10,710**	14,889	**-**	-
Utilities, insurance and security	**1,089**	1,020	**717**	649
Depositor and investor compensation schemes	**593**	488	**593**	488
Information systems and telecommunications	**2,977**	2,570	**2,126**	1,759
Repairs and maintenance	**1,275**	1,194	**440**	422
Short-term and low value leases	**720**	599	**129**	121
Expenses associated with card services	**1,542**	1,108	**1,542**	1,108
Licence fees	**524**	639	**229**	403
Legal and professional fees	**720**	635	**590**	405
Other administrative expenses	**4,281**	4,034	**2,341**	2,241
Total other operating costs	**24,431**	27,176	**8,707**	7,596

Other administrative expenses mainly comprise professional expenses, subcontracted services and other services or expense items which are incurred in the course of the operations of the Group and the Bank.

Fees charged by the parent company auditor for services rendered during the financial years ended 31 December 2024 and 2023 relate to the following:

	Audit	Other assurance/ advisory services
	€ 000	**€ 000**
Bank		
2024	**108**	**158**
2023	108	26
Subsidiary companies		
2024	**86**	**18**
2023	85	18

During the current year, fees amounting to €73,000 (2023: €120,000) have been charged to the Bank by connected undertakings of the Bank's auditor, in respect of regulatory advisory services and tax compliance services.

During the current year, fees amounting to €7,000 (2023: €12,000) have been charged to the subsidiary companies by connected undertakings of the subsidiaries' auditor, in respect of regulatory advisory services, and tax advisory and compliance services.

34 Income tax expense

Recognised in profit or loss:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Current taxation				
Current tax expense	**6,408**	5,491	**5,181**	5,603
Deferred taxation				
Deferred tax charge/(credit) (note 14)	**849**	(582)	**696**	(550)
	7,257	4,909	**5,877**	5,053

The tax on the profit before income tax differs from the theoretical amount that would arise using the tax rate applicable as follows:

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Profit before tax	**19,415**	14,527	**16,101**	13,850
Tax on profit at 35%	**6,795**	5,084	**5,635**	4,848
Tax effect of:				
Expenses not deductible for tax purposes	**776**	313	**435**	295
Deductions attributable to usage of electric vehicles	**(315)**	(445)	**-**	-
Income taxed at different tax rates	**(118)**	(38)	**(232)**	(16)
Share of results of associate	**15**	110	**-**	-
Other differences	**104**	(115)	**39**	(74)
	7,257	4,909	**5,877**	5,053

The tax impacts, which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity are as follows:

Group		**2024**			2023	
	Before tax	**Tax credit/ (charge)**	**Net of tax**	Before tax	Tax credit/ (charge)	Net of tax
	€ 000	**€ 000**	**€ 000**	€ 000	€ 000	€ 000
Fair valuation of land and buildings	**5,058**	**(725)**	**4,333**	-	-	-
Fair valuation of financial assets measured at FVOCI:						
- Net changes in fair value	**8,872**	**(3,074)**	**5,798**	(1,257)	392	(865)
- Reclassification adjustments to profit or loss upon disposal	**-**	**-**	**-**	376	(132)	244
- Net movement attributable to change in credit risk	**(247)**	**86**	**(161)**	(55)	19	(36)
Remeasurements of defined benefit obligations	**(84)**	**29**	**(55)**	159	(56)	103
	13,599	**(3,684)**	**9,915**	(777)	223	(554)

34 **Income tax expense** *(continued)*

Bank	**2024**			2023		
	Before tax	**Tax credit/ (charge)**	**Net of tax**	Before tax	Tax credit/ (charge)	Net of tax
	€ 000	**€ 000**	**€ 000**	€ 000	€ 000	€ 000
Fair valuation of land and buildings	**3,162**	**(479)**	**2,683**	-	-	-
Fair valuation of financial assets measured at FVOCI:						
- Net changes in fair value	**8,784**	**(3,074)**	**5,710**	(1,120)	392	(728)
- Reclassification adjustments to profit or loss upon disposal	**-**	**-**	**-**	376	(132)	244
- Net movement attributable to change in credit risk	**(247)**	**86**	**(161)**	(55)	19	(36)
	11,699	**(3,467)**	**8,232**	(799)	279	(520)

35 **Earnings per share**

	Group	
	2024	2023
Net profit attributable to equity holders of the Bank (€ 000)	**11,293**	9,064
Weighted average number of ordinary shares in issue	**154,572,263**	100,366,602
Earnings per share	**€0.07**	€0.09

Earnings per share is based on the net profit for the year divided by the weighted average number of ordinary shares in issue during the year.

The Bank has no instruments or arrangements which give rise to dilutive potential ordinary shares, and accordingly diluted earnings per share is equivalent to basic earnings per share.

36 **Dividends**

	2024	2023
Dividends paid by the Bank (€ 000)	**1,638**	-
€ per share – net	**0.01**	-

The dividends per share in respect of the financial year ended 31 December 2023 reflected in the table above has been calculated on the basis of the number of ordinary shares in issue of 154,572,263 as at 28 June 2024, being the date of approval of the dividends by the shareholders of the Annual General Meeting.

Subsequent to the end of the reporting period, a gross dividend of 3.40 cent per nominal €0.125 share (net dividend of 2.21 cent for a total amount of €3,416,000) for the twelve months ended 31 December 2024 is being proposed for approval by the shareholders to be distributed. A resolution to this effect will be proposed to the Annual General Meeting.

37 **Cash and cash equivalents**

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

	Group		Bank	
	2024	2023	**2024**	2023
	€ 000	€ 000	**€ 000**	€ 000
Balances with Central Bank of Malta (note 5)	**138,320**	117,882	**138,320**	117,882
Malta Government treasury bills (note 5)	**-**	8,920	**-**	8,920
Cash in hand (note 5)	**7,608**	8,886	**6,489**	8,151
Loans and advances to banks (note 7)	**43,697**	36,139	**40,973**	33,605
Amounts owed to banks (note 20)	**(415)**	(122)	**(415)**	(122)
Cash and cash equivalents	**189,210**	171,705	**185,367**	168,436

38 **Related parties**

38.1 Identity of related parties

The Bank considers that it has a related party relationship with the National Development and Social Fund, subsidiary and associated companies, the Bank's Directors and Chief Officers (collectively deemed to be key management personnel, with latter category comprising Chief Executive Officer, Deputy Chief Executive Officers, Chief Financial Officer, Chief Information Officer, Chief Risk Officer, Chief Legal Officer, Chief Officer – Group Corporate Services) and other related parties, principally entities controlled by key management personnel.

The Government of Malta is also considered to be a related party, through its control over the National Development and Social Fund ('NDSF'). Nevertheless, in its Company Announcement dated 10 August 2018, the Bank reported that the NDSF had reaffirmed that:

Quote

- it does not intend to increase its holdings in the Bank;
- it shall not act in concert with any other shareholders;
- it will seek to reduce its shareholding in the Bank in an orderly manner, at the right market conditions and by agreement with the regulatory authorities;
- it has no intention of exerting any influence on the operations of the Bank; and
- this acquisition will not result in a change in control of the Bank.

Unquote

The Group's exposure to the Government of Malta arises through its investment in Government treasury bills and debt securities which are disclosed in notes 5 and 6, respectively, and other balances disclosed in note 22.

Other related party transactions with government owned/controlled entities were carried out on an arm's length basis and on normal commercial terms. The transaction amounts in this respect are not considered material for disclosure purposes, as they do not materially impact the Group's financial results and financial position.

38.2 Principal transaction arrangements and agreements involving key management personnel and entities controlled by key management personnel.

	2024	2023
	€ 000	€ 000
Income statement		
Interest receivable and similar income	**31**	30
Interest expense	**5**	5
Other operating costs	**1,427**	1,298

38 **Related parties** *(continued)*

	2024	2023
	€ 000	€ 000
Statement of financial position		
Loans and advances to customers	**3,195**	2,380
Amounts owed to customers	**1,722**	1,698
Contingent liabilities and commitments	**213**	464

The following tables show the movements in loans and advances and commitments during the year:

	Loans and advances 2024	**Commitments 2024**	Loans and advances 2023	Commitments 2023
	€ 000	**€ 000**	€ 000	€ 000
At 1 January	**2,380**	**(462)**	1,518	(1,047)
Additions	**1,070**	**(109)**	1,273	(376)
Reductions/ repayments	**(255)**	**368**	(564)	950
Other movements	**-**	**1**	153	11
At 31 December	**3,195**	**(202)**	2,380	(462)

The above banking facilities are part of long-term commercial relationships and were made in the ordinary course of business on substantially the same terms, including rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

38.3 Compensation to key management personnel

Directors' remuneration and salaries to chief officers amount to €1,383,000 (2023: €1,236,000).

38.4 Transactions with other related parties

38.4.1 Subsidiaries

Information relating to principal transactions undertaken by the Bank with its subsidiary companies during the year:

	2024	2023
	€ 000	€ 000
Income statement		
Fee and commission income	**1**	3
Interest expense	**4**	2
Other operating income	**73**	70
Other operating costs	**453**	336
Statement of financial position		
Loans and advances to customers	**8**	-
Trade and other receivables	**18**	4
Accrued income and other assets	**3**	7
Amounts owed to customers	**1,810**	2,180
Accruals and deferred income	**96**	49
Contingent liabilities	**210**	300
Commitments	**1,107**	1,110

38 **Related parties** *(continued)*

During the year, Redbox Limited received gross dividends from MaltaPost p.l.c. amounting to €1,444,500 (2023: €1,657,000). The Bank injected further capital into its subsidiaries as disclosed in Note 9.

During the year ended 31 December 2024, other operating costs included an amount of €129,000 (2023: €92,000) relating to financial support given to Lombard Select SICAV p.l.c. in the form of expenses incurred on its behalf without seeking reimbursement, to support its working capital in the initial phase of its operations. As at 31 December 2024, the entity had not yet started operating.

As at 31 December 2024, lease liabilities payable to the Bank by MaltaPost p.l.c. amounted to €120,596 (2023: €144,042) in respect of properties which are being leased to MaltaPost p.l.c.

38.4.2 Associates

Information relating to principal transactions undertaken by the Bank on Group with its associates during the year:

	2024	2023
	€ 000	€ 000
Income statement		
Fee and commission income	**33**	36
Other operating costs	**60**	60
Statement of financial position		
Loans and advances to customers/Accrued income and other assets	**2,298**	2,379
Investments in associates	**1,645**	1,645
Amounts owed to customers	**12**	9

39 **Investor compensation scheme**

In accordance with the requirements of the Investor Compensation Scheme Regulations, 2003 issued under the Investment Services Act, 1994 (Chapter 370 of the Laws of Malta) licence holders are required to transfer a variable contribution to an Investor Compensation Scheme Reserve and place the equivalent amount with a bank, pledged in favour of the Scheme. Alternatively licence holders can elect to pay the amount of variable contribution directly to the Scheme. Lombard Bank Malta p.l.c. has elected to pay the amount of the variable contribution directly to the Scheme.

40 **Statutory information**

Lombard Bank Malta p.l.c. is a public limited liability company domiciled and incorporated in Malta.

1. Risk management

1.1 Overview of risk disclosures

The Additional Regulatory Disclosures seek to increase public disclosure with respect to a bank's capital structure and adequacy as well as its risk management policies and practices. These disclosures have been prepared by the Bank in accordance with the Pillar III quantitative and qualitative disclosure requirements as governed by Banking Rule BR/07: Publication of Annual Report and Audited Financial Statements of Credit Institutions authorised under the Banking Act, 1994, issued by the Malta Financial Services Authority. These disclosures are published by the Bank on an annual basis as part of the Annual Report. The rule follows the disclosure requirements of Directive 2013/36/EU (Capital Requirements Directive) and EU Regulation No. 575/2013 (Capital Requirements Regulation) of the European Parliament and of the Council of 26 June 2013.

Consistent with the requirements of banking regulations, these disclosures are not subject to an external audit, except to the extent that any disclosures are equivalent to those made in the Financial Statements which have been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRS') as adopted by the EU. The Bank is satisfied that internal verification procedures ensure that these Additional Regulatory Disclosures are presented fairly.

1.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

To enhance its risk oversight efforts, the Board of Directors established an Audit & Risk Committee with a mandate to supervise and monitor *inter alia*, the Bank's compliance with its risk management policies and procedures, review any financial information, statements and disclosures to be issued and the adequacy of the Bank's risk management framework, including its risk appetite statement and strategy.

