

# HSBC Bank Malta p.l.c.

**Pillar 3 Disclosures at 30 June 2024**

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# Introduction

## Regulatory framework for disclosures

HSBC Bank Malta p.l.c. is regulated on a consolidated basis by the European Central Bank ('ECB') which sets and monitors capital adequacy requirements.

Throughout 2024 HSBC Bank Malta p.l.c. calculated capital on a consolidated basis for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ('BCBS') as implemented by the European Union in the amended Capital Requirements Regulation and Directive, collectively referred to as CRR/CRD. The local group comprises HSBC Bank Malta p.l.c. and its subsidiary HSBC Global Asset Management (Malta) Ltd. HSBC Life Assurance (Malta) Ltd is excluded from the regulatory scope of consolidation by eliminating assets, liabilities and post-acquisition reserves, leaving the investment of the insurance subsidiary to be recorded at cost and deducted from CET1 subject to thresholds.

The Basel Committee's framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. Pillar 3 requires all material risks to be disclosed, enabling a comprehensive view of a bank's risk profile.

## Pillar 3 disclosures

The information contained in this document is for HSBC Bank Malta p.l.c. It should be read in conjunction with HSBC Bank Malta p.l.c.'s Interim Report 2024.

These disclosures are governed by the HSBC Group's disclosure policy, which has been approved by the Board of Directors. The disclosure policy sets out the governance, control and assurance requirements for publication of the document. This Pillar 3 document has been subject to internal review process in accordance with HSBC Bank Malta p.l.c.'s financial reporting and governance processes.

## Key regulatory developments

### Basel Reforms in Europe

In Europe, the final version of the Capital Requirements Regulation, known as CRR III, was published in June 2024. The CRR III amends the rules for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor in accordance with the Basel 3 Reforms. The implementation date for the majority of the requirements remains 1 January 2025, with an output floor transitional period of five years. However, the market risk rules have been delayed by one-year until 1 January 2026.

The EU's package includes rules related to the management of ESG risks in Pillar 1 that are additional to the Basel Reforms. There is also a requirement for banks to have transition plans, to be included in Pillar 2. Furthermore, the package amends the requirement for management bodies to develop and monitor the implementation of specific plans, quantifiable targets and processes to monitor and address the financial risks from ESG factors.

Beyond the implementation of the CRR III requirements, the CRD VI aims to align the minimum requirements applicable to third-country banks accessing the EU market and strengthen supervisory powers.

### Interest Rate Risk in the Banking Book ('IRRBB')

In July 2024, the Basel Committee on Banking Supervision finalised the targeted adjustments to its standard on IRRBB. The adjustments are part of Basel's periodic review to update the calibration of the interest rate shock factors used in the standard and are specifically aimed at addressing challenges with changes in interest rate regimes. These proposals are expected to be implemented by 1 January 2026 and may further constrain the permitted sensitivities to interest rate risk in the banking book.

# Pillar 3 Disclosures at 30 June 2024

Table 1: Key metrics (KM1)

