

Additional Regulatory Disclosures
31 December 2025

1. Introduction

Merkanti Bank Ltd (“Merkanti Bank”, the “Bank” / the “Institution”) is a limited company operating as a specialty trade and structured finance bank domiciled and incorporated in Malta.

The Bank's risk management strategies and processes are designed to align with its scale, structure, and business model.

The Pillar 3 Disclosures (Additional Regulatory Disclosures (‘ARDs’)) aim to enhance public understanding regarding a bank's capital structure, adequacy, and risk management policies and practices. These disclosures are prepared by the Bank in compliance with the requirements specified in Part Eight of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, which amends Regulation (EU) No 575/2013 (referred to as the Capital Requirements Regulation or “CRR”), as well as the related guidelines and technical standards issued by the European Banking Authority (“EBA”). Additionally, these disclosures are governed by Banking Rule BR/07: ‘Publication of Annual Report and Audited Financial Statements of Credit Institutions authorised under the Banking Act 1994’ (“BR/07”), promulgated by the Malta Financial Services Authority.

All tables and templates adhere to the nomenclature defined by the European Banking Authority (EBA) guidelines.

The Bank is required to disclose its return on assets pursuant to Banking Rule BR/07 “Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Maltese Banking Act (Cap. 371)” (“BR/07”). In this respect, the Bank's return on assets for the financial year ended 31 December 2025 amounted to -9.21% (2024: 0.78%).

As illustrated in the audited financial statements, after the year-end, the Bank commenced the process of winding down its operations with a view to surrender its licence as a credit institution.

1.1 Preparation of the Pillar 3 Disclosures report (Article 431 (3) CRR)

The Bank adheres to the requirements laid down in Article 431 of the CRR in terms of the compilation of this report, in line with the requirements of Part Eight of the CRR and the guidelines and technical standards published by the EBA.

1.1.1 Basis of preparation

These Pillar 3 disclosures have been prepared in accordance with the requirements of Part Eight of CRR, the guidelines and technical standards published by the EBA, as well as the requirements laid down in BR/07.

The Pillar 3 Disclosures reflect exposures reported in the Bank's Annual Report and Financial Statements, which are prepared in accordance with International Financial Reporting Standards (“IFRS”). Unlike the Bank's Annual Report and Financial Statements, the information included within the Pillar 3 Disclosures is not subject to an audit or review in accordance with International Standards on Auditing by an independent auditor..

The term ‘capital requirements’ refers to the minimum total capital charge set at 8% of risk-weighted exposure amounts (“RWEAs”) as per Article 92 of the CRR.

1.1.2 Scope of application

These Pillar 3 Disclosures are in respect of Merkanti Bank Ltd, an independent credit institution regulated and supervised by the Malta Financial Services Authority (MFSA) and categorized as an ‘Other Institution’.

1. Introduction - continued

These disclosures provide detailed information regarding the Bank's risk exposure, as well as the objectives, policies, and procedures for measuring and managing these risks. Additionally, they address the Bank's approach to capital management.

1.1.3 Frequency and Means of Disclosures

As a non-listed "Other institution," the Bank must comply with Article 433c(2) of the CRR. Therefore, the Bank is required to publish annual Pillar 3 disclosures on the following points:

- risk management objectives and policies disclosures outlined in points (a), (e) and (f) of Article 435(1);
- governance arrangements disclosures outlined in points (a) to (c) of Article 435(2);
- own funds disclosures outlined in point (a) of Article 437;
- disclosure of own funds requirements and risk-weighted exposure amounts outlined in points (c) and (d) of Article 438;
- the key metrics referred to in Article 447; and
- disclosures relating to remuneration outlined in points (a) to (d), (h) to (k) of Article 450(1).

To enhance transparency, this report includes additional disclosures not mandated by Article 433c (2) to provide more insight into the Bank's risk profile.

Disclosures not specified here are considered non-material according to Article 432 of the CRR. Items that are greyed out in the tables below indicate that the information is not required by the Bank.

The Bank makes available its Annual Report and Financial Statements and the Pillar 3 Disclosures in the Useful Information section of the Bank's website <https://www.merkantibank.com/English/Useful-Information/default.aspx>.

1.1.4 Verification and sign-off process

In line with banking regulations and market practices, these Pillar 3 Disclosures are not externally audited. The Bank is satisfied that internal verification procedures ensure that this report is presented fairly. The Audit Committee reviews and approves these disclosures before they are submitted to the Board of Directors for authorisation prior to public release.

Following the Bank's assessment and verification, it has been determined that the disclosures accurately and comprehensively represent the Bank's overall risk profile as of 31 December 2025.

1. Introduction - continued

1.2 Key Metrics

(Article 447(a) to (g) & Article 438(b) CRR – Table EU KM1)

Table EU KM1 presents essential regulatory metrics and ratios along with corresponding input components. These include own funds, risk-weighted exposure amounts (“RWEAs” / “RWAs”), capital ratios, additional requirements derived from the Supervisory Review and Evaluation Process (“SREP”), capital buffer requirements, leverage ratio, liquidity coverage ratio (“LCR”), and net stable funding ratio (“NSFR”).

		a	b
		31 Dec 2025	31 Dec 2024
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	16,055,640	18,714,955
2	Tier 1 capital	16,055,640	18,714,955
3	Total capital	16,055,640	18,714,955
Risk-weighted exposure amounts			
4	Total risk exposure amount	18,129,251	24,052,901
4a	Total risk exposure pre-floor	18,129,251	24,052,901
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	88.56%	77.81%
5a	Not applicable		
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	88.56%	77.81%
6	Tier 1 ratio (%)	88.56%	77.81%
6a	Not applicable		
6b	Tier 1 ratio considering unfloored TREA (%)	88.56%	77.81%
7	Total capital ratio (%)	88.56%	77.81%
7a	Not applicable		
7b	Total capital ratio considering unfloored TREA (%)	88.56%	77.81%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	7.50%	6.00%
EU 7e	of which: to be made up of CET1 capital (percentage points)	4.22%	3.37%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	5.63%	4.50%
EU 7g	Total SREP own funds requirements (%)	15.50%	14.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.07%	0.04%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%	0.00%
11	Combined buffer requirement (%)	2.57%	2.54%
EU 11a	Overall capital requirements (%)	18.06%	16.54%
12	CET1 available after meeting the total SREP own funds requirements (%)	73.06%	63.81%
Leverage ratio			
13	Total exposure measure	31,152,721	46,759,515
14	Leverage ratio (%)	51.54%	40.02%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%

1. Introduction - continued

1.2 Key Metrics - continued


		a	e
		31 Dec 2025	31 Dec 2024
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	23,992,390	25,114,732
EU 16a	Cash outflows - Total weighted value	6,354,176	2,986,523
EU 16b	Cash inflows - Total weighted value	3,319,941	2,185,398
16	Total net cash outflows (adjusted value)	3,034,235	801,125
17	Liquidity coverage ratio (%)	790.72%	3134.93%
Net Stable Funding Ratio			
18	Total available stable funding	23,378,354	29,041,814
19	Total required stable funding	4,452,078	14,066,795
20	NSFR ratio (%)	525.11%	206.46%

1.3 Attestation by the Board of Directors

The Board of Directors confirm that these Pillar 3 Disclosures, to the best of our knowledge, complies with Part Eight of the CRR, including any related guidelines and technical standards published by the EBA, and has been prepared in compliance with the Bank’s internal governance process including policies, processes and systems and internal control environment.

The Board of Directors is of the opinion that the policies and procedures in place are adequate in measuring and controlling the various risks faced by the Bank and reflect well the Bank’s size, business model and its position in the market.

On behalf of the Board of Directors

Signed by:

 48DBADC2F8AA4C5...

Christian Farrugia
 Chairman

Signed by:

 98BB5D756DAC49E...

Stephen Paris
 Director

30 April 2026

1. Risk management

2.1 Information on risk management objectives, framework and policies

Table EU OVA provides information on the Bank’s business model and how it inherently involves exposing itself to both financial risks and non-financial risks.