The Bank has also established the Assets & Liabilities Committee ('ALCO') and the Credit Committee that are responsible for developing the Bank's risk management policies in their specific areas.

The Bank also has an independent Risk Management function as the Bank's second line of defence and independent of operations which also reports directly to the ARC and is represented during meetings of the above-mentioned committees. It is responsible for ensuring that the Bank's Risk Management Policy, Risk Appetite Statement and any other guidelines support the Bank's objectives. It is also responsible for further identifying any unmitigated risks and for formulating suitable action plans for their treatment. The function monitors the high-level principles that guide staff in its day-to-day management of risk through oversight of policies, limits, procedures, processes and systems as well as by using methods and tools for risk measuring, monitoring, controlling and reporting.

The Bank considers risk management a core competency that helps produce consistently high returns for its various stakeholders. The Bank's business involves taking on risks in a targeted manner and managing them professionally. The Bank aims to manage all major types of risk by applying methods that meet best practice. The Bank considers it important to have a clear distribution of responsibilities within risk management. One of the main tasks of the Bank's executive management is to set the framework for this area. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

An understanding of risk-taking and transparency in risk-taking are key elements in the Bank's business strategy and thus in its ambition to be a strong financial institution. The Bank's internal risk management processes support this objective.

Risk management within the Bank is mainly carried out on a unified basis, using an integrated and global framework. This framework is based on local and international guidelines, such as the Basel III Accord and corresponding Directives and Regulations of the European Union, including technical standards, as well as on contemporary international banking practices guided by the Basel Committee on Banking Supervision.

The Bank has adopted the Standardised Approach and the Basic Method with respect to the calculation of capital requirements and management of credit and foreign exchange risk respectively, as well as the Basic Indicator Approach with respect to operational risk.

1 **Risk management** *(continued)*

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board deems the risk management framework adopted by the Bank to be adequate and gives assurance to the Bank's stakeholders that the risk management systems are appropriate in relation to the Bank's risk profile and strategy.

The Bank's different operational functions, on an entity-wide basis, are primarily responsible for risk management procedures and activities in their respective areas. All the operational functions have a primary role in risk management at Bank-wide level. The Risk Management Function provides oversight, independently from operations. The Bank's risk management is implemented and handled properly by the operational functions. The Bank's Internal Audit Function, through verification, ensures that effective risk management procedures and activities are adequately designed and operating as prescribed.

1.3 Board appointed Committees

The Bank's Board of Directors is responsible for ensuring that adequate processes and procedures exist to ensure effective internal control systems for the Bank. These internal control systems ensure that decision-making capability and the accuracy of the reporting and financial results are maintained at a high level at all times. The Board assumes responsibility for:

- setting business objectives, goals and the general strategic direction for Management with a view to maximise value;
- selecting and appointing the Chief Executive Officer who is entrusted with the day-to-day operations of the Bank;
- management of the Bank's operations, as well as appointment of members of Management;
- ensuring that significant business risks are identified and appropriately managed; and
- setting the highest business standards and code for ethical behaviour, and monitoring performance in this respect.

In deciding how best to discharge its responsibilities, the Board upholds a policy of clear demarcation between its role and responsibilities and those of Management. It has defined the level of authority that it retains over strategy formulation and policy determination, and delegated authority and vested accountability for the Bank's day-to-day business in the Assets & Liabilities Committee and Credit Committee and, for the Bank's day-to-day operations, in an Executive Team comprising the Chief Executive Officer and Chief Officers. The Audit & Risk Committee reviews the processes and procedures to ensure the effectiveness of the Bank's system of internal control, as well as the implementation of the Board's risk strategy by Management. The Audit & Risk Committee is supported by the Internal Audit, Risk Management and Compliance functions.

The ALCO monitors the Bank's financial performance, considers investment policy and overseas counterparty limits. Membership of this Committee is made up of a number of Chief Officers and Senior Managers including managers from Finance and Treasury Departments. The Chief Executive Officer is Chairman of ALCO and retains primary responsibility for asset and liability management. The ALCO oversees risk management practices in relation to asset and liability management.

The Credit Committee considers the development of general lending principles and oversees risk management practices in lending operations. The Credit Committee is chaired by the Chief Executive Officer and is composed of other Chief Officers as well as other Senior Officers.

The Audit & Risk Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the financial statements and disclosures, the system of internal control established by management as well as the external and internal audit processes. The Audit & Risk Committee is also responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

The Bank's independent Internal Audit Department reviews the adequacy and proper operation of internal controls in individual areas of operation and reports its findings to the Audit & Risk Committee. The Internal Audit Function carries out both regular and ad-hoc reviews of risk management controls and procedures, in both cases reporting its findings.

The Bank has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve the Bank's objectives.

1 **Risk management** *(continued)*

Authority to operate the Bank and its subsidiaries is delegated to the Chief Executive Officer within the limits set by the Board. The Board is ultimately responsible for the Bank's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Bank is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Bank policies and procedures are in place for the reporting and resolution of fraudulent activities.

1.4 Key risk components

The Bank's Board of Directors is empowered to set out the overall risk policies and limits for all material risk types. The Board also decides on the general principles for managing and monitoring risks.

To ensure coherence between the Bank's strategic considerations regarding risk-taking and day-to-day decisions, from time to time, the Bank establishes its risk appetite as a strategic tool. Risk appetite is the maximum risk that the Bank is willing to assume to meet business targets. The Bank's risk appetite is set in a process based on a thorough analysis of its current risk profile. The Bank identifies a number of key risk components and for each determines a target that represents the Bank's views on the component in question.

In terms of the CRR, an 'exposure' is the amount at risk arising from the reporting credit institution's assets and off-balance sheet instruments. Consistent with this, an exposure would include the amount at risk arising from the Bank's:

- claims on a customer including actual and potential claims which would arise from the drawing down in full of undrawn advised facilities, which the Bank has committed itself to provide;
- contingent liabilities arising in the normal course of business, and those contingent liabilities which would arise from the drawing down in full of undrawn advised facilities which the Bank has committed itself to provide; and
- other on and off-balance sheet financial assets and commitments.

The Bank is exposed to a number of risks, which it manages at different organisational levels.

The main categories of risk are:

- *Credit risk*: Credit risk stems from the possible non-prompt repayment or non-payment of existing and contingent obligations by the Bank's counterparties, resulting in the loss of equity and profit. It comprises the risk that deterioration in the financial condition of a borrower will cause the asset value to decrease or be extinguished. Country risk and Settlement risk are included in this category. Country risk refers to the risk of losses arising from economic or political changes that affect the country from which the asset originates. Settlement risk refers to the risk of losses through failure of the counterparty to settle outstanding dues on the settlement date owing to bankruptcy or other causes.

- *Market risk*: Risk of losses arising from unfavourable changes in the level and volatility of interest rates, foreign exchange rates or investment prices.
- *Liquidity risk*: Liquidity risk may be divided into two sub-categories:
  - Market (product) liquidity risk: Risk of losses arising from difficulty in accessing a product or market at the required time, price and volume.
  - Funding liquidity risk: Risk of losses arising from a timing mismatch between investing, placements and fund raising activities resulting in obligations missing the settlement date or satisfied at higher than normal rates.
- *Operational risk*: Risk of loss resulting from the lack of skilful management or good governance within the Bank and the inadequacy of internal control, which might involve internal operations, staff, systems or external occurrences that in turn affect the income and capital funds of financial institutions. The Bank has adopted an operational risk management framework and procedures, which provide for the identification, assessment, management, monitoring and reporting of the Bank's operational risks.

1 **Risk management** *(continued)*

1.5 Risk statement by the Board of Directors

The Bank's business model throughout the years has been that of retaining a stable deposit base and granting credit principally to the commercial real estate sector, particularly because the Board strongly believes that despite the increased capital requirements introduced by the CRR, an active commercial real estate market is a fundamental source of employment and economic growth in Malta. Nonetheless, the Bank is conscious of the risks involved in commercial real estate lending, and thus ensures it prices loans by reference to underlying risks. In this respect, the Bank's return on assets, expressed as a percentage of profit after tax to average total assets, for the reporting period ended 31 December 2024 amounts to 0.8%.

In this respect, the loan loss coverage ratio, calculated as expected credit losses on non-performing exposures to total non-performing exposures, which as at 31 December 2024, amounted to 14.0% differs from that experienced within the sector, which generally tends to fluctuate between 50% to 55%. This clearly illustrates the robustness of the Bank's risk management practices particularly in respect of credit risk.

1.6 Scope of application of regulatory framework

In preparing the consolidation of its financial statements, the Group follows IFRS 9 as adopted by the EU for the purposes of the accounting framework. However, the scope of accounting consolidation might differ from the prudential scope of consolidation. For the purposes of prudential consolidation, the Group follows the provisions of CRR 575/2013 as amended by Regulation (EU) 2019/876 (CRR 2).

Under the prudential consolidation approach, CRR requires so-called 'prudential adjustments' to ensure a more cautious approach. This produces a more granular, consolidated view of diversified financial institutions, thereby introducing greater transparency. As the parent institution, Lombard Bank Malta p.l.c. is required to assess the scope and perimeter of prudential consolidation. The outcome of this assessment reveals that Lombard Bank Malta p.l.c. as a standalone entity meets the conditions for prudential consolidation, making the Bank the only entity within the Group that falls within the prudential consolidation perimeter.

2. **Credit risk**

2.1 Introduction to Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Credit risk constitutes the Bank's largest risk in view of its significant lending and securities portfolios, which are monitored in several ways. The Bank is fully aware of such risk and places great importance on its effective management.

The Bank allocates considerable resources in ensuring the ongoing compliance with approved credit limits and to monitor its credit portfolio. In particular, the Bank has a fixed reporting cycle to ensure that the relevant management bodies, including the Board of Directors and the Executive Team, are kept informed on an ongoing basis of developments in the credit portfolio, non-performing loans and other relevant information.

2.2 Credit risk management

The Board of Directors has delegated the responsibility for the monitoring of management of credit risk to the Credit Committee. The granting of a credit facility is based on the Bank's insight into the customer's financial position, which is reviewed regularly to assess whether the basis for the granting of credit has changed. Furthermore, the customer must be able to demonstrate a reasonable ability to repay the debt. Approval limits are graded starting from authorised staff members and leading up to the Credit Committee and the Board of Directors depending on the size and the particular risk attached to the loan. Facilities are generally adequately secured either by property and/or guarantees and are reviewed periodically by Management both in terms of the exposure to the Bank and to ensure that security is still valid.

2 **Credit risk** *(continued)*

The Bank's Credit Department is responsible for undertaking and managing credit risk in relation to the entity's lending activities; covering all the stages in the lending cycle comprising credit proposal, loan approval, effecting advances, credit and collateral monitoring, processing repayments and credit recovery procedures. The Bank manages, limits and controls concentrations of credit risk arising from loans and advances wherever they are identified – in particular, to individual customers and groups, and to industry sectors. Such risks are monitored on a revolving basis and subject to frequent review, as considered necessary. The exposure to any one borrower is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored at end of day on a daily basis and on a real-time basis too. As highlighted previously, the Bank's reporting framework with respect to lending credit risk is comprehensive with regular reporting by the Credit Department to the Board, Credit Committee and Executive Team on adherence to limits, activity levels, performance measures and specific credit risk events.

In order to minimise the credit risk undertaken, counterparty credit limits may be defined, which consider a counterparty's creditworthiness, the value of collateral and guarantees which can reduce the overall credit risk exposure, as well as the type and the duration of the credit facility. In order to examine a counterparty's creditworthiness, the following are considered: country risk, quantitative and qualitative characteristics, as well as the industry sector in which the counterparty operates. The Bank has set limits of authority and has segregated duties so as to maintain impartiality and independence during the approval process and control for new and existing credit facilities.

The Bank's maximum exposure amount to credit risk before taking account of any collateral held or other credit enhancements can be classified in the following categories:

- Financial assets recognised on-balance sheet comprising principally balances with Central Bank of Malta, Malta Government treasury bills, cheques in course of collection, financial assets measured at FVOCI and amortised cost as well as loans and advances to banks and customers. The maximum exposure of these financial assets to credit risk equals their carrying amount.
- Guarantee obligations incurred on behalf of third parties. The maximum exposure to credit risk is the full amount that the Bank would have to pay if the guarantees are called upon.
- Loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities. The maximum exposure to credit risk is the full amount of the committed facilities.