| Ref*   |  | At             |                |                |                |                |
|--------|--|----------------|----------------|----------------|----------------|----------------|
|        |  | 30 Jun<br>2024 | 31 Mar<br>2024 | 31 Dec<br>2023 | 30 Sep<br>2023 | 30 Jun<br>2023 |
|        | <b>Available capital (€000)*</b>   |                |                |                |                |                |
| 1      | Common Equity Tier 1 ('CET1') capital <sup>^</sup>   | 454,968        | 448,442        | 455,071        | 385,203        | 398,071        |
| 1a     | Fully loaded ECL accounting model CET1   | 453,541        | 446,606        | 450,399        | 381,027        | 394,105        |
| 2      | Tier 1 capital <sup>^</sup>  | 454,968        | 448,442        | 455,071        | 385,203        | 398,071        |
| 2a     | Fully loaded ECL accounting model Tier 1   | 453,541        | 446,606        | 450,399        | 381,027        | 394,105        |
| 3      | Total capital <sup>^</sup>   | 519,968        | 513,442        | 520,071        | 447,203        | 460,071        |
| 3a     | Fully loaded ECL accounting model total capital  | 518,541        | 511,606        | 515,399        | 443,027        | 456,105        |
|        | <b>Risk-weighted exposure amounts ('RWEAs') (€000)</b>   |                |                |                |                |                |
| 4      | Total risk-weighted exposure amount  | 2,159,153      | 2,136,005      | 2,213,655      | 2,156,713      | 2,236,599      |
|        | Total RWEAs as if IFRS 9 transitional arrangements had not been applied  | 2,158,041      | 2,134,569      | 2,209,993      | 2,153,158      | 2,233,101      |
|        | <b>Capital ratios (%)</b>  |                |                |                |                |                |
| 5      | Common Equity Tier 1 ratio (%)   | 21.1           | 21.0           | 20.6           | 17.9           | 17.8           |
| 5a     | Fully loaded ECL accounting model Common Equity Tier 1 (%)   | 21.0           | 20.9           | 20.4           | 17.7           | 17.6           |
| 6      | Tier 1 ratio (%)   | 21.1           | 21.0           | 20.6           | 17.9           | 17.8           |
| 6a     | Fully loaded ECL accounting model Tier 1 ratio (%)   | 21.0           | 20.9           | 20.4           | 17.7           | 17.6           |
| 7      | Total capital ratio (%)  | 24.1           | 24.0           | 23.5           | 20.7           | 20.6           |
| 7a     | Fully loaded ECL accounting model total capital ratio (%)  | 24.0           | 24.0           | 23.3           | 20.6           | 20.4           |
|        | <b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>                      |                |                |                |                |                |
| EU 7a  | Additional own funds requirements to address risks other than the risk of excessive leverage (%)                               | 2.5            | 2.5            | 2.3            | 2.3            | 2.3            |
| EU 7b  | – of which: to be made up of CET1 capital (percentage points)  | 1.4            | 1.4            | 1.3            | 1.3            | 1.3            |
| EU 7c  | – of which: to be made up of Tier 1 capital (percentage points)  | 1.9            | 1.9            | 1.7            | 1.7            | 1.7            |
| EU 7d  | Total SREP own funds requirements (%)  | 10.5           | 10.5           | 10.3           | 10.3           | 10.3           |
|        | <b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>                      |                |                |                |                |                |
| 8      | Capital conservation buffer (%)  | 2.5            | 2.5            | 2.5            | 2.5            | 2.5            |
| EU 8a  | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)                     | –              | –              | –              | –              | –              |
| 9      | Institution specific countercyclical capital buffer (%)  | –              | –              | –              | –              | –              |
| EU 9a  | Systemic risk buffer (%) <sup>§</sup>  | 0.6            | 0.6            | 0.4            | 0.4            | –              |
| 10     | Global Systemically Important Institution buffer (%)   | –              | –              | –              | –              | –              |
| EU 10a | Other Systemically Important Institution buffer (%) <sup>£</sup>   | 1.3            | 1.3            | 1.3            | 1.3            | 1.3            |
| 11     | Combined buffer requirement (%)  | 4.4            | 4.4            | 4.2            | 4.2            | 3.8            |
| EU 11a | Overall capital requirements (%)   | 14.9           | 14.9           | 14.4           | 14.4           | 14.0           |
| 12     | CET1 available after meeting the total SREP own funds requirements (%)   | 13.2           | 13.1           | 12.9           | 10.2           | 10.1           |
|        | <b>Leverage ratio</b>  |                |                |                |                |                |
| 13     | Total exposure measure   | 7,183,192      | 7,023,259      | 7,149,295      | 6,805,618      | 6,911,555      |
| 14     | Leverage ratio (%) <sup>^</sup>  | 6.3            | 6.4            | 6.4            | 5.7            | 5.8            |
| 14a    | Fully loaded ECL accounting model leverage ratio (%)   | 6.3            | 6.4            | 6.3            | 5.6            | 5.7            |
|        | <b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b> |                |                |                |                |                |
| EU 14a | Additional own funds requirements to address the risk of excessive leverage (%)  | –              | –              | –              | –              | –              |
| EU 14b | – of which: to be made up of CET1 capital (percentage points)  | –              | –              | –              | –              | –              |
| EU 14c | Total SREP leverage ratio requirements (%)   | 3.0            | 3.0            | 3.0            | 3.0            | 3.0            |
|        | <b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>                |                |                |                |                |                |
| EU 14d | Leverage ratio buffer requirement (%)  | –              | –              | –              | –              | –              |
| EU 14e | Overall leverage ratio requirement (%)   | 3.0            | 3.0            | 3.0            | 3.0            | 3.0            |
|        | <b>Liquidity Coverage Ratio ('LCR')<sup>1</sup></b>  |                |                |                |                |                |
| 15     | Total high-quality liquid assets ('HQLA') (Weighted value-average)   | 2,871,219      | 2,747,169      | 2,624,665      | 2,561,077      | 2,533,116      |
| EU 16a | Cash outflows – Total weighted value   | 1,146,863      | 1,136,325      | 1,111,300      | 1,122,084      | 1,139,095      |
| EU 16b | Cash inflows – Total weighted value  | 618,439        | 575,447        | 590,891        | 540,668        | 572,840        |
| 16     | Total net cash outflows (adjusted value)   | 528,424        | 512,923        | 520,409        | 581,416        | 566,255        |
|        | LCR ratio (%)  | 552.0          | 543.4          | 504.4          | 440.5          | 447.3          |
|        | <b>Net Stable Funding Ratio<sup>1</sup></b>  |                |                |                |                |                |
| 18     | Total available stable funding   | 5,549,308      | 5,527,412      | 5,599,552      | 5,380,974      | 5,365,372      |
| 19     | Total required stable funding  | 2,378,580      | 2,445,790      | 2,378,580      | 2,501,360      | 2,611,599      |
| 20     | NSFR ratio (%)   | 233.3          | 226.0          | 222.5          | 215.1          | 205.4          |