Table EU OVA - Institution risk management approach
 (Points (a), (e) and (f) of Article 435(1))

(a)	<p><u>Disclosure of concise risk statement approved by the management body.</u></p> <p>The Board of Directors at Merkanti Bank Ltd upholds high standards of corporate governance and ethics, remaining accountable to shareholders and stakeholders. They ensure a top-level directive for a risk-aware culture, addressing all types of risks in decision-making processes.</p> <p>The key risks associated with the Bank’s business model are highlighted below.</p> <p>The risk management framework allows the Bank’s management to address risks effectively by coordinating between risk-taking units and risk management units. The Bank’s risk profile is consistent with the risk tolerance levels approved by the Board, as outlined in the Risk Appetite Statement. The Bank uses a variety of metrics to monitor its risk profile, as defined in its Risk Tolerance and Limits Statement. This statement sets limits for various risks based on both regulatory and internally set thresholds. These limits and thresholds are regularly monitored and reported to the Board of Directors through the Risk Committee at least monthly, or more frequently if potential breaches occur, in accordance with the Bank’s escalation procedures.</p> <p>Detailed information regarding the Bank’s risk profile across various categories of risk associated with its business model can be found below and in the respective risk sections in this document. Key ratios and figures illustrating the Bank’s risk profile are included in Table EU KM1, which is presented in Section 1.2 above.</p>
(c)	<p><u>Declaration approved by the management body on the adequacy of the risk management arrangements.</u></p> <p>The Board hereby declares, in accordance with Article 435 of the CRR, that the Bank’s risk management systems and arrangements are adequate concerning its risk profile and strategy.</p>
(f)	<p><u>Strategies and processes to manage risks for each separate category of risk.</u></p> <p><u>Credit risk</u></p> <p>Credit risk is the risk that the Bank may suffer a financial loss if a customer or counterparty fails to meet its contractual obligations. The Bank is primarily exposed to credit risk through corporate lending. Credit risk also arises from other financial instruments held by the Bank, including interbank placements.</p> <p>Country risk, refers to the potential for losses or adverse impact on the Bank’s financial position as a result of political, economic, legal, or social events occurring in a specific country. These events may impair the ability of the customer or counterparties operating in, or exposed to, that country to meet their obligations to the Bank. As such country risk is indirectly embedded within the Bank’s broader credit risk exposure.</p> <p>The Bank assesses both credit and country risks through a combination of internal ratings, due diligence processes, and external data sources, applying risk limits and mitigation strategies to ensure alignment with the Bank’s risk appetite and capital adequacy framework. These limits are approved at the Board level or as delegated by the Board of Directors.</p>

Table EU OVA - Institution risk management approach - continued

More granular details have been included in the Table EU CRA of this report.

Market risk

Market risk refers to the potential financial losses the Bank may incur due to unfavourable movements in market prices, including interest rates, foreign exchange rates, and credit spreads (unrelated to changes in the obligor's or issuer's credit quality). These changes will impact the Bank's income or the value of its financial instrument holdings. Market risk predominantly arises from the Bank's investment portfolio; however, other facets of market risk include interest rate risk and foreign exchange risk.

Structural interest rate risk is an intrinsic aspect of banking, stemming from the potential for losses due to fluctuations in interest rates affecting the income statement (revenues and expenses) and the equity structure (current valuation of assets, liabilities, and off-balance sheet positions sensitive to interest rate variations).

The Bank faces foreign exchange (FX) risk from dealing in multiple currencies, primarily the US Dollar, Sterling, and Canadian Dollar. This risk stems from fluctuations in exchange rates with the Euro, potentially leading to financial losses. To manage this risk, the Board sets FX limits and documents them in policies and procedures. Daily monitoring and periodic reports to Board Committees ensure compliance with these limits.

More granular details have been included in the Table EU MRA of this report.

Liquidity risk

Liquidity risk is the of losses being incurred as a result of not being able (even though temporarily) to honour payment commitments when they fall due as a result of a lack of liquid assets (funding liquidity risk) or not being able to access the markets to refinance debts at a reasonable cost (market liquidity risk).

The Bank's current liquidity position is strong, with excess liquidity and therefore such risk is considered as low risk.

More granular details have been included in the Table EU LIQA of this report.

Operational risk

Operational risk refers to the potential for financial losses or reputation damage arising from a wide variety of causes associated with inadequate or failed internal processes, personnel, technology and infrastructure, and from other external factors effecting the business exist in the normal course of business which could affect the Bank's business performance and may weaken its standing with stakeholders. Sub-classifications of such risks include process failures risk, technological breakdown, fraud risk, misconduct risk and people risk.

Merkanti Bank has adopted an operational risk management framework and procedures that aims to identify, assess, manage, monitor, and report operational risks throughout the Bank.

The operational risk management framework is overseen by the Board of Directors, with the Risk Committee and other relevant Committees playing a key role in the governance and oversight of operational risk management. The Board ensures that operational risk management is aligned with the Bank's overall business objectives, risk appetite, and regulatory requirements.

More granular details have been included in the Table EU ORA of this report.

	<p><u>Table EU OVA - Institution risk management approach - continued</u></p> <p><u>Business risk</u></p> <p>Business risk refers to the potential for financial losses arising from inadequate or failed strategy execution, ineffective marketing and sales practices, inefficient distribution channels, suboptimal pricing strategies, or delayed responses to changes in the business environment. This type of risk is closely linked to the Bank's ability to successfully implement its business plan and adapt to evolving market conditions.</p> <p>The Bank is exposed to business risk from various sources, including, but not limited to:</p> <ul style="list-style-type: none"> • Changes in Regulations: New or revised regulations that impact pricing, introduce price caps, or impose operational restrictions may directly affect the Bank's profitability. • Strategic Shifts: Shifts in the Bank's business strategy could lead to unanticipated costs or challenges in execution, particularly if the strategy fails to align with market conditions. • Volume and Cost Factors: The Bank may face reduced volumes of business, leading to a decrease in revenue. Additionally, rising fixed costs or higher-than-expected loan losses could further strain profitability. • Market Dynamics: The Bank's ability to maintain competitive advantage may be compromised by external changes in the market, such as economic downturns, technological advancements, or increased competition. <p>Business risk is monitored through regular reviews of the Bank's strategy, performance metrics, and operational processes, enabling adjustments and risk mitigation measures where necessary.</p> <p><u>ESG risk</u></p> <p>ESG risk refers to the potential financial, operational, and reputational risks that a bank or organization may face as a result of Environmental, Social, or Governance factors. These risks can arise from a range of issues such as environmental sustainability, social equity, regulatory compliance, and governance practices. As ESG factors increasingly influence financial performance, investor behaviour, and market dynamics, the integration of ESG risk into the Bank's overall risk management framework is essential.</p> <p>The Bank recognizes that ESG risks can impact on its business growth, operations and financial stability, including exposure to physical risks from climate change, legal and regulatory changes, reputational damage, and disruptions in the market from shifts towards sustainability</p>
(g)	<p><u>Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants.</u></p> <p>The business model adopted by the Bank throughout the years has been primarily based on corporate banking and structured finance transactions consistent with its parent group business strategy. Risk Management is crucial to the Bank's strategy and is integrated into its Risk Appetite Statement, policies, and frameworks, approved annually by the Board of Directors.</p> <p>The Board oversees the entire risk management framework, essential for the Bank's financial stability and sound business model. In this respect, the Board of Directors deems the risk management framework adopted by the Bank to be adequate and hence gives assurance to the Bank's stakeholders that the risk management systems adopted by the Bank are appropriate in relation to the Bank's risk profile and strategy.</p> <p>The Bank has established a Risk Committee to advise the Board on the strategies and policies for taking up, managing, monitoring and mitigating the risks that the Bank is or might be exposed to. The Risk Committee should meet at least four times a year and more frequently as circumstances require, and ultimately reports to the Board of the Bank.</p>

Table EU OVA - Institution risk management approach - continued

The Risk management function ensures the Bank maintains a robust risk management program. It develops policies with the Board, creates reporting tools, monitors compliance, evaluates risks and capital adequacy, identifies risk trends, and implements stress tests. The function is also responsible for the implementation of the risk strategy as approved by the Board of Directors or as delegated through the Risk Committee, subject to the required governance and escalation process – these are documented in the following documents:

- Risk Management Framework ('RMF');
- ICT Risk Management Framework
- Risk Appetite Statement ('RAS');
- Risk Tolerance and Limits;
- Risk Identification and Assessment;
- Internal Capital and Liquidity Adequacy Assessment Process ('ICLAAP');
- Stress Testing Framework

The Bank's Risk Appetite Statement (RAS) highlights the general principles for the Bank's risk-taking. The main purpose of the RAS is to raise risk awareness across the organisation and to guide staff regarding accepted and unacceptable practices. The RAS is embedded in the Bank's everyday processes and affects the operations of the Bank in a holistic way through its various policies and procedures, monitoring metrics, key performance indicators, key risk indicators and internal controls. Any deviations from the Bank's RAS are approved by the Board accordingly.

Policies are updated throughout the year on an annual basis, or as required, to align with changes in regulatory standards or the business environment. However, all policies undergo a mandatory annual review. The Board of Directors of the Bank approves any respective amendments.

The Bank's policies are designed to be consistent with its risk appetite. The risk management framework is structured in such a way that the Bank's management can effectively mitigate risks through both the units that undertake risks and those that manage them. This framework encompasses a collection of internal policies, which are approved by the Board and address the various risks associated with the Bank as well as other governance requirements. These include, but are not limited to:

- Credit Risk Policy
- Market Risk Policy
- Liquidity Risk Policy
- Operational Risk Management Policy
- Stress Testing Framework
- ESG Risk Policy
- Collateral Management Policy
- IT Security Policy
- Operational Resilience Policy
- Information System Contingency Plan
- ICT Third-Party Risk Management Policy

Further information on hedging and risk mitigation for each type of risk can be found in the relevant sections of this report.

2. Risk management - continued**2.2 Risk management governance**

The Board of Directors are responsible for all risks emanating from the Bank's business and for all related internal controls applied to mitigate such risks. As at the date of this statement, the Bank's Board is composed of five non-executive Directors, including the Chair of the Board, who is also independent, two independent and two non-independent directors. The Board of Directors has resolved to set up the following Board Committees and Executive Committees to assist it in the oversight of its functions:

Board Committees	Executive Committees
Risk Committee	Business Committee
Audit and Corporate Governance Committee	IT Steering Committee
Nomination and Remuneration Committee	AML/ATF Executive Committee

Risk Committee

The Bank's key personnel have a direct reporting line to the Chairman of their designated committees (as highlighted in the terms of reference of each of the above listed committees) and report to the Chief Executive Officer on an administrative basis.