The Bank's credit risk exposure amounts reflect the maximum exposure to credit risk before collateral held or other credit enhancements in accordance with the regulatory information submitted to the MFSA and are as follows:

	2024 Average value € 000	2024 Year end Exposure value € 000
Central governments or central banks	**307,646**	**315,548**
Public sector industries	**409**	**1**
Multilateral development banks	**7,465**	**6,705**
Institutions	**70,394**	**66,208**
Corporates	**94,219**	**100,104**
Retail	**30,411**	**33,386**
Secured by mortgages on immovable property	**590,672**	**610,638**
Exposures in default	**15,583**	**23,123**
Exposures associated with particularly high risk	**128,747**	**147,409**
Equity	**25,947**	**26,082**
Other items	**61,886**	**61,189**
	1,333,379	**1,390,393**

2 **Credit risk** *(continued)*

The exposures set out in the table above are based on the sum of on-balance sheet exposures and off-balance sheet exposures adjusted for the credit conversion factors stipulated in Article 166(10) of the CRR.

The following is an analysis of the Bank's exposure to credit risk split by on-balance sheet assets and off-balance sheet instruments:

	2024
	€ 000
On-balance sheet assets	**1,355,047**
Other adjustments	**134**
Off-balance sheet instruments	**35,212**
	1,390,393

As set out in the Financial Statements under 'Accounting estimates and judgements', the measurement of the Expected Credit Loss allowance for financial assets measured at amortised cost and Fair Value through Other Comprehensive Income ('FVOCI') is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. As previously explained, the disinflation process continued during the financial year ended 31 December 2024, bringing inflation rates closer to central bank targets. Despite a resilient labour market, Euro Area economic performance remained underwhelming, weighed by headwinds coming from lower confidence in private consumption and investment. Geopolitical risks related to the ongoing wars in Eastern Europe and the Middle East, also pose risks to Euro Area growth, with the potential to disrupt energy supplies and global trade. Within this context, the ECB decided to lower its Deposit Facility rate to 3.00%, the MRO rate to 3.15% and the MLF rate 3.40%. Despite these rate cuts, the ECB's monetary policy stance remains restrictive when compared to the historic averages of the past two decades. At the reporting date the asset quality of the Bank's financial assets remains sound and there is no evidence of an increase in credit risk. The Bank will continue to closely monitor its exposures in the light of developments so as to align the Expected Credit Loss accordingly.

2.3 Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether the category relates to geographical location, industry sector or counterparty type.

As at 31 December 2024, no loans and advances to customers were deemed to be prohibited large exposures, prior to any eligible exemptions, in accordance with the requirements of Part Four of the CRR, Large Exposures. A limited number of customers account for a certain percentage of the Bank's loans and advances.

Credit risk attributable to concentration of investments is not considered by the Directors to be significant in view of the credit standing of the issuers.

The following tables analyse the concentration of credit risk by geographical region, industry sector and residual maturity at the end of the reporting period.

2 **Credit risk** *(continued)*

2.3.1 Credit risk exposures analysed by geographical region

The Bank monitors concentration of credit risk by geographical region. The following table summarises the country of risk by exposure class:

At 31 December 2024	Total € 000	Malta € 000	Eurozone € 000	Other European countries € 000	Other € 000
Central governments or central banks	**315,548**	**306,463**	**3,622**	**2,138**	**3,325**
Public Sector entities	**1**	**1**	-	-	-
Multilateral Development Banks	**6,705**	-	**3,651**	**956**	**2,098**
Institutions	**66,208**	**12,077**	**37,924**	**9,738**	**6,469**
Corporates	**100,104**	**98,137**	**800**	**1,162**	**5**
Retail	**33,386**	**33,370**	-	**4**	**12**
Secured by mortgages on immovable property	**610,638**	**609,803**	**172**	**370**	**293**
Exposures in default	**23,123**	**16,466**	**4,431**	**2,226**	-
Items associated with particularly high risk	**147,409**	**147,409**	-	-	-
Equity	**26,082**	**26,082**	-	-	-
Other items	**61,189**	**60,913**	-	-	**276**
	1,390,393	**1,310,721**	**50,600**	**16,594**	**12,478**

2 **Credit risk** *(continued)*

2.3.2 Credit risk exposures analysed by industry sector

The following are the exposure amounts split by exposure class according to the respective industry concentration:

At 31 December 2024	Total € 000	Manufacturing € 000	Tourism € 000	Trade € 000	Property and construction € 000	Personal, professional and home loans € 000	Financial institutions € 000	Other sectors € 000
Central governments or central banks	315,548	-	-	-	-	-	315,548	-
Public Sector entities	1	-	-	-	-	-	1	-
Multilateral Development Banks	6,705	-	-	-	-	-	6,705	-
International Organisations	-	-	-	-	-	-	-	-
Institutions	66,208	-	-	-	-	-	66,208	-
Corporates	100,104	7,661	5,383	33,543	7,629	7,935	30,127	7,826
of which: SME	84,501	4,923	4,930	33,514	5,228	2,230	29,094	4,582
Retail	33,386	18	-	1,067	584	29,397	12	2,308
of which: SME	1,867	-	-	1,066	158	529	12	102
Secured by mortgages on immovable property	610,638	3,113	56,142	17,708	149,448	251,838	98,488	33,901
of which: SME	328,762	2,918	55,481	17,273	137,063	6,509	98,488	11,030
Exposures in default	23,123	147	-	4,674	11,185	5,914	1,038	165
of which: SME	14,218	147	-	4,674	8,319	-	1,038	40
Items associated with particularly high risk	147,409	-	2,723	1,937	124,792	2,167	14,693	1,097
of which: SME	136,181	-	2,721	1,936	114,010	1,817	14,692	1,005
Equity	26,082	216	1,645	-	-	-	4,822	19,399
Other items	61,189	-	2,379	-	44,205	-	7,289	7,316
	1,390,393	11,155	68,272	58,929	337,843	297,251	544,931	72,012

2 **Credit risk** *(continued)*

2.3.3 Credit risk exposures analysed by residual maturity

The residual maturity breakdown by exposure class at the end of the reporting period was as follows:

At 31 December 2024	Total € 000	Less than 1 year € 000	Over 1 but less than 5 years € 000	Over 5 years € 000
Central Government or central banks	315,548	157,917	121,196	36,435
Public sector entities	1	1	-	-
Multilateral Development Banks	6,705	2,898	3,020	787
International Organisations	-	-	-	-
Institutions	66,208	43,715	5,280	17,213
Corporates	100,104	42,488	41,988	15,628
Retail	33,386	7,625	1,250	24,511
Secured by mortgages on immovable property	610,638	124,215	52,732	433,691
Exposures in default	23,123	10,853	4,428	7,842
Exposures associated with particularly high risk	147,409	72,052	59,929	15,428
Equity exposures	26,082	26,082	-	-
Other items	61,189	61,189	-	-
	1,390,393	549,035	289,823	551,535

2.3.4 Counterparty banks' risk

The Bank runs the risk of loss of funds due to the possible delay in the repayment of existing and future obligations by counterparty banks.

Within its daily operations, the Bank transacts with banks and other financial institutions. By conducting these transactions, the Bank is running the risk of losing funds due to the possible delays in the repayment to the Bank of the existing and future obligations of the counterparty banks. The Bank primarily places short-term funds with pre-approved banks subject to the limits in place and subject to the respective institutions' credit rating being within controlled parameters. The positions are checked against the limits in real time and at end of day on a daily basis.

2.3.5 Country risk

The Bank runs the risk of loss of funds due to the possible political, economic and other events in a particular country where funds have been placed or invested with several counterparties. Countries are assessed according to their size, economic data and prospects and their credit ratings from international rating agencies. Existing country credit risk exposures are monitored and reviewed periodically. The Bank's assets are predominantly in Malta. The Bank's exposures to other countries are mainly limited to bank balances and money market placements with a total carrying amount of €40,968,000 (2023: €33,597,000) at the end of the reporting period.

2.4 Use of External Credit Assessment Institutions

In calculating its risk-weighted exposure amounts, the Bank uses an External Credit Assessment Institution ('ECAI') for Central governments, Institutions, Corporates and Items associated with particularly high risk for which a credit assessment is available. The credit quality of such exposures is determined by reference to external credit ratings applicable to issuers or counterparties. The Bank maps the external ratings to the credit quality steps prescribed in the CRR as required by CEBS publication *'Standardised Approach: Mapping of ECAIs' credit assessments to credit quality steps'*.

2 **Credit risk** *(continued)*

The following are the exposure values for which an ECAI is used:

At 31 December 2024	Credit quality step	Central governments or central banks € 000	Public sector entities € 000	Multilateral development banks € 000	International organisations € 000	Institutions € 000	Total € 000
AAA to AA-	**1**	**5,836**	**-**	**6,705**	**-**	**9,511**	**22,052**
A+ to A-	**2**	**307,467**	**1**	**-**	**-**	**37,035**	**344,503**
BBB+ to BBB-	**3**	**2,245**	**-**	**-**	**-**	**14,414**	**16,659**
BB+ to BB-	**4**	**-**	**-**	**-**	**-**	**-**	**-**
B+ to B-	**5**	**-**	**-**	**-**	**-**	**-**	**-**
CCC+ and below	**6**	**-**	**-**	**-**	**-**	**5,248**	**5,248**
		315,548	**1**	**6,705**	**-**	**66,208**	**388,462**

2.5 Credit quality of the Bank's lending portfolio

The Bank manages the credit quality of its loans and advances to customers by using internal risk grades, which provide a progressively increasing risk profile ranging from 'P1' (best quality, less risky) to 'NP'. These risk grades are an essential tool for the Bank to identify both non-performing exposures and better-performing customers. The internal risk grades used by the Bank are as follows:

- Performing: Internal grade 'P1'
- Under performing: Internal grades 'P2', 'P3' and 'PF'; and
- Non-performing: Internal grade 'NP', 'NF' and 'NR'.

P1

The Bank's loans and advances to customers which are categorised as 'P1' are principally debts in respect of which the payment of interest and/or capital is not overdue by 30 days and with no recent history of customer default. Management does not expect any losses from non-performance by these customers.

P2

Loans and advances which attract a 'P2' grading are those which are receiving the close attention of the Bank's Management and are being reviewed periodically in order to determine whether such advances should be reclassified to either 'P1' or 'P3' classification. Credit facilities that attract this category include those where the payment of interest and/or capital becomes overdue by 30 days and over but not exceeding 60 days.

P3

Loans and advances which attract a 'P3' grading are those having the weaknesses inherent in those loans and advances classified as 'P2' with the added characteristics that repayment is inadequately protected by the current sound worth and paying capacity of the borrower. Loans and advances so graded have a well-defined weakness or weaknesses that could jeopardise the repayment of the debt. They are characterised by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Credit facilities that attract this category include those where the payment of interest and/or capital becomes overdue by 60 days and over but not exceeding 90 days.

PF

Loans and advances which attract a 'PF' grading are those facilities (other than Non-Performing Exposures) in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments (financial difficulties).

2 **Credit risk** *(continued)*

A concession is deemed to have taken place when any of the following two actions are taken;

(a) a modification of the previous terms and conditions of a contract, as the debtor is considered unable to comply therewith, 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; and/or

(b) a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

NP

Loans and advances which attract a 'NP' grading are those facilities where the Bank deems the recoverability to be remote as a result of worsening conditions. Credit facilities that attract this category include those where the payment of interest and/or capital becomes overdue by more than 90 days. These loans and advances are generally past due by more than 90 days and comprise those exposures which are deemed by the Bank as credit-impaired (see definition in note 2.3.10).

NF

Loans and advances which attract a 'NF' grading are credit-impaired facilities where the Bank deems the recoverability to be remote as a result of worsening conditions but which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing difficulties in meeting its financial commitments.

NR

Loans and advances which attract a 'NR' grading are credit-impaired facilities where the Bank deems recovery to be remote as a result of worsening conditions and where legal action against the obligor has commenced.

The following table provides a detailed analysis of the credit quality of the Bank's lending portfolio.

	2024
	€ 000
Gross loans and advances to customers	
Performing ('*Stage 1' assets*)	**699,264**
Under-performing ('*Stage 2' assets*)	**131,159**
Non-performing ('*Stage 3' assets*)	**50,687**
	881,110

2.5.1 Credit-impaired loans and advances to customers

Credit-impaired loans and advances are advances which are either more than 90 days past due, or for which the Bank determines as probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans and advances agreement(s). The Bank's credit-impaired loans and advances mainly relate to a number of independent customers which are not meeting repayment obligations or deemed by the Bank as unlikely to pay their obligations to the Bank without recourse by the Bank to realising the collateral.