\* The references in this, and subsequent tables, identify the lines prescribed in the relevant European Banking Authority ('EBA') template where applicable and where there is a value.

+ Capital figures and ratios are reported using the CRR2 transitional basis for capital instruments.

§ The sectoral systemic risk buffer was introduced by the Central Bank of Malta with effect from end September 2023, as communicated in "Statement of Decision on the Implementation of a Sectoral Systemic Risk Buffer on RRE Domestic Mortgages in Malta" in March 2023.

£ The Other Systematically Important Institution buffer was reduced to 1.25% in 2023 in line with the parent company HBCE.

^ Figures have been prepared on an IFRS 9 transitional basis.

1 In line with CRR requirements LCR is disclosed as an average over 12 months whereas NSFR is disclosed as at reporting date.

The total capital ratio increased to 24.1% as at 30 June 2024 (December 2023:23.5%), due to lower RWAs. The bank maintained a strong capital base and is fully compliant with the regulatory capital requirements.

The LCR increased by 47.6% between December 2023 and June 2024. The change in the LCR was driven by an increase in High Quality Liquid Assets which has more than offset the increase in Net Cash outflows. The LCR remains in excess of both the regulatory minimum and the risk appetite thresholds set by the bank.

Table 2: Net value of exposures

|  | Group                                      |   |                                       |  |   |                                       |
|--|--|---|---------------------------------------|--|---|---------------------------------------|
|  | At 30 Jun 2024                             |   |                                       | At 31 Dec 2023                             |   |                                       |
|  | Net value of exposure <sup>^</sup><br>€000 | Risk-weighted assets <sup>^</sup><br>€000 | Capital Required <sup>^</sup><br>€000 | Net value of exposure <sup>^</sup><br>€000 | Risk-weighted assets <sup>^</sup><br>€000 | Capital Required <sup>^</sup><br>€000 |
| Central governments or central banks         | 2,179,201                                  | 67,130                                    | 5,370                                 | 2,271,522                                  | 76,558                                    | 6,124                                 |
| Regional governments or local authorities    | 14   | 3   | —                                     | —  | —   | —                                     |
| Public sector entities                       | 631,530                                    | —   | —                                     | 522,138                                    | —   | —                                     |
| Multilateral development banks               | 218,334                                    | —   | —                                     | 125,571                                    | —   | —                                     |
| International Organisations                  | 414,209                                    | —   | —                                     | 306,865                                    | —   | —                                     |
| Institutions                                 | 648,111                                    | 173,960                                   | 13,917                                | 756,089                                    | 181,752                                   | 14,540                                |
| Corporates                                   | 1,122,459                                  | 447,212                                   | 35,777                                | 1,107,912                                  | 413,871                                   | 33,110                                |
| Retail exposures                             | 572,982                                    | 221,104                                   | 17,688                                | 617,019                                    | 254,996                                   | 20,400                                |
| Secured by mortgages on immovable property   | 2,073,798                                  | 727,237                                   | 58,179                                | 2,066,160                                  | 744,101                                   | 59,528                                |
| Exposures in default                         | 59,391                                     | 64,870                                    | 5,190                                 | 87,699                                     | 99,589                                    | 7,967                                 |
| Items associated with particularly high risk | 24,469                                     | 22,907                                    | 1,833                                 | 16,926                                     | 17,071                                    | 1,366                                 |
| Equity exposures                             | 92   | 92  | 7                                     | 89   | 89  | 7                                     |
| Other exposures                              | 146,102                                    | 156,337                                   | 12,507                                | 144,996                                    | 147,539                                   | 11,803                                |
| <b>Credit risk</b>                           | <b>8,090,692</b>                           | <b>1,880,852</b>                          | <b>150,468</b>                        | <b>8,022,986</b>                           | <b>1,935,566</b>                          | <b>154,845</b>                        |
| Operational risk                             |  | 276,399                                   | 22,112                                |  | 276,399                                   | 22,112                                |
| Foreign exchange risk                        |  | 821                                       | 66                                    |  | 194                                       | 16                                    |
| Credit Valuation Adjustment Risk             |  | 1,081                                     | 86                                    |  | 1,496                                     | 120                                   |
| <b>Total</b>                                 |  | <b>2,159,153</b>                          | <b>172,732</b>                        |  | <b>2,213,655</b>                          | <b>177,093</b>                        |
| <b>Own funds</b>                             |  |   |                                       |  |   |                                       |
| Common Equity Tier 1                         |  |   | 454,968                               |  |   | 455,071                               |
| Tier 2                                       |  |   | 65,000                                |  |   | 65,000                                |
| <b>Total own funds</b>                       |  |   | <b>519,968</b>                        |  |   | <b>520,071</b>                        |
| <b>Total capital ratio %</b>                 |  |   | <b>24.1</b>                           |  |   | <b>23.5</b>                           |