The Bank adopts the three lines model, having its business generating unit as the first line, the Risk and Compliance units as the second line and its outsourced Internal Audit function as the third line.

In the Bank's first line of defense, all Chief Officers and Heads of Departments (or any other person that is in charge) are responsible for all the risks emanating from their areas of responsibility. There must be a clear separation of duties:

The Chief Executive Officer

The Chief Executive Officer (CEO) is primarily responsible for the management of strategic business risk. The objective is fulfilled through the annual preparation/update of the Bank's strategic business plan.

Nevertheless, the CEO also oversees ERM governance, delegates policy and day-to-day oversight to senior management and committees and monitors key risk indicators. The CEO utilizes the ERM structure and processes to provide an overall view of risks across the Bank and to assess whether the aggregate risk profile has the potential to impact the Bank's viability.

The Chief Financial Officer and Deputy CEO

The Chief Financial Officer (CFO) is a senior executive responsible for managing the financial activities of the Bank. The CFO plays a critical role in strategic decision-making, ensuring financial health, and driving long-term value creation. The CFO, amongst other responsibilities, manages the liquidity and market risk oversight.

The CFO is not only the financial steward of the Bank but also a strategic partner to the CEO and a vital bridge between the Bank and its stakeholders. The CFO's leadership ensures financial stability, compliance, and a roadmap for sustainable growth.

Payroll administration and assisting the CEO in the execution of the Bank's HR policies and procedures also fall within the remit of the CFO's responsibilities. The CFO also handles the Bank's fiscal matters (including tax, VAT and other fiscal compliance) and acts as the Bank's Data Protection Officer.

2. Risk management - continued

2.2 Risk management governance - continued

The Chief Information Officer

The Chief Information Officer (CIO) is responsible for overseeing the Bank's IT function, setting its strategic direction and policies. Key responsibilities include selecting and implementing technologies to enhance operations and customer experience, managing IT infrastructure and projects, approving technology purchases, and guiding IT staff. The CIO also monitors technological advancements to maintain a competitive edge and advises management on IT-related costs, value, and risks.

Risk Management Function

The Risk Management function operates as part of the Bank's second line of defence and plays a central role in its internal control system. It is responsible for implementing and maintaining a robust risk management framework that aligns with regulatory standards and the Bank's internal policies. This includes monitoring key risk indicators, ensuring activities remain within the Board-approved risk appetite, and fostering a culture of risk awareness. As part of the Enterprise Risk Management (ERM) system, it engages senior management in risk discussions, evaluates new initiatives, records and escalates incidents, and maintains the risk register. The function also reports risk-related matters to senior management, the Risk Committee, and to the Board through the established governance framework.

Compliance Function

The Compliance function is responsible to ensure that the Bank maintains an appropriate compliance monitoring programme, that changes in regulations are disseminated to the appropriate business units, that unit heads maintain procedures and systems to ensure that guidelines and regulations are followed, that the Board of Directors and Bank employees are knowledgeable of the rules, laws and regulations applicable through ongoing training programmes and relative reporting.

Financial Crime Compliance

Financial Crime Compliance (FCC) is responsible for identifying, assessing, managing, and mitigating risks related to financial crime (i.e. AML/CFT) within a financial institution. The primary goal of FCC is to ensure that the institution adheres to applicable laws, regulations, and industry standards designed to prevent illegal financial activities, such as money laundering, fraud, terrorist financing, and corruption.

Internal Audit

Internal audit serves as an independent validation function of the risk management and compliance functions, and departmental control activities. They leverage risk assessment information as input to annual audit planning, identify and report risk, compliance and control issues that require resolution, monitor key risk indicators and are the independent link to the Board of Directors through the Audit and Corporate Governance Committee. Internal Audit also coordinates the audits of compliance activities.

2. Risk management - continued**2.2 Risk management governance - continued**

Table EU OVB provides information on how the Board is responsible for ensuring that the roles of corporate responsibility, namely accountability, strategy formulation and policy development are implemented throughout the Bank.

Table EU OVB - Disclosure on governance arrangements
(Annual (points (a), (b) and (c) of Article 435 (2))

(a)	<u>The number of directorships held by members of the management body.</u>		
	As at 31 December 2025, the Board of Directors consisted of:		
	Director	Position	Number of other directorships held
	Christian Farrugia	Independent, Non-executive Chairman	9
	Samuel Morrow	Non-executive director	2
	Otto Karasek	Non-executive director	1
	Stephen Paris	Independent Non-executive director	17
Sinead Curry	Independent Non-executive director	5	
(b)	<u>Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise.</u>		
	<p>The Bank is aware that a vigorous and professional approach to recruitment and selection of prospective members of the Board of directors and management or other employees 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 made within the Bank are based on each individual's knowledge, skills, expertise and merit, as required by Maltese legislation and in line with policy.</p> <p>The Bank undertakes a rigorous selection process for all prospective members of the Board and management together with other employees, bearing in mind the key activities, tasks and skills required for the vacant position. As part of the selection process, multiple interviews are conducted, during which the individual's knowledge, experience, skills and competency are evaluated against those of other individuals.</p>		
(c)	<u>Information on the diversity policy with regard of the members of the management body.</u>		
<p>Bearing its objectives in mind, the Bank endeavours to appoint directors with diverse skills and expertise that allow the Board to create value for shareholders by ensuring that risks that are intrinsic to banking business in general are appropriately managed and mitigated within the Board's approach. The Bank will continue to promote this diversity by recruiting the ideal individual for the vacant position, regardless of the individual's gender, race, family, disability, sexual orientation, identity or preference.</p>			

2. Risk management - continued

2.3 Disclosures on the Bank’s risk management strategies and processes by category of risks
*(Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA
 Article 451a(4) CRR – Table EU LIQA)*

The Bank undertakes a process in order to identify its risks based on various techniques and methodologies, which emanate from the business model and strategy adopted by the Bank.

In terms of Article 435(1) and Tables EU OVA, EU CRA, EU MRA, EU ORA and EU LIQA, the Bank is disclosing its risk management strategies and processes for credit risk, market risk, operational risk and liquidity risk. As at 31 December 2025, the Bank is not exposed to other risks described in Title II of Part Eight of the CRR.

2.3.1 Credit risk

Table EU CRA provides general qualitative information about credit risk as part of the Pillar 3 disclosures. It outlines the institution’s policies, frameworks, and processes for identifying, assessing, managing, and mitigating credit risk across its portfolio.

Table EU CRA - General qualitative information about credit risk
(Annual (points (a) and (f) of Article 435(1))

(a)	<p><u><i>In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution’s credit risk profile.</i></u></p> <p>The business model adopted by the Bank throughout the years has been primarily based on corporate banking and structured finance transactions consistent with its parent group business strategy. Risk Management is crucial to the Bank’s strategy and is integrated into its Risk Appetite Statement, policies, and frameworks, approved annually by the Board of Directors.</p> <p>The Board oversees the entire risk management framework, essential for the Bank’s financial stability and sound business model. In this respect, the Board of Directors deems the risk management framework adopted by the Bank to be adequate and hence gives assurance to the Bank’s stakeholders that the risk management systems adopted by the Bank are appropriate in relation to the Bank’s risk profile and strategy.</p> <p>The Bank has established a Risk Committee to advise the Board on the strategies and policies for taking up, managing, monitoring and mitigating the risks that the Bank is or might be exposed to. The Risk Committee should meet at least four times a year and more frequently as circumstances require, and ultimately reports to the Board of the Bank.</p> <p>Further detailed information regarding credit risk is provided in Table EU OVA.</p>
(b)	<p><u><i>When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits.</i></u></p> <p>The Bank is exposed to credit risk arising from its lending activities and treasury activities. The Bank’s Treasury and Operations Department monitors loans and advances to customers on an individual basis throughout the different stages of the cycle, from approval upon origination until maturity. The Bank reviews and grades loans and advances in accordance with internal credit gradings. The Bank’s internal credit system is based on a number of different qualitative and quantitative data, which takes into consideration the following criteria:</p> <ul style="list-style-type: none"> • financial strength and profitability; • servicing of interest; • market position, dependence and industry environment; and • other criteria e.g. management organisation and access to capital markets/other financing.

Table EU CRA - General qualitative information about credit risk - continued

In order to minimise the credit risk undertaken in examining a counterparty's creditworthiness, country risk, quantitative and qualitative characteristics, as well as the industry sector in which the counterparty operates are considered. The Bank has also set limits of authority and has segregation of duties in place so as to maintain impartiality and independence during the approval process and to control new and existing credit facilities. Credit review procedures are designed to identify at an early stage exposures which require more detailed monitoring and review.

The Bank monitors concentrations of credit risk by location. The Bank monitors these exposures on an individual basis throughout the different stages of the cycle from approval upon origination to ongoing monitoring until maturity. The Bank focuses on the compilation, together with ongoing and event-driven updating, of credit review analyses taking cognisance of actual account developments, repayment history, ability to meet commitments, collateral measurement, credit reviews and country risk.