2.5.2 Past due but not credit-impaired loans

Past due but not credit-impaired loans include loans and advances where contractual interest or principal payments are past due. Credit losses that may arise are covered through the Bank's assessment of Expected Credit Loss allowances.

2 **Credit risk** *(continued)*

Loans and advances to customers are analysed into credit-impaired, past due and other exposures as follows:

	2024
	€ 000
Gross loans and advances to customers	
Credit-impaired	**50,687**
Past due but not credit-impaired	**21,701**
Neither past due nor credit-impaired	**808,722**
	881,110

The table below analyses the impaired and the past due but not impaired gross loans and advances to customers by industry sector.

At 31 December 2024	**Impaired** **€ 000**	**Past due but not impaired** **€ 000**
Manufacturing	**156**	**-**
Tourism	**-**	**441**
Trade	**4,794**	**-**
Property and construction	**37,516**	**17,812**
Personal, professional and home loans	**6,574**	**3,180**
Financial institutions	**1,313**	**3**
Other sectors	**334**	**265**
	50,687	**21,701**

The majority of the impaired and past due but not impaired loans and advances to customers were concentrated within Malta.

2.5.3 Collateral

The Bank holds collateral against exposures in the form of hypothecs over property, other registered securities over assets and guarantees. The nature and level of collateral required depends on a number of factors, including, but not limited to, the amount of the exposure, the type of facility provided, the term of the facility, the amount of the counterparty's contribution and an evaluation of the level of the credit risk or Probability of Default involved. Collateral is an important mitigant of credit risk. Nevertheless, it is the Bank's policy to establish that facilities are within the customer's capacity to repay rather than to over rely on security. In certain cases, depending on the customer's standing and the type of product, facilities may be unsecured. The Bank applies various measures to reduce the risk on individual transactions, including collateral in the form of physical assets and guarantees.

The principal collateral types used as credit risk mitigants are mortgages on residential properties and commercial real estate. For regulatory purposes, none of the Bank's collateral in the form of commercial real estate qualifies as eligible collateral, as these properties fail to meet the conditions of Article 126(2) of the CRR.

Out of the €871.9 million exposures arising from the Bank's lending, €589.2 million are secured by mortgages on immovable property, while €144.7 million are classified within the high-risk exposures since these are associated with speculative immovable property financing. From the €589.2 million exposures secured by mortgages on immovable property, €271.5 million qualify as fully and completely secured by mortgages on residential immovable property, and accordingly attract a risk-weight of 35%.

2 **Credit risk** *(continued)*

2.5.4 Loss allowances

The Bank assesses on a forward-looking basis the expected credit losses associated with its loans and advances portfolio. The Bank recognises a loss allowance for such losses at each reporting date.

Expected Credit Losses	**Total € 000**	**Manufacturing € 000**	**Tourism € 000**	**Trade € 000**	**Property and construction € 000**	**Personal, professional and home loans € 000**	**Financial institutions € 000**	**Other sectors € 000**
At 1 January 2024	**11,451**	**323**	**1,597**	**732**	**6,469**	**1,454**	**755**	**121**
Additions	**2,326**	**25**	**36**	**176**	**1,203**	**520**	**301**	**65**
Reversals	**(5,357)**	**(266)**	**(1,593)**	**(482)**	**(1,394)**	**(984)**	**(583)**	**(55)**
At 31 December 2024	**8,420**	**82**	**40**	**426**	**6,278**	**990**	**473**	**131**

2.5.5 Write-off policy

The Bank writes off loan or advance balances (and any related allowances for impairment losses) when it determines that these are uncollectible. This decision is reached after considering information such as the occurrence of significant changes in the borrower's financial position, such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

3. **Market risk**

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Accordingly, market risk for the Bank consists of three elements:

- Interest rate risk, which is the risk of losses because of changes in interest rates;
- Exchange rate risk, which is the risk of losses on the Bank's positions in foreign currency because of changes in exchange rates; and
- Equity price risk, which is the risk of losses because of changes in investment prices.

3.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or at different amounts. The Bank accepts deposits from customers at both fixed and floating rates and for varying maturity periods. This risk is managed through the matching of the interest resetting on repricing dates on assets and liabilities as much as it is practicable. The Bank monitors on a continuous basis the level of mismatch of interest rate repricing taking cognisance of the terms of the Bank's principal assets, comprising loans and advances to customers, that are repriceable at the Bank's discretion. Accordingly, the Bank is in a position to manage the interest rate terms of its financial assets and simultaneously modify the interest terms of its liabilities. The Bank seeks to manage its net interest spread, taking cognisance of the cost of capital, by investing funds in a portfolio of loans and advances and securities with a longer tenure than the funding liabilities (therefore normally giving rise to a negative maturity gap position) through the effective management of shorter-term deposit liabilities with a view to securing steady base deposits with differing terms over the medium to longer term.

3 **Market risk** *(continued)*

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands which are set by ALCO. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury through its day-to-day operational activities. The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to interest rate movements.

Accordingly, the Bank's ALCO is primarily responsible for the interest rate risk management process and for monitoring actively the interest rate risk measures utilised by the Bank. Reporting of interest rate risk measures exposures vis-à-vis limits flows to the ALCO and Board on a regular systematic basis. The Bank's independent Risk Management Function provides oversight in respect of the interest rate risk management process ensuring that it is designed in an appropriate manner and is functioning properly.

The Bank's repricing gaps at 31 December 2024 are disclosed in the tables within note 2.4.1 to the financial statements. The measures applied for the monitoring of the fair value sensitivity of the fixed rate instruments and the cash flow sensitivity for variable rate instruments are disclosed within notes 2.4.3 and 2.4.4 to the financial statements.

3.2 Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange risk arises when financial assets or liabilities are denominated in currencies which are different from the Bank's functional currency.

The Bank manages this risk principally by ensuring that its foreign currency denominated liabilities are matched with corresponding assets in the same currency.

Accordingly, foreign currency liabilities are utilised to fund assets denominated in the same foreign currency thereby matching asset and liability positions as much as is practicable. This mechanism is reflected in the figures reported in the table below which presents this matching process.

The Bank's foreign exchange risks are managed actively and monitored by the Treasury Function, which process ensures that the Bank maintains its exposure to foreign currencies within prescribed limits set by the Bank's ALCO. ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions which are monitored on a real-time basis. Reporting of exposures vis-à-vis limits flows to the ALCO and Board on a regular systematic basis. The Bank's independent Risk Management Function is responsible for assuring that the foreign exchange risk management process is designed in an appropriate manner and is functioning effectively.

In the normal course of its business, the Bank may enter into forward foreign currency exchange contracts with customers. It is the Bank's policy to hedge these open positions against forward contracts traded with authorised counterparties to eliminate exchange risk brought by these derivatives. Furthermore, the Bank also takes a deposit margin of the nominal value from the customer thereby reducing its credit risk should the client default. The Bank had no open forward foreign currency contracts at the end of the reporting period.

3 **Market risk** *(continued)*

The following table summarises the Bank's net exchange position by currency taking into account the Bank's financial assets and liabilities as well as off-balance sheet instruments exposing the Bank to foreign exchange risk.

Bank **At 31 December 2024**	**Total** **€ 000**	**EUR** **€ 000**	**GBP** **€ 000**	**USD** **€ 000**	**Other** **€ 000**
Financial assets					
Balances with Central Bank of Malta, treasury bills and cash	**153,361**	**130,919**	**202**	**22,210**	**30**
Financial investments measured at FVOCI	**184,871**	**175,055**	**4,024**	**5,792**	**-**
Financial investments measured at amortised cost	**21,107**	**13,627**	**-**	**7,480**	**-**
Loans and advances to banks	**40,964**	**4,257**	**18,888**	**15,851**	**1,968**
Loans and advances to customers	**872,690**	**868,376**	**3,727**	**587**	**-**
Other assets	**6,510**	**6,057**	**58**	**395**	**-**
Total financial assets	**1,279,503**	**1,198,291**	**26,899**	**52,315**	**1,998**
Financial liabilities					
Amounts owed to banks	**438**	**424**	**-**	**-**	**14**
Amounts owed to customers	**1,121,816**	**1,041,251**	**27,058**	**51,554**	**1,953**
Other liabilities	**25,120**	**24,791**	**103**	**213**	**13**
Total financial liabilities	**1,147,374**	**1,066,466**	**27,161**	**51,767**	**1,980**
Net currency exposure in financial assets/liabilities		**131,825**	**(262)**	**548**	**18**
Commitments and contingent liabilities	**312,499**	**311,966**	**3**	**530**	**-**

3.3 Equity price risk

The exposure of the Bank to this risk is not significant given the low holdings of equity instruments by the Bank, which are not deemed material in the context of the Bank's statement of financial position. Such holdings are limited to locally quoted equity instruments issued by local well-known corporate issuers. Frequent management reviews are carried out to obtain comfort on the high quality of the portfolio.

4. **Liquidity risk**

4.1 Management of liquidity risk

Liquidity risk is defined as the risk of losses due to:

- the Bank's funding costs increasing disproportionately;
- lack of funding preventing the Bank from establishing new business; and
- lack of funding ultimately preventing the Bank from meeting its obligations.

Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current and call deposits, maturing term deposits, loan drawdowns and guarantees.

The objective of the Bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. It is the Bank's objective to maintain a diversified and stable funding base with the objective of enabling the Bank to respond quickly and smoothly to unforeseen liquidity requirements.

4 **Liquidity risk** *(continued)*

The Bank manages this risk by ensuring that its assets and liabilities are matched in terms of maturities as much as is practicable. However, the Bank ought to manage its net interest spread by investing funds in a portfolio of assets with a longer term than the liabilities funding them. To mitigate exposures arising in this respect, the Bank holds significant liquid assets in the form of Malta Government treasury bills, money market placements and other short-term instruments for managing liquidity risk to support payment obligations and contingent funding in a stressed market environment.

The Bank maintains internal liquidity buffers established by ALCO made up of cash and financial assets which are also eligible for collateral against borrowing from the European Central Bank. In order to ensure that maturing funds are always available to meet unexpected demand for cash, the Board sets parameters within which maturities of assets and liabilities may be mismatched in line with the stance referred to previously. Unmatched positions potentially enhance profitability, but also increase risks. The Bank's ALCO focuses on the entity's management process with respect to market and funding liquidity risks. ALCO maintains ongoing oversight of forecast and actual cash flows, by monitoring the availability of funds to meet commitments associated with financial instruments. ALCO is supported by the Bank's Executive Team and Treasury Function in this respect, at operational level. ALCO monitors the Bank's Liquidity Gap analysis on a monthly basis. The Bank's liquidity management process comprises management of day-to-day funding, by monitoring future cash flows to ensure that requirements can be met and that funds are replenished as they mature or are borrowed by customers. This implies a structured ongoing analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The Bank's liquidity management focuses on maintaining a portfolio of highly marketable assets, subject to pre-established limits, that can easily be liquidated in case of any unforeseen interruption to cash flow; and monitoring the liquidity ratios of the Bank against internal and regulatory requirements. In this respect, the Bank's advances-to-deposit ratio of 77.8% at the end of the reporting period reflects management's prudent stance in the context of liquidity management. Also, the Liquidity Coverage ratio at 31 December 2024 is 231.8%, which is significantly higher than the prudential parameters set by Regulation.

Reporting of measures of liquidity risk and liquidity ratios vis-à-vis internal limits flows to the ALCO and Board on a regular basis. The Bank's Risk Management Function provides oversight in respect of the liquidity risk management process ensuring that it is functioning effectively.

The Bank also monitors the level and type of undrawn lending commitments and the impact of contingent liabilities such as guarantees as part of the liquidity management process previously referred to.

As at 31 December 2024, the Bank had outstanding guarantees on behalf of third parties amounting to €12,619,000 (2023: €11,286,000), which are cancellable upon the request of the third parties. The Bank's liquidity exposures arising from these commitments and contingencies are expected to expire principally within a period of twelve months from the end of the reporting period.

4.2 Asset Encumbrance

The disclosure on asset encumbrance is a requirement introduced in Banking Rule BR/07 transposing the provisions of the EBA Guidelines on Disclosure of Encumbered and Unencumbered Assets (EBA/GL/2014/03).