<sup>^</sup> Figures have been prepared on an IFRS9 transitional basis.

## Pillar 3 Disclosures at 30 June 2024

Table OV1 which is presented in accordance with Article 438 (c) to (f) of the CRR provides an overview of the total RWA as well as the capital requirements for credit risk, including capital for operational risk, foreign exchange risk, and credit valuation adjustment risk, which are segregated into the various exposure classes and are derived from the RWA using a capital ratio of 8%.

Table 3: Overview of RWAs (OV1)<sup>1,^</sup>

|        |   | At                              |                                 |                                 |  |  |  |
|--------|---|---------------------------------|---------------------------------|---------------------------------|--|--|--|
|        |   | 30 Jun<br>2024                  | 31 Mar<br>2024                  | 31 Dec<br>2023                  | 30 Jun<br>2024                             | 31 Mar<br>2024                             | 31 Dec<br>2023                             |
|        |   | Risk-weighted<br>assets<br>€000 | Risk-weighted<br>assets<br>€000 | Risk-weighted<br>assets<br>€000 | Minimum<br>capital<br>requirements<br>€000 | Minimum<br>capital<br>requirements<br>€000 | Minimum<br>capital<br>requirements<br>€000 |
| 1      | Credit risk (excluding CCR)   | 1,861,805                       | 1,842,654                       | 1,920,688                       | 148,944                                    | 147,412                                    | 153,655                                    |
| 2      | – of which: the standardised approach   | 1,861,805                       | 1,842,654                       | 1,920,688                       | 148,944                                    | 147,412                                    | 153,655                                    |
| 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  | 20,128                          | 16,343                          | 16,374                          | 1,610                                      | 1,307                                      | 1,310                                      |
| 7      | – of which: the standardised approach   | 19,047                          | 14,526                          | 14,878                          | 1,524                                      | 1,162                                      | 1,190                                      |
| 8      | – of which: internal model method ('IMM')   | –                               | –                               | –                               | –  | –  | –  |
| EU 8a  | – of which: exposures to a CCP  | –                               | –                               | –                               | –  | –  | –  |
| EU 8b  | – of which: credit valuation adjustment – CVA   | 1,081                           | 1,817                           | 1,496                           | 86   | 145  | 120  |
| 9      | – of which: other CCR   | –                               | –                               | –                               | –  | –  | –  |
| 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)                        | 821                             | 609                             | 194                             | 66   | 49   | 16   |
| 21     | – of which: the standardised approach   | 821                             | 609                             | 194                             | 66   | 49   | 16   |
| 22     | – of which: IMA   | –                               | –                               | –                               | –  | –  | –  |
| EU 22a | Large exposures   | –                               | –                               | –                               | –  | –  | –  |
| 23     | Operational risk  | 276,399                         | 276,399                         | 276,399                         | 22,112                                     | 22,112                                     | 22,112                                     |
| EU 23a | – of which: basic indicator approach  | –                               | –                               | –                               | –  | –  | –  |
| EU 23b | – of which: standardised approach   | 276,399                         | 276,399                         | 276,399                         | 22,112                                     | 22,112                                     | 22,112                                     |
| EU 23c | – of which: advanced measurement approach   | –                               | –                               | –                               | –  | –  | –  |
| 24     | Amounts below the thresholds for deduction (subject to 250% risk weight) <sup>2</sup> | 67,130                          | 71,865                          | 76,558                          | 5,370                                      | 5,749                                      | 6,125                                      |
| 29     | <b>Total</b>  | <b>2,159,153</b>                | <b>2,136,005</b>                | <b>2,213,655</b>                | <b>172,732</b>                             | <b>170,880</b>                             | <b>177,093</b>                             |