Within its daily operations the Bank transacts with banks and other financial institutions which are pre-approved and subject to a limits framework. In the normal course of business, the Bank places deposits and enters into foreign exchange derivative contracts with credit institutions of international repute. 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 positions are checked against the limits on a regular basis. Countries are assessed according to their size, economic data and prospects and their credit ratings from international rating agencies. Existing country risk exposures are monitored and reviewed periodically.

The Bank's approach when granting credit facilities is based on the customer's capacity to repay rather than placing primary reliance on credit risk mitigants. Notwithstanding, as part of the Bank's credit risk mitigation techniques, the Bank generally holds collateral against loans and advances to customers, the nature and level of which generally depends on the amount of the exposure, the type of facility provided, the term of the facility and the level of credit risk involved. Collateral utilised to secure loans and advances generally includes guarantees and the assignments of receivables

Credit risk quantification

The Bank also grades its loan and advances portfolio into two main external reporting categories: 'performing' and 'non-performing'. 'Performing' customers represent those customers with exposures which are less than 90 days past due, whilst 'Non-performing' customers are those customers with exposures which are past due by 90 days or more. The 'Performing' category is further sub-divided into sub-categories based on (a) past due days and (b) renegotiated loans.

Loans are considered past due when a counterparty has failed to make a payment when contractually due. Past due but not impaired loans comprise loans and advances where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security available and/or the stage of collection of amounts owed to the Bank.

As at 31 December 2025, an amount of €792,600 included under loans and advances to corporate customers were deemed to be non-performing. This represents 19.9% (gross basis) of the total loans and advances to corporate customers. The Bank did not hold any renegotiated financial assets as at the end of the reporting period.

Impaired loans and advances to customers represent those advances which are either more than 90 days past due, or for which the Bank has determined that it is probable that it will be unable to collect all principal and interest due as prescribed within the contractual terms of the loans and advances agreement(s). During the period under review, there were no write offs on any loans and advances to customers (2024: nil).

2. Risk management - continued**2.3 Disclosures on the Bank's risk management strategies and processes by category of risks***(Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA Article 451a(4) CRR – Table EU LIQA) - continued***2.3.2 Credit quality analysis**

Table EU CR1 provides information on the asset quality of the Bank's asset base (namely loans and debt securities, off-balance sheet exposures) broken down by exposure classes and maturity of exposures.

Template EU CR1: Performing and non-performing exposures and related provisions

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
(in currency amount)		Performing exposures			Non-performing exposures		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3
005	Cash balances at central banks and other demand deposits	14,393,043	14,393,043	-			
010	Loans and advances	15,724,331	15,724,331	-	792,600	-	-
020	Central banks	10,443,327	10,443,327	-		-	-
030	General governments	-	-	-		-	-
040	Credit institutions	-	-	-		-	-
050	Other financial corporations	5,281,004	5,281,004	-		-	-
060	Non-financial corporations	-	-	-	792,600	-	-
070	Of which SMEs	-	-	-	-	-	-
080	Households	-	-	-	-	-	-
090	Debt securities	196,099	196,099	-	-	-	-
100	Central banks	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-
120	Credit institutions	196,099	196,099	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-
150	Off-balance-sheet exposures	-	-	-	-	-	-
160	Central banks	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-
190	Other financial corporations	-	-	-	-	-	-
200	Non-financial corporations	-	-	-	-	-	-
210	Households	-	-	-	-	-	-
220	Total	30,313,473	30,313,473	-	792,600	-	-

2. Risk management - continued

2.3 Disclosures on the Bank’s risk management strategies and processes by category of risks
(Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA
Article 451a(4) CRR – Table EU LIQA) - continued

2.3.2 Credit quality analysis – continued

Template EU CR1: Performing and non-performing exposures and related provisions – (continued)

		g	h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
(in currency amount)		Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3					
005	Cash balances at central banks and other demand deposits	(1,429)	(1,429)	-	-	-	-	-	-	-
010	Loans and advances	(37,835)	(37,835)	-	-	-	-	-	-	-
020	Central banks	-	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-	-
050	Other financial corporations	(37,835)	(37,835)	-	-	-	-	-	-	-
060	Non-financial corporations	0	0	-	-	-	-	-	-	-
070	Of which SMEs	0	0	-	-	-	-	-	-	-
080	Households	0	0	-	-	-	-	-	-	-
090	Debt securities	(2,439)	(2,439)	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-	-	-	-
120	Credit institutions	(2,439)	(2,439)	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	-	-	-	-	-	-		-	-
160	Central banks	-	-	-	-	-	-		-	-
170	General governments	-	-	-	-	-	-		-	-
180	Credit institutions	-	-	-	-	-	-		-	-
190	Other financial corporations	-	-	-	-	-	-		-	-
200	Non-financial corporations	-	-	-	-	-	-		-	-
210	Households	-	-	-	-	-	-		-	-
220	Total	(41,702)	(41,702)	-	-	-	-	-	-	-

2. Risk management - continued

2.3 Disclosures on the Bank’s risk management strategies and processes by category of risks
(Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA
Article 451a(4) CRR – Table EU LIQA) - continued

2.3.2 Credit quality analysis – continued

Table EU CQ1 provides information on the Bank’s forbore exposures split into the exposure classes, and the quality of forbearance

Template EU CQ1: Credit quality of forbore exposures

		a	b	c	d	e	f	g	h
			Gross carrying amount/nominal amount of exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures		
		Performing forbore	Non-performing forbore		On performing forbore exposures	On non-performing forbore exposures	Of which collateral and financial guarantees received on non-performing exposures with forbearance measures		
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	-	792,600	-	-	-	-	-	-
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	-	792,600	-	-	-	-	-	-
070	Households	-	-	-	-	-	-	-	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	Total	-	792,600	-	-	-	-	-	-

2. Risk management - continued

2.3 Disclosures on the Bank’s risk management strategies and processes by category of risks

(Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA Article 451a(4) CRR – Table EU LIQA) - continued

2.3.2 Credit quality analysis – continued

Table EU CQ3 provides information on the gross carrying amount on-balance sheet performing and non-performing exposures (as well as the nominal amount for off-balance sheet exposures) by past due days.

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

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures				Non-performing exposures							
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
005	Cash balances at central banks and other demand deposits	14,393,043	14,393,043	-	-	-	-	-	-	-	-	-	-
010	Loans and advances			-	-	-	-	-	-	-	-	-	-
020	Central banks	10,443,327	10,443,327	-	-	-	-	-	-	-	-	-	-
030	General governments			-	-	-	-	-	-	-	-	-	-
040	Credit institutions			-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	5,281,004	5,281,004	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations			-	792,600	792,600							
070	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
080	Households	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	196,099	196,099	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	-	-	-	-	-	-	-	-	-	-	-	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-

2. Risk management - continued

2.3 Disclosures on the Bank’s risk management strategies and processes by category of risks
 (Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA
 Article 451a(4) CRR – Table EU LIQA) - continued

2.3.3 Market risk

Table EU MRA provides qualitative disclosure requirements related to market risk as part of the Pillar 3 framework. It details the institution’s market risk management strategies, policies, and governance arrangements, including the identification, measurement, monitoring, and mitigation of market risk exposures.

Table EU MRA - Qualitative disclosure requirements related to market risk.
 (Annual (point (a) of Article 435(1))

(a)	<p><u>A description of the institution's strategies and processes to manage market risk and a description of the institution's policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges.</u></p> <p>Market risk for the Bank consists of the following elements:</p> <ul style="list-style-type: none"> • Interest rate risk, which is the risk of losses because of changes in interest rates. • Foreign exchange risk, which is the risk of losses on the Bank’s positions in foreign currency because of changes in exchange rates. <p><u>Foreign exchange risk</u></p> <p>The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank’s risk oversight function provides oversight with respect to the foreign exchange risk management process, by ensuring its design is appropriate and functioning properly.</p> <p>The Bank does not maintain any trading book positions and consequently, exposure to trading book risks is negligible.</p> <p>With respect to FX risk, the Bank takes 8% of the sum of its overall net foreign exchange position.</p> <p>The Bank manages its currency risk on an ongoing basis 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. When it is not possible to match the asset and liability currency positions, the Bank normally hedges its open foreign exchange exposures arising from customer loans by entering into forward foreign exchange contracts with terms which match those of the hedged items, with a view to reducing exposures within a limit management framework.</p> <p>The Bank’s treasury function is responsible for the effective management of foreign exchange risks, ensuring exposures to foreign currencies are maintained within the limits set by the Bank’s Board. The Board sets these limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are actively monitored and reported on a regular basis.</p> <p><u>Interest rate risk</u></p> <p>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. The Bank is exposed to cash flow interest rate risk principally in respect of certain financial instruments which were subject to floating interest rates.</p>
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Table EU MRA - Qualitative disclosure requirements related to market risk. - continued

Financial instruments issued at fixed rates potentially expose the Bank to fair value interest rate risk. Loans and advances to customers and to banks, and amounts owed to customers are measured at amortised cost and are therefore not subject to fair value interest rate risk.

Cashflow interest rate risk is measured and monitored by reference to a sensitivity analysis in respect of interest rate changes in relation to the Bank's net floating rate assets or liabilities.