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 Bank 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.

4 **Liquidity risk** *(continued)*

In accordance with the EBA 'Guidelines on Disclosure of Encumbered and Unencumbered Assets', the amounts disclosed in the table below represent median values, being the rolling quarterly amounts over the previous 12 months.

	Carrying amount of encumbered assets € 000	Fair value of encumbered assets € 000	Carrying amount of unencumbered assets € 000	Fair value of unencumbered assets € 000
At 31 December 2024				
Assets of the reporting institution	**10,626**	**10,626**	**1,344,247**	**1,344,540**
Loans on demand	**1,315**	**1,315**	**161,298**	**161,298**
Equity instruments	**-**	**-**	**8,176**	**8,176**
Debt securities	**8,013**	**8,013**	**190,780**	**191,073**
Loans and advances	**478**	**478**	**899,212**	**899,212**
Other assets	**820**	**820**	**84,781**	**84,781**

The Bank does not encumber any of the collateral received. Moreover, as at 31 December 2024, the Bank did not have any outstanding liabilities associated with encumbered assets and collateral received.

The Bank undertakes encumbrance by pledging debt securities against the provision of credit lines by the Central Bank of Malta and in favour of the Depositor Compensation Scheme.

5. **Operational risk**

Operational risk is the risk of loss resulting from the lack of skilful management or good governance within the Bank and the inadequacy of internal control, which might involve internal operations, staff, systems or external occurrences that in turn affect the income and capital funds of financial institutions. The Bank has adopted an operational risk management framework and procedures, which provide for the identification, assessment, management, monitoring and reporting of the Bank's operational risks. Operational risk is also addressed through proper insurance cover.

Operational risk management relies on a framework of policies and procedures implemented by the different operational functions within the Bank through transaction processing and business execution. Regular reporting of operational risk events to the Board of Directors is carried out as required. The implementation of such policies and procedures by the Bank's operational functions is overseen by the Risk Management Function.

The Bank currently uses the Basic Indicator Approach to assess the operational risk capital requirements and accordingly allocates 15% of average gross income for a three-year period in accordance with regulatory requirements. The operational risk capital regulatory requirement as at 31 December 2024 amounted to €4,907,000.

6. **Capital risk management**

The Bank is a licensed credit institution and must therefore comply with the capital requirements under the relevant capital requirements within laws and regulations. Maltese law and regulations on capital adequacy are naturally based on EU capital requirements.

The prudent and efficient management of capital remains one of the Bank's top priorities. The Bank must have sufficient capital to comply with regulatory capital requirements. The purpose of the Bank's capital management is to ensure an efficient use of capital in relation to risk appetite as well as business development. Capital management is managed primarily through the capital planning process that determines the optimal amount and mix of capital that should be held by the Bank, subject to regulatory limits.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, European Union Regulations and Directives, as implemented by the MFSA for supervisory purposes. The Bank's capital management is based on the regulatory requirements established within the CRR and by local regulations which are modelled on the requisites of the CRD rules.

6 **Capital risk management** *(continued)*

The Bank's Executive Team and ALCO are predominately responsible for the Bank's capital risk management process. Capital adequacy ratios together with the level and quality of Own funds are reported on a regular basis to the Board and the ALCO by the Finance Function.

6.1 Own funds

Own funds represent the Bank's available capital and reserves for the purposes of capital adequacy. Capital adequacy is a measure of the financial strength of a bank, expressed as a ratio of its capital to its assets. The Bank adopts 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. During the year ended 31 December 2024, the Bank's OCR and P2G continued to be met at all times. The Bank fully implemented the CRD V capital requirements with effect from January 2020. During 2023, the Central Bank of Malta introduced an additional Sectoral Systemic Risk Buffer (sSyRB) which at the end of December 2024 stood at 1.5% of exposures secured by residential real estate. This Buffer was also met.

In July 2013, the European Banking Authority (EBA) issued its final draft Implementing Technical Standards (ITS) on Own funds disclosures. The disclosure requirements of these technical standards have been integrated within the Bank's disclosures set out below.

The Bank's capital base comprises Common Equity Tier 1 (CET1) capital, which includes the following items:

- ordinary share capital;
- share premium;
- retained earnings;
- revaluation and other reserves; and
- other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes including deductions relating to amounts pledged in favour of the Depositor Compensation Scheme.

(a) Share capital

The Bank's share capital as at 31 December 2024 is analysed as follows:

	2024	
	No. of shares 000s	**€ 000**
Authorised		
Ordinary shares of €0.125 each	**300,000**	**37,500**
Issued		
Ordinary shares of €0.125 each	**154,572**	**19,322**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

6 Capital risk management *(continued)*

The following table describes the terms and conditions of the ordinary share capital issued by the Bank.

Capital Instruments	**Ordinary share capital and share premium**
Unique Identifier	MT0000040106
Governing law(s) of the instrument	Maltese Law
Regulatory treatment	
Transitional CRR rules	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub)-consolidated/ solo&(sub-) consolidated	Solo
Amount recognised in regulatory capital	€19,321,533
Nominal amount of instrument	€19,321,533
Nominal amount of each share	€0.125
Accounting classification	Share capital
Issuer call subject to prior supervisory approval	No
Position in subordination hierarchy in liquidation	Subordinated to creditors and depositors
Non-compliant transitioned features	No

(b) Share premium

The share premium represents the amounts at which ordinary shares were issued in excess of their nominal value, normally arising as a result of rights issues approved by the shareholders during the Annual General Meetings. The amount is not distributable by way of dividend to shareholders.

(c) Retained earnings

The retained earnings represent earnings not paid out as dividends.

Retained earnings form part of Own funds only if those profits have been verified by the Bank's independent external auditor. The Bank has demonstrated to the satisfaction of the competent authority that any foreseeable charge or dividend has been deducted from the amount of those profits.

(d) Property revaluation reserve

This represents the surplus arising on the revaluation of the Bank's freehold property net of related deferred tax effects. The revaluation reserve is not available for distribution.

(e) Investment revaluation reserve

This represents the cumulative net change in fair values of assets measured at FVOCI held by the Bank, net of related deferred tax effects.

6 **Capital risk management** *(continued)*

The Bank's Own funds and capital ratio calculations are set out below:

At 31 December 2024	**€ 000**
Common Equity Tier 1 (CET1) capital	
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	**75,856**
Retained earnings	**116,501**
Accumulated other comprehensive income (and other reserves)	**4,915**
CET1 capital before regulatory adjustments	**197,272**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Intangible assets	**(10)**
Other regulatory adjustments	**(754)**
Total regulatory adjustments to CET1	**(764)**
CET1 capital	**196,508**
Total risk-weighted assets	**982,444**
Capital ratios	
CET1 capital	**20.0%**
Tier 1 capital	**20.0%**
Total capital	**20.0%**
Institution specific buffer requirement	**7.18%**
of which: capital conservation buffer requirement	**2.50%**
of which: countercyclical buffer requirement	**0.01%**
of which: sectorial systemic risk buffer requirement	**0.17%**
CET1 available to meet buffers in excess of the CRR 4.5% minimum requirement	
CET1 available to meet buffers	**12.8%**
	€ 000
Items not deducted from own funds in accordance with Article 48 of CRR	**7,772**

6.2 Capital requirements

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, though in some cases the regulatory requirements do not reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's long-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

6 **Capital risk management** *(continued)*

The Pillar I minimum capital requirements are calculated for credit, market and operational risks. During the year, the Bank continued to use the Standardised Approach for credit risk, the Basic Method for foreign exchange risk and the Basic Indicator Approach for operational risk in order to calculate the Pillar I minimum capital requirements. For credit risk, under the Standardised Approach, risk weights are determined according to the asset class, credit risk mitigation and external credit ratings - or by using the applicable regulatory risk weights for unrated exposures. Capital charge for foreign exchange risk using the Basic Method is calculated at 8% of the higher of the sum of all the net short positions and the sum of all the net long positions in each foreign currency. The Basic Indicator Approach requires that the Bank allocates capital for operational risk by taking 15% of the average gross income of the preceding three years.

The Total Capital Ratio is calculated using the definition of regulatory capital and risk-weighted assets. As required by the CRR, the minimum level of the Capital Requirements Ratio stands at 8%. The Capital Requirements Ratio expresses Own funds as a proportion of risk-weighted assets and off-balance sheet instruments for credit risk purposes, together with notional risk-weighted assets in respect of operational risk and market risk. Total risk-weighted assets are determined by multiplying the capital requirements for market risk and operational risk by 12.5 (i.e. the reciprocal of the minimum capital ratio of 8%) and adding the resulting figures to the sum of risk-weighted assets for credit risk.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank fully implemented the CRD V capital requirements with effect from January 2020. During 2023, the Central Bank of Malta introduced an additional Sectoral Systemic Risk Buffer (sSyRB) of 1% of risk-weighted assets (which rose to 1.5% as of March 2024) of exposures to residential real estate. As the end of December 2024, this Buffer was also met.

Additionally, the Bank is required to maintain a capital conservation buffer of 2.5%, made up of CET1 capital, on the risk-weighted exposures of the Bank as at 31 December 2024.

6 **Capital risk management** *(continued)*

The Bank's capital requirements and Total Capital Ratio computation are as follows:

At 31 December 2024	Exposure value € 000	Risk-weighted assets € 000	Capital required € 000
Central governments or central banks	315,548	20,553	1,644
Public Sector Entities	1	1	-
Multilateral Development Banks	6,705	150	12
Institutions	66,208	18,975	1,518
Corporates	100,104	99,670	7,974
Retail	33,386	25,040	2,003
Secured by mortgage on immovable property	610,638	420,184	33,615
Exposures in default	23,123	34,685	2,775
Items associated with particularly high risk	147,409	221,114	17,689
Equity	26,082	27,428	2,194
Other items	61,189	53,191	4,255
Credit risk	1,390,393	920,991	73,679
Foreign exchange risk		112	9
Operational risk		61,341	4,907
Total capital required		982,444	78,595
Own funds			
Common Equity Tier 1 capital			196,508
Total own funds			196,508
Total capital ratio			20.00%

6 **Capital risk management** *(continued)*

The following is an analysis of the Bank's Capital Base in accordance with the CRD's requirements:

	2024
	€ 000
Common Equity Tier 1 (CET1) capital	
Share capital	**19,322**
Share premium	**56,534**
Revaluation and other reserves	**7,048**
Retained earnings	**119,917**
	202,821
Adjustments:	
Final dividend (note 36)	**(3,416)**
Depositor Compensation Scheme	**(2,133)**
Intangible assets	**(10)**
Other regulatory adjustments	**(754)**
Total CET1 capital	**196,508**
Total own funds	**196,508**

6.3 Other disclosures on own funds

The Bank has opted for the transitional arrangements laid down in Regulation (EU) 575/2013 Article 473a to mitigate the impact of IFRS9 on own funds. Under Regulation (EU) 2017/2395, during the transitional period ending 31 December 2024, the Bank would have had the option to add back a proportion of:

- the Day 1 impact as a result of the introduction of IFRS 9, being the difference between IFRS 9 expected credit losses ('ECLs') on 1 January 2018 and IAS 39 provisions determined at 31 December 2017; and
- on difference in the IFRS 9 ECLs determined at reporting date and the ECLs determined on 'day 1' of the introduction of IFRS 9 (being 1 January 2018 for the Bank) for 'Stage 1' (12-months ECLs) and 'Stage 2' (lifetime ECLs) assets.

The factors used to adjust the above ECLs declines across the transitional period starting at 100% during the financial year ended 31 December 2020 to 25% in the final transitional financial year ended 31 December 2024. The above treatment is in accordance with the requirements laid down in paragraph 2 and paragraph 4 of Regulation (EU) 2017/2395.

In line with Section 2 of the EBA 'Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds', the Bank is required to disclose a comparison of the institutions' own funds, Common Equity Tier 1 capital, Tier 1 capital, risk-weighted assets, Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio with and without the application of transitional arrangements for IFRS 9 or analogous ECLs.

6 **Capital risk management** *(continued)*

The comparison of Bank's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 473a of the CRR is presented below:

At 31 December 2024	**€ 000**
Available capital	
CET1 capital	**196,508**
CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**196,508**
Tier 1 capital	**196,508**
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**196,508**
Total capital	**196,508**
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**196,508**
Risk-weighted assets	
Total risk-weighted assets	**982,444**
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**982,444**
Capital Ratios	
CET1 (as a percentage of risk exposure amount)	**20.00%**
CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**20.00%**
Tier 1 (as a percentage of risk exposure amount)	**20.00%**
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**20.00%**
Total capital (as a percentage of risk exposure amount)	**20.00%**
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**20.00%**
Leverage ratio	
Leverage ratio total exposure measure	**1,414,974**
Leverage ratio	**13.89%**
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**13.89%**

6.4 Internal Capital Adequacy Assessment Process (ICAAP)

The Bank considers the Internal Capital Adequacy Assessment Process (ICAAP) embedded in Pillar II as a tool that ensures the proper measurement of material risks and capital and allows for better capital management and improvements in risk management. Therefore, it facilitates a better alignment between material risks and regulatory capital in order to have better capital deployment and improvements in the risk management and mitigation techniques adopted by the Bank. The ICAAP as required by the MFSA Banking Rule BR/12: The Supervisory Review Process of Credit Institutions authorised under the Banking Act, 1994, is performed on an annual basis.

Therefore, ICAAP is a process that the Bank utilises to ensure that:

- there is adequate identification, measurement, aggregation and monitoring of the Bank's risks;
- adequate internal capital is held by the institution in relation to its risk profile; and
- the Bank uses sound risk management systems and there is the intention to develop them further.

6 **Capital risk management** *(continued)*

The Board and the Bank's Senior Management take overall responsibility for the conceptual design and technical details of the ICAAP document. Apart from the responsibility for the conceptual design, the Board discussed, approved, endorsed and delivered the yearly ICAAP submission. The Bank's independent Risk Management Function is involved in the ICAAP with a view to ensuring that the process reflects and takes cognisance of the Bank's risk management activities and processes.

The ICAAP is an ongoing process which starts with defining risk strategy followed by identifying, quantifying and aggregating risks, determining risk-bearing ability, allocating capital, establishing limits and ongoing risk monitoring. The individual elements of the process are performed with varying regularity. All the activities described are examined at least once a year to ensure that they are up to date, adequate and also adjusted to current underlying conditions when necessary.

The process involves a quantitative assessment of individual types of risk and an assessment of the existing methods and systems for monitoring and managing risk (qualitative assessment). The risk assessment concept is based on a scoring procedure, thus providing a comprehensive overview of the risk situation of the Bank.

The basis for the quantitative implementation of the ICAAP is the risk-bearing capacity calculation which demonstrates that adequate capital is in place at all times to provide sufficient cover for risks that have been entered into and which also ensures such cover is available for the future. The Bank's ICAAP is based upon a 'Pillar I Plus' approach whereby the Pillar I capital requirement for credit, market and operational requirements are supplemented by the capital allocation for other material risks not fully addressed within Pillar I. The risks considered for ICAAP include concentration, liquidity, reputational and strategic risks, interest rate risk in the banking book, and risks arising from the macro-economic environment.

The Bank's ICAAP contains three-year projections as well as the capital plan, and the Board monitors that there are adequate capital resources to support the corporate goals contained within the Bank's plan and the associated risks.

The Bank also covers Pillar II capital requirements through stress testing processes to forecast the Bank's projected capital requirements and resources in a range of stress scenarios. This enables the Bank to guarantee that it can meet its total SREP capital requirements in a stressed environment. The results of the ICAAP once again show that the Bank maintains a comfortable level of excess capital and substantial liquidity that ensured the flexibility and resources needed to achieve the long-term strategic objectives of the Bank, even in situations of market stress.

7. **Leverage**

The Leverage Ratio is a non-risk-based measure intended to act as a backstop for the risk-based framework embedded in CRR. It therefore complements the Bank's use of the Standardised Approach to promote a robust capital position and limit the leverage effects on the balance sheet. Set at 3%, the Leverage Ratio stipulates the minimum amount of Tier 1 Capital that the Bank must hold at all times as a percentage of its total on- and off-balance sheet exposures. For financial year ended 2024 ('FYE2024'), the Bank reported a Leverage Ratio of 13.89%, which is well above the 3% minimum. Nevertheless, the Bank continuously monitors its leverage ratio and reports it to the ARC and the Board periodically. Responsibility for compliance with the 3% minimum lies with the Board of Directors.

Apart from being reported in the Annual Report, the leverage ratio is reported for the purposes of the ICAAP and features as one of the early warning indicators in the Bank's recovery plan and its Risk Appetite Statement. On the latter, the Bank sets an internal tolerance level well above the 3% minimum to allow the Bank to act in a proactive manner in case of deteriorations to this ratio, thereby avoiding breaches of the minimum required 3%. Furthermore, the Bank monitors its liquidity position to ensure that it poses minimal threats to the capital position. In this regard, maturity mismatches are monitored by the Asset-Liability Committee (ALCO) to ensure stability in funding and liquidity management. Indeed, the bank holds sufficient High-Quality Liquid Assets (HQLA) to manage short-term cash flow needs effectively. Furthermore, the bank is not exposed to risks associated with excessive encumbrance since the level of encumbered assets is negligible. Overall, the bank remains committed to prudent leverage risk management, supported by strong capital buffers and active monitoring of liquidity and asset encumbrance.

Favourable market conditions have led to positive trends in asset valuations, which contributed to gains in revaluation reserves, further supporting own funds. Recent years have been characterised by higher demand for credit, which have buttressed the Bank's growth driven strategy, increasing the Bank's profitability. The Board decided to continue bolstering own funds by an internal decision to retain 70% of earnings, thus strengthening the Bank's capital base. As a result, own funds increased from €182,099,000 to €196,508,000 during the FYE2024.

Meanwhile, total exposures rose from €1,285,729,000 to €1,414,974,000, reflecting the Bank's growing business through

7 **Leverage** *(continued)*

increased lending activity, leading to a larger balance sheet and a lower leverage ratio. The growth in total exposures outpaced the growth in own funds, leading to the slight decrease in the Bank's leverage ratio. In this regard, the decline in the leverage ratio during FYE2024 was an indirect consequence of business growth rather than a direct strategic objective. No significant regulatory changes directly impacted the leverage ratio during this period.

Tables EU LR1 and EU LR2 below provide quantitative information on the developments concerning the Bank's leverage ratio for the Financial Year ended 31 December 2024. This table shows that the leverage ratio, determined in accordance with the requirements stipulated by Implementing Regulation EU 2016/200, declined from 14.16% to 13.89% over the reporting period, a decrease of 0.27 percentage points.

The following table provides a reconciliation of accounting assets and leverage ratio exposures.

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

At 31 December 2024	€ 000
Total assets as per published financial statements	1,355,047
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	59,793
Other adjustments	134
Total exposure measure	**1,414,974**

At 31 December 2024	CRR leverage ratio exposures € 000
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,355,945
(Asset amounts deducted in determining Tier 1 capital)	(764)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**1,355,181**
Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	312,581
(Adjustments for conversion to credit equivalent amounts)	(252,788)
Off-balance sheet exposures	**59,793**
Capital and total exposure measure	
Tier 1 capital	**196,508**
Total exposure measure	**1,414,974**
Leverage ratio	
Leverage ratio	**13.89%**

7 **Leverage** *(continued)*

The table below shows the different on-balance sheet exposures in relation to the calculation of the leverage ratio.

	Tier 1 Capital € 000
At 31 December 2024	
Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	
Exposures treated as sovereigns	**315,548**
Multilateral Development Banks	**6,705**
Institutions	**65,978**
Secured by mortgages on immovable property	**589,154**
Retail	**30,525**
Corporates	**89,564**
Exposures in default	**23,123**
Other exposures	**234,584**
	1,355,181

The leverage ratio is a regulatory and supervisory instrument used by the Regulator to limit the build-up of excessive leverage. The leverage ratio at 31 December 2024 stood at 13.9%.

At this level, the Bank is currently not at risk in curtailing excessive leverage and is expected to remain well above the mandatory requirement. Board limits to the leverage ratio are set and reviewed annually while this ratio is monitored at every Audit & Risk Committee to ensure that it remains within the tolerance limits set by the Board of Directors. This limit supports the Bank's attitude towards finding a suitable balance between risk and returns provided to shareholders.

8. Key metrics tables (EU KM1)

At 31 December 2024

Available own funds (amounts)	**€ 000**
Common Equity Tier (CET1) capital	**196,508**
Tier 1 capital	**196,508**
Total capital	**196,508**
Risk-weighted exposure amounts	**€ 000**
Total risk exposure amount	**982,444**
Capital ratios (as a percentage of risk-weighted exposure amount)	
Common Equity Tier (CET1) capital	**20.00%**
Tier 1 ratio	**20.00%**
Total capital ratio	**20.00%**
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
Additional own funds requirements to address risks other than the risk of excessive leverage	**3.25%**
of which: to be made up of CE1 capital	**1.83%**
of which: to be made up of Tier 1 capital	**2.44%**
Total SREP own funds requirements	**11.25%**
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)	
Capital conversation buffer	**2.50%**
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	-
Institution specific countercyclical capital buffer	**0.01%**
Systemic risk buffer	**0.17%**
Global Systemically Important Institution buffer	-
Other Systemically Important Institution buffer	-
Combined buffer requirement	**2.68%**
Overall capital requirements	**13.93%**
CET1 available after meeting the total SREP own funds requirements	**8.75%**
Leverage ratio	
Total exposure measure (€ 000)	**1,414,974**
Leverage ratio	**13.89%**
Regulatory minimum leverage ratio requirement	**3.00%**
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)	
Additional own funds requirements to address the risk of excessive leverage (%)	-
of which: to be made up of CET1 capital (percentage points)	-
Total SREP leverage ratio requirements (%)	-
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)	
Leverage ratio buffer requirement (%)	-
Overall leverage ratio requirement	**3.00%**
Liquidity coverage ratio[1]	**€ 000**
Total high-quality liquid assets (HQLA) (weighted value-average)	**297,086**
Cash outflows - Total weighted value	**192,886**
Cash inflows - Total weighted value	**72,492**
Total net cash outflows (adjusted value)	**120,395**
Liquidity coverage ratio (%)	**246.76%**
Net stable funding ratio[1]	**€ 000**
Total available stable funding	**1,116,311**
Total required stable funding	**759,378**
NSFR ratio	**147.00%**

1 In line with EU Regulation No. 575/2013 LCR is disclosed as an average over 12 months, whereas NSFR is disclosed as at the reporting date.

9 Remuneration policy

Information on the Bank's remuneration policy and practices is disclosed in the Remuneration Report within the Annual Report located on page 62.

10 Other Directorships

In terms of Article 91 of Directive 2013/36/EU (CRD V), directors of an institution that is significant in terms of its size, internal organisation and the nature, scope and complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

(a) one executive directorship with two non-executive directorships;
(b) four non-executive directorships.

According to the 'Guide to banking supervision' issued by the European Central Bank in November 2014, a credit institution will be considered significant if any one of the following conditions is met:

- the total value of its assets exceeds €30 billion or – unless the total value of its assets is below €5 billion – exceeds 20% of national GDP;
- it is one of the three most significant credit institutions established in a Member State;
- it is a recipient of direct assistance from the European Stability Mechanism; or
- the total value of its assets exceeds €5 billion and the ratio of its cross-border assets/liabilities in more than one other participating Member State to its total assets/liabilities is above 20%.

Lombard Bank Malta p.l.c. does not meet any of the above criteria, and therefore is currently not considered significant by banking supervisors. Accordingly, the Bank is exempt from the requirements of Article 91 of CRD V.

The Bank is not disclosing the number of directorships held by the members of the Bank's Board of Directors on the basis of materiality in terms of Article 432 of the CRR.

11. Recruitment and Diversity policy

The Bank is aware that a vigorous and professional approach to recruitment and selection of prospective staff members within the Bank helps it to attract and appoint those individuals having the necessary skills and attributes compatible with achieving the Bank's overall objectives. Thus, the Bank ensures that appointments at all levels are based on each individual's knowledge, skills, expertise and merit, as required by laws, rules, regulations, etc. and in line with policy.

The Bank undertakes a rigorous selection process for all prospective staff members bearing in mind the key activities, tasks and skills required. As part of the selection process, multiple interviews are conducted, during which the individual's knowledge, experience, skills and competence are evaluated.

The Bank continues to promote diversity with no discrimination as to gender, race, family, disability, sexual orientation, identity or preference, etc.