With respect to interest rate risk, whilst no Pillar 1 requirement exists, the Bank calculates the supervisory shock scenarios required by the EBA to quantify changes to economic value of equity ("EVE") and changes of net interest income ("NII").

The Bank manages interest rate risk by utilising sensitivity analysis based on modified duration, which measures the potential loss in market value arising from a 200 basis-point upward parallel shift in yields. The Bank's Senior Management is responsible for the management of interest rate risk and for actively monitoring the interest rate risk measures used by the Bank, by reporting on a regular basis to the Board. Responsibility for day-to-day interest rate risk management is allocated to the Treasury function.

Market risk quantification

With respect to FX risk, the Bank takes 8% of the sum of its overall net foreign exchange position. With respect to interest rate risk, whilst no Pillar 1 requirement exists, the Bank calculates the supervisory shock scenarios required by the EBA to quantify changes to economic value of equity ("EVE") and changes of net interest income ("NII").

2. Risk management - continued**2.3 Disclosures on the Bank's risk management strategies and processes by category of risks**

(Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA Article 451a(4) CRR – Table EU LIQA) - continued

2.3.4 Operational risk

Table EU ORA provides qualitative information on operational risk as part of the Pillar 3 disclosures. It offers insights into the institution's approach to identifying, assessing, and managing operational risk, including the key policies, procedures, and risk mitigation strategies in place.

Table EU ORA - Qualitative information on operational risk
(Annual (points (a), (e) and (f) of Article 435(1))

(a)	<p><u>Disclosure of the risk management objectives and policies</u></p> <p>Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.</p>
(b)	<p><u>Disclosure of the structure and organisation of the operational risk management function</u></p> <p>The Bank's Board of directors is primarily responsible to ensure that (i) approved policies and procedures are in line with laws, regulations and best practice and that (ii) the Bank has adequate internal controls, and that such policies, procedures and internal controls are being adhered to so as to ensure that operational risks are mitigated and managed effectively.</p>
(c)	<p><u>Description of the scope and nature of the measurement system</u></p> <p>The Bank reports and manages operational risks using systems which support the risk management process and streamline the reporting, data collection and analysis of operational risk events and related potential losses and strengthening the governance and controls around the risk management framework.</p>
(d)	<p><u>Description of the scope and nature of the operational risk reporting framework</u></p> <p>Operational risk is quantified through a capital charge determined under the CRR III Business Indicator Approach, based on a three-year average of relevant income components.</p>
(e)	<p><u>Description of the policies and strategies of the risk mitigation and risk hedge</u></p> <p>The Bank mitigates the possibility of impact risk events through the implementation of a business continuity plan, which encompasses risk mitigation achieved through back-up information security infrastructures, back-up disaster recovery sites and insurance covers over particular business risks. Such systems enable the Bank to operate on an ongoing basis and limit losses in the event of severe business disruption.</p> <p>The Bank's management of operational risk relies on a framework of policies and procedures implemented across the Bank's operational functions through transaction processing and business execution. The implementation of these policies and procedures is overseen by the Bank's risk oversight function. Regular reporting of operational risk events to the Board of directors is carried when required.</p>

2. Risk management - continued

2.3 Disclosures on the Bank’s risk management strategies and processes by category of risks
 (Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA
 Article 451a(4) CRR – Table EU LIQA) - continued

Operational risk quantification

The Bank uses the Standardised Approach under Chapter 2 of Title III within Part Three of the CRR to calculate its operational risk capital requirement. The Business Indicator (BI) is calculated as the average over three years of three key components – Interest, Leasing and Dividend Component (ILDC), Services Component (SC) and Financial Component (FC). The operational risk regulatory capital requirement as at December 2025 amounted to €718,989, based on the preceding three financial years 2022, 2023 and 2024 (2023: €679,135 based on the preceding three financial years 2021, 2022 and 2023).

Moreover, as part of its risk management strategies and processes, the Bank undertakes a process to determine whether additional capital is required to cover any risks not covered by the minimum capital requirements (Pillar 1).

2.3.5 Liquidity risk

Table EU LIQA presents qualitative information on liquidity risk management as part of the Pillar 3 disclosures. It outlines the institution’s approach to identifying, assessing, and mitigating liquidity risk, including key policies, governance structures, and risk mitigation tools employed.

Table EU LIQA - Liquidity risk management
 (Annual (points (a), (e) and (f) of Article 435(1))

(a)	<p><u>Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding.</u></p> <p>Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments.</p> <p>The Bank manages this risk by maintaining a strong base of shareholders’ capital. The Bank manages and monitors future cash flow requirements and changes in available liquidity on a regular basis.</p> <p>The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank’s assets held for managing liquidity risk comprise of:</p> <ul style="list-style-type: none"> • short term placements with other banks; and • unencumbered debt securities that are readily acceptable for refinancing operations within the Eurosystem’s open market operations. <p>Liquidity is managed by the Bank’s treasury and liquidity management process, and includes:</p> <ul style="list-style-type: none"> • day to day funding managed by monitoring future cash flows to ensure that requirements can be met including plans for replenishment of funds as they mature; • 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 against internal and regulatory requirements; and • managing the concentration and profile of debt maturities.
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	<p>The Bank’s main source of stable funding is predominantly sourced from shareholder’s equity and corporate deposits. The following options aim to address a scenario where contingency funding is required:</p> <ul style="list-style-type: none"> a. Shareholder’s loans / contributions by the current shareholders of the Bank; and b. Open market operations with the European Central Bank (MROs or LTROs). <p>The Bank’s liquidity monitoring is centralised, based on the combined liquidity requirements of the Bank’s customer loan, deposit and own account investment business lines.</p> <p>The Bank’s liquidity risk is managed in line with the requirements of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank adopts a system of early warning and recovery indicators for the LCR and NSFR metrics and ensures that it operates above the prescribed early warning indicators. Ongoing liquidity management falls under the responsibility of the Operations and Treasury Department. It analyses known and expected cash flows and uses these to devise liquidity planning whilst always taking into account <u>Table EU LIQA - Liquidity risk management - continued</u></p> <p>compliance with regulatory and internal liquidity principles. Strategic liquidity planning falls under the responsibility of the asset and liability management (ALM) function within the Bank’s Business Committee, which ultimately reports to the Bank’s Board.</p>
(h)	<p><u>A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution’s profile and strategy.</u></p> <p>The Board hereby declares, in accordance with Article 435 of the CRR, that the Bank’s risk management systems and arrangements are adequate concerning its risk profile and strategy.</p>
(i)	<p><u>A concise liquidity risk statement approved by the management body succinctly describing the institution’s overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution’s management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body.</u></p> <p>The Board of Directors at Merkanti Bank Ltd upholds high standards of corporate governance and ethics, remaining accountable to shareholders and stakeholders. They ensure a top-level directive for a risk-aware culture, addressing all types of risks in decision-making processes.</p> <p>The key risks associated with the Bank’s business model are highlighted in Section 2.2 above.</p> <p>The risk management framework allows the Bank’s management to address risks effectively by coordinating between risk-taking units and risk management units. The Bank’s risk profile is consistent with the risk tolerance levels approved by the Board, as outlined in the Risk Appetite Statement. The Bank uses a variety of metrics to monitor its risk profile, as defined in its Risk Tolerance and Limits Statement. This statement sets limits for various risks based on both regulatory and internally set thresholds. These limits and thresholds are regularly monitored and reported to the Board of Directors through the Risk Committee at least monthly, or more frequently if potential breaches occur, in accordance with the Bank’s escalation procedures.</p> <p>Detailed information regarding the Bank’s risk profile across various categories of risk associated with its business model can be found in Section 2.4 above. Key ratios and figures illustrating the Bank’s risk profile are included in Table EU KM1, which is presented in Section 1.2 above.</p>

2. Risk management - continued

2.3 Disclosures on the Bank's risk management strategies and processes by category of risks

(Article 435(1) (a), (b), (d) and (f) CRR & Article 446 (1) (a) – Tables EU OVA, EU CRA, EU MRA, EU ORA
Article 451a(4) CRR – Table EU LIQA) - continued

2.3.5 Liquidity risk - continued

Liquidity risk quantification

The Risk Management function of the Bank performs a risk assessment to identify the significance and likelihood of liquidity risks, namely through the ILAAP. Further information on the Bank's assessment through the ILAAP is included in Section 5.2.

3. Own funds

The Bank has processes to ensure that the minimum regulatory requirements in relation to own funds are met at all times, through the assessment of its capital resources and requirements. During the financial period ended 31 December 2025, the Bank has complied with all the externally imposed capital requirements to which it was subject.

For regulatory purposes, the Bank's capital base is composed solely of Common Equity Tier 1 ("CET1") capital consisting of:

- Paid up capital;
- Share premium;
- Retained earnings;
- Other comprehensive income.

As at 31 December 2025, the Bank's equity also includes a capital contribution amounting to €89,485 originating from a Tax Sharing Agreement entered into by the Bank with its immediate parent in 2024. In view of its excess statutory capital buffers, the Bank did not seek regulatory approval to include the contribution in its statutory own funds. The Bank does not maintain a Reserve for General Banking Risks, since it does not have loans and advances which are classified as "Non-performing".

Table EU CC1 below provides a detailed overview of the composition of the Bank's own funds in accordance with the CRR.