Bearing its objectives in mind, the Bank, particularly by virtue of the Board appointed Suitabilities & Evaluations Committee, endeavours to have a Board of Directors composed of members possessing diverse skills and expertise that allow the Board to create value for shareholders by ensuring that the specific risks pursued by the Bank as well as risks that are intrinsic to banking business are appropriately managed and mitigated within the Bank's risk appetite.

12. Qualitative Disclosures

	Disclosure Location	
	Notes to the Financial Statements	Additional Disclosure Requirements
EU OVA: Institution risk management approach	2.1; 2.1.1; 2.1.2; 2.1.3; 2.1.4; 2.1.5; 2.2	
EU OVB: Disclosure on governance arrangements	2.1.1; 2.1.2	
EU LIA: Explanations of differences between accounting and regulatory exposure amounts		1.6
EU LRA: Disclosure of LR qualitative information		7
EU OVC: ICAAP information		6.4
EU CRA: General qualitative information about credit risk	2.3.1	
EU CRD: Qualitative disclosure requirements related to standardized approach		6.2
EU CRB: Additional disclosure related to the credit quality of assets		2.5; 2.5.1; 2.5.2; 2.5.4; 2.5.5
EU CRC: Qualitative disclosure requirements related to CRM techniques		2.3; 2.5.3
EU MRA: Qualitative disclosure requirements related to market risk	2.4	
EU ORA: Qualitative information on operational risk	2.6	
EU REMA: Remuneration policy		8
EU LIQA: Liquidity risk management	2.5	
EU LIQB: Qualitative information on LCR, which complements template EU LIQ1	2.5	
EU AE4: Accompanying narrative information		4.2

Five Year Summary
Statements of Financial Position
As at 31 December

Group

	2024	2023	2022	2021	2020
	€ 000	€ 000	€ 000	€ 000	€ 000
Assets					
Balances with Central Bank of Malta, treasury bills and cash	**154,480**	147,043	139,234	126,279	169,687
Cheques in course of collection	**266**	1,880	1,053	530	666
Financial investments	**208,110**	216,770	220,815	227,135	161,424
Loans and advances to banks	**46,189**	38,139	27,615	78,279	96,985
Loans and advances to customers	**872,682**	758,304	711,612	642,893	621,129
Investments in associates	**4,250**	3,292	2,607	3,006	1,932
Intangible assets	**2,186**	2,192	2,121	2,145	2,050
Property, plant and equipment	**71,450**	66,511	66,375	65,346	50,928
Assets classified as held for sale	**703**	703	703	661	134
Current tax assets	**-**	643	575	2,691	1,156
Deferred tax assets	**7,961**	11,694	10,889	7,034	10,117
Inventories	**1,731**	1,391	1,271	1,324	1,274
Trade and other receivables	**12,979**	11,369	13,243	10,787	9,136
Accrued income and other assets	**5,435**	5,203	5,302	4,536	4,337
Total assets	**1,388,422**	1,265,134	1,203,415	1,172,646	1,130,955
Equity and liabilities					
Equity					
Share capital	**19,322**	19,322	11,341	11,192	11,044
Share premium	**56,534**	56,534	18,530	18,530	18,530
Property revaluation reserve	**17,016**	13,109	13,087	13,040	6,383
Investment revaluation reserve	**(7,877)**	(13,349)	(12,733)	5,180	7,181
Reserve for General Banking Risks	**-**	-	2,903	2,903	2,903
Other reserves	**1,871**	1,660	1,382	2,545	2,510
Retained earnings	**122,582**	113,107	101,700	83,910	77,470
Equity attributable to equity holders of the Bank	**209,448**	190,383	136,210	137,300	126,021
Non-controlling interests	**9,473**	8,409	8,090	8,470	7,741
Total equity	**218,921**	198,792	144,300	145,770	133,762
Liabilities					
Amounts owed to banks	**438**	145	535	1,224	5,602
Amounts owed to customers	**1,120,006**	1,019,075	1,008,431	977,143	941,110
Provisions for liabilities and other charges	**2,633**	1,403	1,688	2,113	2,632
Current tax liabilities	**1,256**	1,556	-	809	844
Deferred tax liabilities	**4,824**	4,099	4,099	4,099	6,448
Other liabilities	**26,497**	28,762	33,347	30,649	29,665
Accruals and deferred income	**13,847**	11,302	11,015	10,839	10,892
Total liabilities	**1,169,501**	1,066,342	1,059,115	1,026,876	997,193
Total equity and liabilities	**1,388,422**	1,265,134	1,203,415	1,172,646	1,130,955
Memorandum items					
Contingent liabilities	**19,827**	14,315	13,611	13,195	10,851
Commitments	**292,036**	257,415	202,396	195,848	200,870

Five Year Summary
Income Statements
For the Year Ended 31 December

Group

	2024	2023	2022	2021	2020
	€ 000	€ 000	€ 000	€ 000	€ 000
Interest receivable and similar income	**38,143**	33,698	29,020	25,725	24,898
Interest expense	**(10,883)**	(7,837)	(6,744)	(6,169)	(6,026)
Net interest income	**27,260**	25,861	22,276	19,556	18,872
Other operating income	**47,304**	44,820	37,605	43,856	41,731
Other operating charges	**(56,034)**	(54,578)	(48,049)	(51,836)	(46,107)
Net movement in expected credit losses	**927**	(1,261)	16,243	1,464	(3,973)
Share of loss of investment accounted for using equity method	**(42)**	(315)	(399)	(402)	(151)
Profit before taxation	**19,415**	14,527	27,676	12,638	10,372
Income tax expense	**(7,257)**	(4,909)	(10,050)	(4,759)	(3,230)
Profit for the year	**12,158**	9,618	17,626	7,879	7,142
Attributable to:					
Equity holders of the Bank	**11,293**	9,064	17,530	7,481	6,640
Non-controlling interests	**865**	554	96	398	502
Profit for the year	**12,158**	9,618	17,626	7,879	7,142

Five Year Summary
Statements of Cash Flows
For the Year Ended 31 December

Group

	2024	2023	2022	2021	2020
	€ 000	€ 000	€ 000	€ 000	€ 000
Net cash flows generated from/(used in) operating activities	**1,501**	18,179	(36,281)	31,632	14,475
Cash flows from investing activities					
Dividends received	**465**	203	141	81	105
Interest received from debt securities	**3,791**	4,675	3,485	3,012	2,198
Purchase of financial investments	**(12,631)**	(8,359)	(27,518)	(75,270)	(67,862)
Proceeds from maturity/disposal of financial investments	**30,156**	9,903	5,220	6,760	16,468
Purchase of property, plant and equipment and intangible assets	**(2,289)**	(2,657)	(3,709)	(7,601)	(8,942)
Proceeds from disposal of property, plant and equipment	**2**	-	-	-	18
Purchase of investment in associate	**-**	-	-	(1,500)	(399)
Investments in associate	**(1,000)**	(1,000)	-	-	-
Net cash inflow arising from acquisition of subsidiary	**-**	-	-	833	-
Net cash flows generated from/(used in) investing activities	**18,494**	2,765	(22,381)	(73,685)	(58,414)
Cash flows from financing activities					
Proceeds from rights issue of ordinary shares	**-**	45,733	-	-	-
Dividends paid to equity holders of the Bank	**(1,638)**	-	(873)	(862)	-
Dividends paid to non-controlling interests	**(300)**	(299)	(429)	(429)	(427)
Principal element of lease payments	**(552)**	(491)	(478)	(523)	(409)
Net cash flows (used in)/generated from financing activities	**(2,490)**	44,943	(1,780)	(1,814)	(836)

Independent auditor's report

To the Shareholders of Lombard Bank Malta p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and the Parent Company financial statements (the "financial statements") of Lombard Bank Malta p.l.c. ("the Bank") give a true and fair view of the Group and the Bank's financial position as at 31 December 2024, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit & Risk Committee.

What we have audited

Lombard Bank Malta p.l.c.'s financial statements comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2024;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the

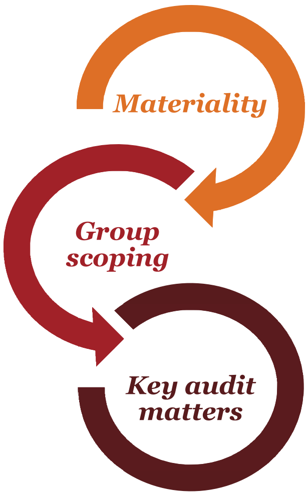
Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Bank and its subsidiaries, in the period from 1 January 2024 to 31 December 2024, are disclosed in note 33 to the financial statements.

Our audit approach

Overview



Overall group materiality: €824,000, which represents approximately 5% of the past 3-years average consolidated profit before tax adjusted for non-recurring items.

The audit procedures carried out covered all the components within the Group namely Lombard Bank Malta p.l.c. (the Parent Company) and its subsidiaries Redbox Limited, Lombard Capital Asset Management Limited and Lombard Select SICAV p.l.c. The Group also includes MaltaPost p.l.c. which is a subsidiary of Redbox Limited (which is fully owned by Lombard Bank Malta p.l.c.) and Tanseana Limited, Ciabro Limited formerly known as Ciantar Brothers Limited and PostaInsure Agency Limited, by virtue of MaltaPost p.l.c.'s controlling shareholding in these three entities.

The group auditor performed a full scope audit on the financial statements of the Bank, while the significant component, namely MaltaPost p.l.c., was audited by component auditor.

The Parent Company and its subsidiaries are based in Malta.

Credit loss allowances in respect of loans and advances to customers of the Bank.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€824,000
How we determined it	Approximately 5% of the past 3-years average consolidated profit before tax adjusted for non-recurring items.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose an average of the past 3 years, adjusted for non-recurring items, as it was determined more appropriate in view of the fluctuations in results. We chose 5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €82,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Credit loss allowances in respect of loans and advances to customers of the Bank Credit loss allowances in respect of loans and advances to customers represent management's best estimate of Expected Credit Losses ('ECLs') within the loan portfolios at the end of the reporting period. The development of the models designed to estimate ECLs on loans measured at amortised cost in accordance with the requirements of IFRS 9 requires a considerable level of judgement since the determination of ECLs is subject to a high degree of estimation uncertainty driven by inflation and interest rate	During our audit of the financial statements for the year ended 31 December 2024, we continued to focus on the key drivers of the estimation of ECL. Apart from assessing the continuing appropriateness of management assumptions, updates to key parameters and model enhancements were evaluated and tested. Discussions with the Audit & Risk Committee and management were held on:

environments experienced internationally, and as well as the geopolitical tensions as a result of ongoing Russia-Ukraine and Middle East conflicts. These conditions have exacerbated the level of uncertainty around the calculation of ECLs, giving rise to heightened subjectivity in the determination of model assumptions used to estimate key model risk parameters and hence necessitating a higher level of expert judgement.

Credit loss allowances relating to loans and advances in the Bank's Personal and Corporate and commercial portfolios are determined at an instrument level. In general, the Bank calculates ECLs by multiplying three main components: probability of default (PD), loss given default (LGD) and exposure at default (EAD):

i. Probability of default ("PD"): the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation.

ii. Loss given default ("LGD"): the expected losses taking into account, among other attributes, the mitigating effect of collateral value (if any) at the time it is expected to be realised and the time value of money. The LGD modelling methodology utilises historical experience, which might result in limitations in its reliability to appropriately estimate ECLs especially during periods characterised by economic conditions such as those currently experienced.

iii. Exposure at default ("EAD"): the expected exposure in the event of a default (including any expected drawdowns of committed facilities).

When applicable, the Bank also applies overlays based on expert judgement where management's view is that the calculated ECLs based on these key inputs do not fully capture the risks within the Bank's loan portfolios.

For non-defaulted (Stage 1 and 2) loans and a number of defaulted (Stage 3) loans which are not individually significant, the Bank uses internally developed statistical models. For non-defaulted (Stages 1 and 2) exposures, PDs are estimated using historical model development data based on the Bank's own experience as available at the reporting date. For exposures secured by immovable properties, LGDs are driven by the adjusted loan-to-value ratio of the individual facilities and takes into account other assumptions, including market value haircut (which includes costs to sell), time to sell and the impact of discounting the collateral from the date

- observations in respect of the methodology applied by the Bank to estimate ECLs in accordance with the requirements emanating from IFRS 9, including the appropriateness of the models and staging criteria used by the Bank as part of the ECL calculation;
- the controls and governance framework implemented by management in respect of the estimation of ECLs in accordance with IFRS 9; and
- individually significant loan impairments.