3. Own funds – continued**EU CC1 - Composition of regulatory own funds**

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	10,000,000	Vide EU CC2 'Shareholders Equity' row 1
	of which: Instrument type 1	-	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	6,057,081	Vide EU CC2 'Shareholders Equity' row 4
3	Accumulated other comprehensive income (and other reserves)	(1,441)	Vide EU CC2 'Shareholders Equity' row 3
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	16,055,640	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-	
8	Intangible assets (net of related tax liability) (negative amount)	-	
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	

3. Own funds – continued

17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	-	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-	
29	Common Equity Tier 1 (CET1) capital	16,055,640	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	

3. Own funds – continued

44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	16,055,640	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	-	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	-	
59	Total capital (TC = T1 + T2)	16,055,640	
60	Total Risk exposure amount	18,129,251	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	88.56%	
62	Tier 1 capital	88.56%	
63	Total capital	88.56%	
64	Institution CET1 overall capital requirements	11.28%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.07%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	4.22%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	73.06%	
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	

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3. Own funds – continued

77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Table EU CC2 below provides a detailed overview of the composition of the Bank's own funds in accordance with the CRR. The Bank's scope of accounting consolidation and its scope of prudential consolidation are exactly the same, hence column (a) and (b) of this template has been merged.

		a	c
		Balance sheet as in published financial statements	Reference
		31 December 2025	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
1	Balances with Central Bank of Malta and cash	24,036,080	
2	Loans and advances to banks and other financial institutions	2,913,090	
3	Loans and advances to customers	3,115,708	
4	Financial assets measured at fair value through profit or loss	792,600	
5	Financial assets measured at fair value through other comprehensive income	192,060	
6	Accrued income and other assets	103,183	
7	Total assets	31,152,721	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
1	Amounts owed to customers	13,513,986	
2	Other liabilities	1,493,607	
3	Total liabilities	15,007,593	
Shareholders' Equity			
1	Share capital	10,000,000	Vide EU CC1 row 1
2	Capital contribution	89,485	
3	Fair Value reserve	(1,441)	Vide EU CC1 row 3
4	Retained earnings	6,057,084	Vide EU CC1 row 2
5	Total shareholders' equity	16,145,128	

3.1 Breakdown of components

(a) Ordinary share capital

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.

(b) 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.

4. Capital management and requirements

4.1 Capital management

(Article 438 CRR)

(c) Fair value reserve

This represents the cumulative net change in fair values of financial assets measured at fair value through other comprehensive income held by the Bank.

Capital adequacy and the use of regulatory capital are monitored on an ongoing basis by the Bank's management, employing techniques based on guidelines established by European Union Regulations and Directives, as implemented by the MFSA for supervisory purposes. The Bank's capital risk 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.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' as disclosed in the statement of financial position, are:

- to comply with the capital requirements set out in the CRD and the CRR;
- to safeguard the Bank'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.

The Bank's Senior Management is primarily 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 of directors by the Finance function.

The Bank's regulatory capital at 31 December 2025 and 31 December 2024 consisted of:

- Common Equity Tier 1 capital, which includes ordinary shares, retained earnings and fair value reserve after deductions for intangible assets and deferred tax assets amounting to €16.1 million (2024: €18.7 million)

In terms of the MFSA's current Supervisory Review and Evaluation Process ("SREP") requirements, the Bank is obliged to maintain an overall capital requirement (OCR) of 18%. The Bank is also required to take into account a Pillar 2 Guidance of 2% over and above the OCR of 18%, resulting in a total capital requirement ratio of 20%.

4.2 Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process

The Bank's Internal Capital and Liquidity Adequacy Assessment Process ("ICLAAP"), encompassing both ICAAP and ILAAP, involves identifying and measuring the Bank's key risks to ensure the sustained adequacy of internal capital and liquidity on a forward-looking basis, as well as ensuring sound risk management systems are maintained to further develop, measure, monitor, and provide adequate information on the Bank's risks.

The Bank has structured its ICLAAP report in accordance with its business and risk profile, fully integrating it into its Risk Management planning and control framework.

4. Capital management and requirements - continued

4.2 Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process - continued

The Bank submits its ICLAAP report on an annual basis to the MFSA and is aligned with guidelines and principles provided by the ECB, EBA and MFSA, including:

- Title 8 and Title 9 of the EBA Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing under Directive 2013/36/EU (EBA/GL/2022/03);
- Guidelines on Liquidity Buffers and Survival Periods issued by the Committee of European Banking Supervisors (CEBS, on 9th December 2009; and
- the requirements laid down in Banking Rule 12 The Supervisory Review Process of Credit Institutions Authorised under the Banking Act 1994 ("BR/12"), including Appendix 2 of BR/12 'Internal Capital Adequacy Assessment Process - General Framework'.

The Bank monitors its compliance with the required regulatory own funds ratios through ongoing internal activities by its Risk Management and Finance functions, and are reported to the Bank's Board at every Board meeting. The Bank's Risk Management Department oversees the ICAAP and ILAAP processes,

receiving input from Finance and Executive Management. The report was reviewed, challenged and signed off by its Board of Directors. The final ICAAP document was also independently reviewed by an external party and recommendations were incorporated. The Bank also reports its regulatory positions to the Central Bank of Malta (CBM) and the MFSA in accordance with regulatory requirements.

The Bank's approach to calculating its own capital requirement is to consider the internal capital required for credit, market and operational risks under Pillar I, and interest rate risk in the banking book, concentration risks, liquidity funding concentration risk, AML risk and IT risk under Pillar II. The Bank also maintains a cushion for "other Pillar II risks".

The Bank takes an active approach to managing risks, aiming to identify and assess risk profiles and to define, prioritise and implement risk mitigation measures. The Bank's Risk Management Department, with support from other departments, is responsible for drawing up risk policy measures to be followed by the Bank. The Risk Appetite Statement is drawn up to maintain a sustainable risk-taking strategy by assigning tolerable risk limits to ensure the best interest of the Bank and all its stakeholders.

The Bank's ICLAAP reflects the implementation of the basic principles of its Risk Management framework, as defined in the Risk Management Policy and Framework, the Risk Strategy and the Risk Appetite Statement.

The Bank's risk management process is built on the Risk Management Policy and Framework and involves the interaction of management across departments (first line and second lines of defence), the Risk Committee and the Board of Directors of the Bank. The Bank's risk management process comprises the following steps:

- **Risk identification:** The risk identification step is fundamental to the risk assessment process, requiring a review of each transaction and activity undertaken by the Bank from a risk perspective. Management must analyze all significant activities within the Bank to identify the risks associated with these activities.
- **Risk Measurement:** Risk measurement methodologies are used to quantify the impact of each significant risk identified in the previous step on the Bank's profits (i.e. potential losses) and capital.
- **Capital demand:** Based on the potential losses, the capital demand is quantified to cover all the Bank's Pillar I and Pillar II risks.
- **Capital supply:** The capital supply, or economic risk coverage capacity, includes the available capital resources to absorb losses quantified as part of the capital demand.

4. Capital management and requirements - continued

4.2 Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process - continued

As part of its ICLAAP, the Bank has developed three stress scenarios, a sensitivity analysis, and a reverse stress test to identify the potential risks that could impact the Bank’s capital base.

- **Stress Scenarios:** Regular stress testing is conducted to ensure the adequacy of capital and liquidity under adverse conditions using both a static and a dynamic balance sheet approach. The three stress scenarios include two adverse economic situations: the 'Geopolitical Conflict' (systemic event) and 'Reputation Risk' (idiosyncratic event), and a third scenario that combines elements of both.
- **Sensitivity Analysis:** The sensitivity analysis tests the resilience of the Bank in case there are specific reductions in deposits and loans from the Group. The Bank’s Capital Adequacy Ratio was well above the minimum requirement in all the cases.
- **Reverse Stress Testing:** The reverse stress tests incorporate both qualitative and quantitative factors that could cause the Bank to fail to meet its capital requirements or result in the Bank being unable to continue operating as a going concern.

The implementation of the ICLAAP has led the Bank to continuously improve its risk management process and Risk Appetite Statement, with a focus on capital and liquidity adequacy concerning its most significant risks. The Bank’s Risk Management Department oversees risk appetite levels, which are reviewed by the

Risk Committee and Board for any necessary changes. These parameters are also periodically reassessed to ensure alignment with the Bank’s Recovery Plan.

Table EU OVC - ICAAP information

(Annual (point (c) of Article 438))

(b)	<p><u>Upon demand from the relevant competent authority, the result of the institution’s internal capital adequacy assessment process</u></p> <p>After obtaining Board approval, the outcome of the institution’s internal capital adequacy assessment process is submitted to the Regulator in accordance with the prescribed timelines. There is no requirement from the competent authority for further information under this disclosure</p>
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4.3 Capital requirements

(Article 438 (d) CRR – Table EU OV1)

The Bank’s policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank’s policies in respect of capital management and allocation are reviewed regularly by the Board of directors.

The Bank uses the following methods to calculate the capital charge for each risk:

- Credit risk: the Bank uses the standardised approach to calculate its capital requirements for credit risk. To calculate the risk-weighted exposure amounts, risk weights are applied based on the exposure class and the related credit quality.
- Market risk: the Bank has adopted the Basic Method to determine its market/ foreign exchange risk Pillar 1 minimum capital requirement in accordance with Article 325 of the CRR. 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.

4. Capital management and requirements - continued

4.3 Capital requirements - continued

- Operational risk: the Bank calculates its capital requirement for operational risk using the Basic Indicator Approach in terms of Article 315 of CRR. The own funds requirement amounts to 15% of the average three years of the relevant indicator, as defined in Article 316.

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 Bank has fully implemented the CRD IV capital requirements with effect from January 2019. In this respect, Central Bank of Malta Directive No. 11: Macro Prudential Policy and Banking Rule BR/15: 'Capital Buffers of Credit Institutions authorised under the Banking Act (Cap. 371)', require additional buffers, namely the 'capital conservation buffer', the 'countercyclical buffer', 'other systemically important institutions (O-SII) buffer' and the 'systemic risk buffer'. Automatic restrictions on capital distributions apply if the local group's CET1 capital falls below the level of its CRD IV combined buffer.

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 from 1 January 2019. This buffer was phased in over the period from 1 January 2016 to 31 December 2018.

CRD IV contemplates a countercyclical buffer in line with Basel III, in the form of an institution-specific countercyclical buffer and the application of increased requirements to address macro-prudential or systemic risk. This is expected to be set in the range of 0-2.5% of relevant credit exposure RWAs, whereby

the rate shall consist of the weighted average of the 'countercyclical buffer' rates that apply in the jurisdiction where the relevant exposures are located.

The O-SII buffer is also institution specific and may be set at a maximum of 2% of a systemically important institution's total risk exposure amount. Given the Bank's position as a non-core domestic bank, in terms of its systematic relevance to the financial system in Malta, the Bank is not currently required to maintain an O-SII buffer.

In addition to the measures above, CRD IV sets out a 'systemic risk buffer' for the financial sector as a whole, or one or more sub-sectors, to be deployed as necessary by each EU member state with a view to mitigating structural macroprudential risk. The 'systemic risk buffer' may range between 0% and 5%. There are currently no indications that the Bank will need to maintain a systemic risk buffer.

As at 31 December 2025, the Bank had €792,600 credit exposures that were subject to a countercyclical capital buffer requirement of 0.75%.

Template EU OV1 provides an overview of the total risk exposure amounts. It presents a consolidated summary of the institution's total risk exposure amounts (TREA) and total own funds requirements across various risk categories, including credit risk, settlement risk, and operational risk.

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4. Capital management and requirements - continued

4.3 Capital requirements - continued

Template EU OV1 - Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31 Dec 2025	31 Dec 2024	31 Dec 2025
1	Credit risk (excluding CCR)	9,080,678	14,465,828	726,454
2	Of which the standardised approach	9,080,678	14,465,828	726,454
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	-	-	-
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
9	Of which other CCR	-	-	-
10	Credit valuation adjustments risk - CVA risk	-	-	-
EU 10a	Of which the standardised approach (SA)	-	-	-
EU 10b	Of which the basic approach (F-BA and R-BA)	-	-	-
EU 10c	Of which the simplified approach	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	61,207	1,097,889	4,897
21	Of which the Alternative standardised approach (A-SA)	61,207	1,097,889	4,897
EU 21a	Of which the Simplified standardised approach (S-SA)	-	-	-
22	Of which Alternative Internal Model Approach (A-IMA)	-	-	-
EU 22a	Large exposures	-	-	-
23	Reclassifications between the trading and non-trading books	-	-	-
24	Operational risk	8,987,366	8,489,184	718,989
EU 24a	Exposures to crypto-assets	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
26	Output floor applied (%)	-	-	-
27	Floor adjustment (before application of transitional cap)	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-
29	Total	18,129,251	24,052,901	1,450,340

5. Liquidity risk

The Bank's goal in managing liquidity risk is to maintain sufficient liquidity to fulfil its short- and long-term obligations under both normal and stressed conditions, while avoiding reputation damage or costs.

As described in section 1.1.3, the following disclosures in this section are not mandatory but have been included for the purpose of transparency and to provide further insight into the Bank's risk profile.

The Bank's LCR averaged 2342% throughout the year. The Bank's Risk Appetite Statement sets internal levels to maintain these trends. Management monitors these levels weekly and reports them to the Risk Committee and the Board at each meeting.

5.1 Liquidity Coverage Ratio

The LCR seeks to ensure a bank's short-term liquidity resilience over a 30-day stress period. It assesses the volume of unencumbered high-quality liquid assets ("HQLA") that can be readily and rapidly converted into cash in private markets, compared against net cash outflows from both contractual obligations and modelled stressed exposures during the 30-day timeframe.

EU LIQ1 - Quantitative information of LCR

EU 1a	Quarter ending on (DD Month YYYY)	a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		31 Dec 2025	30 Sept 2025	30 Jun 2025	31 Mar 2025	31 Dec 2025	30 Sept 2025	30 Jun 2025	31 Mar 2025
EU 1b	Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					19,915,658	21,818,816	24,342,164	26,673,770
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	<i>Stable deposits</i>	-	-	-	-	-	-	-	-
4	<i>Less stable deposits</i>	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	6,922,344	7,866,690	8,739,553	10,942,995	3,429,256	3,857,093	4,457,265	5,942,386
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	6,922,344	7,866,690	8,739,553	10,942,995	3,429,256	3,857,093	4,457,265	5,942,386
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	-	-	-	-	-	-	-	-
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	-	-	-	-	-	-	-	-
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	75,000	75,000	75,000	75,000	-	-	-	-
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOTAL CASH OUTFLOWS					3,429,256	3,857,093	4,457,265	5,942,386

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5. Liquidity risk - continued

5.1 Liquidity Coverage Ratio - continued

CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	4,720,949	4,819,539	3,827,308	3,388,115	3,718,325	3,703,084	3,230,661	2,770,827
19	Other cash inflows	2,716	2,755	3,038	3,038	2,716	2,755	3,038	3,038
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	X				-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	X				-	-	-	-
20	TOTAL CASH INFLOWS	4,723,665	4,822,294	3,830,345	3,391,153	3,721,040	3,705,839	3,233,699	2,773,865
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	4,723,665	4,822,294	3,830,345	3,391,153	3,721,040	3,705,839	3,233,699	2,773,865
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER	X				19,915,658	21,818,816	24,342,164	26,673,770
22	TOTAL NET CASH OUTFLOWS	X				1,345,148	1,736,444	2,218,323	3,566,465
23	LIQUIDITY COVERAGE RATIO	X				2342%	2486%	2272%	1716%

5.2 Net Stable Funding Ratio
(Article 451a(3) CRR – Table EU LIQ2)

The NSFR mandates banks to have a stable long-term funding profile for their balance sheet activities. It is calculated as the ratio of Available Stable Funding (stable capital and liquidities) to Required Stable Funding (based on asset liquidity).

EU LIQ2: Net Stable Funding Ratio

31 Dec 2025		a	b	c	d	e
<i>(in currency amount)</i>		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	16,055,640	-	-	-	16,055,640
2	Own funds	16,055,640	-	-	-	16,055,640
3	Other capital instruments		-	-	-	-
4	Retail deposits		-	-	-	-
5	Stable deposits		-	-	-	-
6	Less stable deposits		-	-	-	-
7	Wholesale funding:		13,513,986	-	-	5,894,444
8	Operational deposits		-	-	-	-
9	Other wholesale funding		13,513,986	-	-	5,894,444
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	1,493,610	-	-	-
12	NSFR derivative liabilities					
13	All other liabilities and capital instruments not included in the above categories		1,493,610	-	-	-
14	Total available stable funding (ASF)					21,950,084
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		2,923,641	-	3,352,812	3,616,052
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,923,641	-	3,158,653	3,451,017

5. Liquidity risk - continued

5.2 Net Stable Funding Ratio - continued

20	<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		-	-	-	-
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		-	-	-	-
22	<i>Performing residential mortgages, of which:</i>		-	-	-	-
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		-	-	-	-
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		-	-	194,159	165,036
25	Interdependent assets		-	-	-	-
26	Other assets:		879,451	-	-	836,026
27	<i>Physical traded commodities</i>				-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		-	-	-	-
29	<i>NSFR derivative assets</i>		-			-
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-			-
31	<i>All other assets not included in the above categories</i>		879,451	-	-	836,026
32	Off-balance sheet items		-	-	-	-
33	Total RSF					4,452,078
34	Net Stable Funding Ratio (%)					493.03%

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5. Liquidity risk - continued

5.2 Net Stable Funding Ratio - continued

30 Sept 2025		a	b	c	d	e
(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	18,258,894	-	-	-	18,258,894
2	Own funds	18,258,894	-	-	-	18,258,894
3	Other capital instruments	-	-	-	-	-
4	Retail deposits	-	-	-	-	-
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	-	-	-	-
7	Wholesale funding:	-	14,073,651	-	-	6,506,007
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	14,073,651	-	-	6,506,007
10	Interdependent liabilities	-	-	-	-	-
11	Other liabilities:	-	184,121	-	565,330	565,330
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and capital instruments not included in the above categories	-	184,121	-	565,330	565,330
14	Total available stable funding (ASF)					25,330,231
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		2,186,317	-	3,379,686	3,564,212
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,186,317	-	3,152,316	3,370,948
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		-	-	-	-
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
22	Performing residential mortgages, of which:		-	-	-	-