With respect to the ECL models utilised by the Bank, the continued appropriateness of the modelling policies and methodologies used was independently assessed by reference to the requirements of IFRS 9.

ECL calculation for non-defaulted loan exposures and a number of defaulted loans which are not individually significant

We understood and critically assessed the models used for ECL estimation for the Bank's loan portfolio.

Since modelling assumptions and parameters are based on historic data, we assessed whether historic experience was representative of current circumstances and of the recent losses incurred within the portfolios. The appropriateness of management's judgements was also independently considered in respect of calculation methodologies, calibration of PDs and LGDs, segmentation and selection of macro-economic variables. Model calculations were also tested independently.

Substantive procedures were performed as follows:

- Performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macro-economic environment.

- Tested a sample of loans to independently review the borrower's financial performance and ability to meet loan repayments and assess the appropriateness of the credit rating assigned by management, taking into consideration the impact of the current macro-economic conditions on the repayment capabilities of the sampled borrowers.

- Challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.

of realisation back to the date of default. The maximum period considered when measuring ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

For individually significant defaulted (Stage 3) exposures, discounted cash flow models are utilised in order to estimate ECLs.

Internal credit risk management practices are used to determine when a default has occurred, considering quantitative and qualitative factors where appropriate. Judgement is required to determine when a default has occurred and then to estimate the expected future cash flows related to the loan, which are dependent on parameters or assumptions such as the valuation of collateral (including forced sale discounts and assumed realisation period) or forecasted operating cash flows.

The Bank is required to assess multiple scenarios in this respect, which scenarios will have probabilities attached.

The current macro-economic conditions experienced locally have increased the level of uncertainty around judgements made in determining the timing of defaults and in respect of staging. In this respect, these economic conditions might be reasonably expected to impact the affordability of repayments attributable to exposures within the personal portfolio. Moreover the current macro-economic scenario, could create additional pressures on the business of the Bank's borrowers in the corporate and commercial portfolio.

Under IFRS 9, the Bank is required to formulate and incorporate multiple forward-looking economic conditions, reflecting management's view of potential future economic variables and environments, into the ECL estimates. A number of macro-economic scenarios based on the selected macro-economic variables are considered to capture non-linearity across credit portfolios. The complexity attributable to this factor requires management to develop multiple macro-economic scenarios involving the use of significant judgements.

The current economic conditions and the macro-economic uncertainty induced by fluctuations in market interest rates, together with geopolitical uncertainties attributable to the ongoing conflicts within Eastern Europe and the Middle East have significantly impacted macro-economic

- Tested the completeness and accuracy of the critical data extracted from the underlying systems, that is utilised within the models for the purposes of the year end ECL calculation.

- Risk based testing of models, including a review of the continuing appropriateness of model assumptions. We tested the assumptions, inputs and formulas used in ECL models on a sample basis. This included assessing the appropriateness of model design and formulas used, and recalculating PDs, LGDs and EADs on a sample basis, through the involvement of subject matter experts.

- We assessed the reasonableness of modelled PDs through a comparison of historically predicted and observed default rates and the reasonableness of modelled LGDs taking cognisance of the potential impacts of the current macro-economic environment.

- We also assessed the reasonableness of market value haircuts and time to sell assumptions used as inputs in the light of the current economic climate.

- Tested the multiple macro-economic scenarios and variables to assess their reasonableness. We assessed the appropriateness of changes effected during the year to factor the impact of the current macro-economic environment. We assessed whether the severity of the forecasted macro-economic variables was appropriate in view of the elevated level of uncertainty related to the current economic conditions. We challenged the correlation between economic factors and ECL allowances and the impact of these macro-economic factors on the ECL.

Our testing of models and model assumptions did not highlight material differences.

Based on the evidence obtained, we found the model assumptions and data used within the models to be reasonable.

ECL calculation for defaulted individually significant loan exposures

For defaulted exposures within the loan portfolio, the appropriateness of the methodology and policy used to calculate ECLs was independently assessed. We understood and evaluated the processes for identifying default events within loan portfolios, as well as the impairment assessment process.

variables, increasing the uncertainty around judgements made in determining the severity and likelihood of macro-economic forecasts across the different economic scenarios used in ECL models. Overly sensitive ECL modelled outcomes can be observed when current conditions fall outside the range of historical experience.

Data used in the impairment calculation is sourced from a number of systems, including systems that are not necessarily used for the preparation of accounting records. The ECL models are based on a general-purpose application which requires extensive manual handling of data. This increases risk around the accuracy and completeness of data used to determine assumptions and to operate the ECL models. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

Since the estimation of ECLs is subjective in nature and inherently judgmental, the Bank's application of the IFRS 9 impairment requirements is deemed to be an area of focus, especially in the context of the unprecedented macro-economic conditions currently experienced, which have significantly increased the level of estimation uncertainty in respect of the calculation of credit loss allowances.

We focused on credit loss allowances due to the subjective nature of specific data inputs into the calculation of ECLs and the subjective judgements involved in both timing of recognition of impairment and the estimation of the size of any such impairment.

Accordingly, summarising the key areas relevant to the Bank's measurement of ECLs would include:

- Allocation of assets to stage 1, 2, or 3 using criteria in accordance with IFRS 9;
- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;
- Completeness and accuracy of data used to calculate the ECL;
- Inputs and assumptions used to estimate the impact of multiple macro-economic scenarios; and

Substantive procedures were performed in respect of identification of defaults as follows:

- Assessed critically the criteria used by management for identifying borrowers whose financial performance is expected to be particularly susceptible to the potential impact of the economic pressures being experienced and for determining whether a UTP/default event had occurred by testing a sample of loans with characteristics that might imply a default event had occurred (for example a customer experiencing financial difficulty or material sector disruption) to challenge whether default events had actually occurred and to assess whether default events had been identified by management in a timely manner.
- Selected a sample of performing loans which had not been identified by management as potentially defaulted, to form our own judgement as to whether that was appropriate and to further challenge whether all relevant events had been identified by management.

Substantive procedures were performed on defaulted exposures in respect of the estimation of the amounts of the respective ECL provisions, as follows:

- Reviewed the credit files of a selected sample of loans to understand the latest developments at the level of the borrower and the basis of measuring the ECL provisions and considered whether key judgements were appropriate taking cognisance of the current macro-economic environment.
- Challenged the severity of scenarios being applied for these exposures, together with their respective probability weights by forming an independent view of the recoverability of the selected loan exposures under different scenarios, assigning probabilities independently and comparing the outcomes to that of the Bank.
- Tested key inputs to and reperformed the impairment calculation used to derive expected cash flows under different scenarios.
- Assessed the appropriateness of a sample of property valuations securing impaired loans through the use of experts.

In the case of some impairment provisions, we formed a different view from that of management, but in our view the differences were within a reasonable range of outcomes.

- Measurement of individually assessed provisions including the assessment of multiple scenarios.

Relevant references in the Annual Report and Financial Statements:

- Summary of material accounting policies: note 1.4
- Financial risk management: note 2.3;
- Accounting estimates and judgements: note 3.2;
- Note on Loans and advances to customers: note 8; and
- Net movement in expected credit losses: note 32.

How we tailored our group audit scope

The Group is composed of eight components. These include Lombard Bank Malta p.l.c. (the Parent Company), and its subsidiaries Redbox Limited, Lombard Select SICAV p.l.c. and Lombard Capital Asset Management Limited. The Group also includes MaltaPost p.l.c. which is a subsidiary of Redbox Limited (which is fully owned by Lombard Bank Malta p.l.c.) and Tanseana Limited, Ciabro Limited formerly known as Ciantar Brothers Limited and PostaInsure Agency Limited, by virtue of MaltaPost p.l.c.'s controlling shareholding in these three entities.

MaltaPost p.l.c. has been determined to be a financially significant entity.

We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates, and local statutory requirements.

The Group auditor performed all of this work by applying the Group overall materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises all of the information in the Annual Report and Financial Statements 2024 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of Lombard Bank Malta p.l.c. for the year ended 31 December 2024, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.

- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2024 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Report and Financial Statements 2024* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Financial Statements 2024* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' Report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

	give an indication of the nature of any such misstatements. With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.	
Statement of Compliance with the Principles of Good Corporate Governance The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Remuneration Report The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

Other matters prescribed by the Maltese Banking Act (Cap. 371)

In terms of the requirements of the Maltese Banking Act (Cap. 371), we are also required to report whether:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- proper books of account have been kept by the bank, so far as appears from our examination of those books;
- the bank's financial statements are in agreement with the books of account;
- in our opinion, and to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law which may from time to time be in force in the manner so required.

In our opinion:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- proper books of account have been kept by the bank, so far as appears from our examination of those books;
- the bank's financial statements are in agreement with the books of account; and
- to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law in force in the manner so required.

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.

We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Bank's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

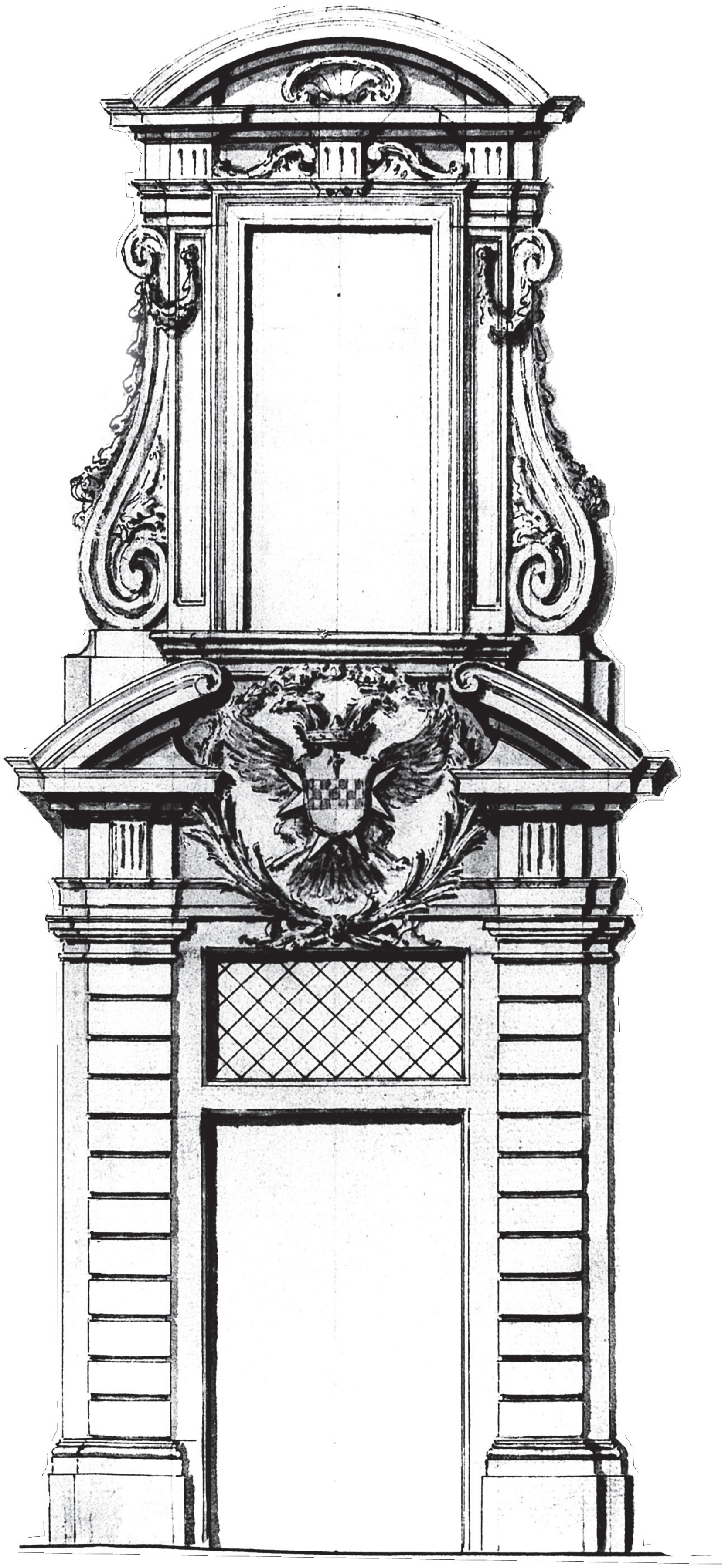
Appointment

We were first appointed as auditors of the Bank on 10 April 2010. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 15 years.

Fabio Axisa
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

16 April 2025



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