MERKANTI BANK LIMITED
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5. Liquidity risk - continued

5.2 Net Stable Funding Ratio - continued

23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		-	-	-	-
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		-	-	227,370	193,265
25	Interdependent assets		-	-	-	-
26	Other assets:		1,009,248	-	-	2,450,205
27	<i>Physical traded commodities</i>				-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		-	-	-	-
29	<i>NSFR derivative assets</i>		-			-
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-			-
31	<i>All other assets not included in the above categories</i>		1,009,248	-	1,549,281	2,450,205
32	Off-balance sheet items		-	-	-	-
33	Total RSF					6,014,417
34	Net Stable Funding Ratio (%)					421.16%

30 Jun 2025		a	b	c	d	e
<i>(in currency amount)</i>		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	18,433,876	-	-	-	18,433,876
2	<i>Own funds</i>	18,433,876	-	-	-	18,433,876
3	<i>Other capital instruments</i>		-	-	-	-
4	Retail deposits		-	-	-	-
5	<i>Stable deposits</i>		-	-	-	-
6	<i>Less stable deposits</i>		-	-	-	-
7	Wholesale funding:		25,493,566	-	-	9,494,104
8	<i>Operational deposits</i>		-	-	-	-
9	<i>Other wholesale funding</i>		25,493,566	-	-	9,494,104
10	Interdependent liabilities		-	-	-	-

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Additional Regulatory Disclosures – 31 December 2025

5. Liquidity risk - continued

5.2 Net Stable Funding Ratio - continued

11	Other liabilities:	-	156,748	-	-	-
12	<i>NSFR derivative liabilities</i>	-				
13	<i>All other liabilities and capital instruments not included in the above categories</i>		156,748	-	-	-
14	Total available stable funding (ASF)					27,927,980
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		20,468,908	-	224,610	7,584,108
18	<i>Performing securities financing transactions with financial customer collateralised by Level 1 HQLA subject to 0% haircut</i>		-	-	-	-
19	<i>Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions</i>		7,103,160	-	-	710,316
20	<i>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:</i>		13,365,747	-	-	6,682,874
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		-	-	-	-
22	<i>Performing residential mortgages, of which:</i>		-	-	-	-
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		-	-	-	-
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		-	-	224,610	190,919
25	Interdependent assets		-	-	-	-
26	Other assets:		1,040,595	-	-	1,845,765
27	<i>Physical traded commodities</i>				-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		-	-	-	-
29	<i>NSFR derivative assets</i>		-			-
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-			-
31	<i>All other assets not included in the above categories</i>		1,040,595	-	929,167	1,845,765
32	Off-balance sheet items		-	-	-	-
33	Total RSF					9,429,873
34	Net Stable Funding Ratio (%)					296.16%

MERKANTI BANK LIMITED
Additional Regulatory Disclosures – 31 December 2025

5. Liquidity risk - continued

5.2 Net Stable Funding Ratio - continued

31 Mar 2025		a	b	c	d	e
(in currency amount)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	18,684,308	-	-	-	18,684,308
2	Own funds	18,684,308	-	-	-	18,684,308
3	Other capital instruments		-	-	-	-
4	Retail deposits		-	-	-	-
5	Stable deposits		-	-	-	-
6	Less stable deposits		-	-	-	-
7	Wholesale funding:		27,599,625	-	-	10,433,184
8	Operational deposits		-	-	-	-
9	Other wholesale funding		27,599,625	-	-	10,433,184
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	141,415	-	-	-
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		141,415	-	-	-
14	Total available stable funding (ASF)					29,117,492
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		7,275,440	8,849,997	5,232,277	12,107,682
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,882,451	-	5,003,389	5,291,634
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		4,392,989	8,849,997	-	6,621,493

MERKANTI BANK LIMITED
Additional Regulatory Disclosures – 31 December 2025

5. Liquidity risk - continued

5.2 Net Stable Funding Ratio - continued

21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		-	-	-	-
22	<i>Performing residential mortgages, of which:</i>		-	-	-	-
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</i>		-	-	-	-
24	<i>Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products</i>		-	-	228,888	194,555
25	Interdependent assets		-	-	-	-
26	Other assets:		246,339	832,435	-	1,844,129
27	<i>Physical traded commodities</i>				-	-
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		-	-	-	-
29	<i>NSFR derivative assets</i>		-	-	-	-
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		-	-	-	-
31	<i>All other assets not included in the above categories</i>		246,339	832,435	908,442	1,844,129
32	Off-balance sheet items		-	-	-	-
33	Total RSF					13,951,811
34	Net Stable Funding Ratio (%)					208.70%

6. Remuneration policy and practices

In terms of Article 450 of the CRR, institutions are required to disclose information on the Bank’s remuneration policy and practices of those staff whose professional activities have a material impact on its risk profile.

As required in terms of the framework for prudential supervision established by EU Directive 2013/36/EU, the Bank is required to identify individuals that are considered as Material Risk Takers (‘MRTs’) based on qualitative and quantitative criteria set out in EU Delegated Regulation 2021/923. In addition to the Non-Executive directors, the Bank’s MRTs consist of three senior management staff members including the Chief Executive Officer.

6.1 Remuneration practices

Table EU REMA provides comprehensive information about the bank’s remuneration policy, detailing the governance structure of the remuneration committee as well as the composition of variable and fixed pay.

Table EU REMA
 (Annual (points (a) to (d) and (k) of Article 450(1))

(a)	<p><u>Information relating to the bodies that oversee remuneration.</u></p> <p>The Bank has an established Remuneration Policy that is implemented and managed by the Nominations and Remuneration Committee. The Committee is composed of three non-executive directors and meets at least four times a year or more often as deemed necessary. The Remuneration Policy is reviewed annually or more frequently depending on statutory and regulatory developments.</p>
(b)	<p><u>Information relating to the design and structure of the remuneration system for identified staff.</u></p> <p>The board of directors considers that the packages offered to senior management ensure that the Bank attracts and retains management staff that is capable of fulfilling its duties and obligations. Furthermore, it is the Bank’s policy to engage its senior management staff on the basis of indefinite contracts of employment after a period of probation, rather than on fixed term contracts. Accordingly, the applicable notice periods, after probation, are those provided for in the relevant legislation.</p> <p>Independent non-executive directors of the Bank, in their capacities as directors of the Bank, are entitled to fixed remuneration fees from the Bank. The Bank’s Chief Executive Officer is not a director of the Bank. The Bank’s staff, including the CEO, are entitled to receive an annual discretionary bonus based on an assessment of one’s overall performance, together with the level annual financial results of the Bank, during the previous financial year.</p> <p>Share options and profit sharing do not feature in the Bank’s processes and the individual contracts of employment of employees within the Bank do not contain provisions for termination payments and/or other payments linked to early termination other than as determined by Law. Currently no pension benefits are payable by the Bank. An annual bonus is payable based on an assessment of one’s overall performance, together with the level of annual financial results of the Bank, during the previous financial year.</p>

6. Remuneration policy and practices – continued

Table EU REMA – (continued)

(c)	<p><u>Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.</u></p> <p>The Bank's remuneration practices are documented in its Remuneration policy. The policy approved by the Board of Directors and is subject to annual review.</p>
(d)	<p><u>The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.</u></p> <p>Bonus payments do not exceed 25% of the fixed component of the total remuneration for each individual. In addition, the total amount of performance related payments should not exceed 15% of the total staff costs of the Bank.</p> <p>The Bank adopts deferral procedures for variable remuneration payable in cash. The deferral procedures apply to the following:</p> <ul style="list-style-type: none"> a. variable remuneration payments exceeding 25% of the total remuneration for individual staff members; or b. in case whereby the amount of all variable remuneration payments exceed 20% of the total staff costs of the Bank. <p>Deferral periods should not exceed three years. For variable remuneration payments falling below the above thresholds, neither a deferred payment nor a split in cash and instruments are applicable.</p> <p>To-date, variable remuneration payments were below the above thresholds and consequently, no deferred remuneration has been awarded or paid by the Bank.</p>
(e)	<p><u>Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration.</u></p> <p>Senior management is not entitled to contractual annual salary increases. An annual bonus is payable based on an assessment of one's overall performance, together with the level of annual financial results of the Bank, during the previous financial year.</p>
(i)	<p><u>Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.</u></p> <p>Not applicable to the Bank.</p>

6. Remuneration policy and practices - continued

Table EU REM1 - Remuneration awarded for the financial year

		a	b	c	d	
		MB Supervisory function	MB Management function	Other senior management	Other identified staff	
1	Fixed remuneration	Number of identified staff	5	3	2	-
2		Total fixed remuneration	291,550	665,597	137,919	-
3		Of which: cash-based	291,550	665,597	137,919	-
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8	(Not applicable in the EU)					
9	Variable remuneration	Number of identified staff		3	2	-
10		Total variable remuneration		35,000	18,600	
11		Of which: cash-based		35,000	18,600	
12		Of which: deferred				
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15	Of which: other forms					
16	Of which: deferred					
17	Total remuneration (2 + 10)	291,550	700,597	156,519		

Templates EU REM2, EU REM3 and EU REM4 are not being disclosed as they are not applicable to the Bank as at 31 December 2025.