<sup>^</sup> Figures have been prepared on an IFRS 9 transitional basis.

1 'Capital requirements' here and in all tables where the term is used, represents the minimum total capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.

2 Amounts are presented for information only and excluded from the Total.

## Linkage to the Interim Report 2024

### Basis of consolidation

The basis of consolidation for the purpose of financial accounting under IFRS Accounting Standards described in Note 2 on the Annual Report and Accounts differs from that used for regulatory purposes.

The following table provides a reconciliation of the financial accounting balance sheet to the regulatory scope of consolidation.

Subsidiaries engaged in insurance activities are excluded from the regulatory consolidation by excluding assets, liabilities, and post-acquisition reserves, leaving the investment of the insurance subsidiaries to be recorded at cost and deducted from CET1 capital (subject to thresholds).

Table 4: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2)

|  | Balance sheet<br>as in published<br>financial<br>statements<br>€000 | De-consolidation<br>of insurance<br>entity<br>€000 | Regulatory<br>balance sheet<br>€000 |
|--|---|--|-------------------------------------|
| <b>Assets</b>  |   |  |                                     |
| Balances with Central Bank of Malta, Treasury Bills and cash               | 1,499,844   | —  | 1,499,844                           |
| Items in the course of collection from other banks                         | 4,841   | —  | 4,841                               |
| Financial assets mandatorily measured at fair value through profit or loss | 695,767   | (695,767)  | —                                   |
| Derivatives  | 17,792  | —  | 17,792                              |
| Loans and advances to banks  | 613,075   | (12,301)   | 600,774                             |
| Loans and advances to customers  | 2,980,917   | —  | 2,980,917                           |
| Financial investments  | 1,710,033   | —  | 1,710,033                           |
| Prepayments, accrued income and other assets                               | 45,550  | (7,660)  | 37,890                              |
| Current tax assets   | 2,005   | (1,992)  | 13                                  |
| Reinsurance contract assets  | 5,358   | (5,358)  | —                                   |
| Non-current assets held for sale   | 5,594   | —  | 5,594                               |
| Investment in subsidiaries   | —   | 28,578   | 28,578                              |
| Right-of-use assets  | 2,196   | —  | 2,196                               |
| Property, plant and equipment  | 56,756  | (2)  | 56,754                              |
| Intangible assets  | 21,257  | (335)  | 20,922                              |
| Deferred tax assets  | 26,907  | (55)   | 26,852                              |
| <b>Total assets at 30 Jun 2024</b>   | <b>7,687,892</b>  | <b>(694,892)</b>                                   | <b>6,993,000</b>                    |
| <b>Liabilities</b>   |   |  |                                     |
| Deposits by banks  | 2,023   | —  | 2,023                               |
| Customer accounts  | 6,058,398   | 29,978   | 6,088,376                           |
| Items in the course of transmission to other banks                         | 14,590  | —  | 14,590                              |
| Liabilities under investment contracts                                     | 160,172   | (160,172)  | —                                   |
| Derivatives  | 7,950   | —  | 7,950                               |
| Accruals, deferred income and other liabilities                            | 103,798   | (15,159)   | 88,639                              |
| Current tax liabilities  | 58,651  | (2,193)  | 56,458                              |
| Insurance contract liabilities   | 525,865   | (525,865)  | —                                   |
| Provisions   | 21,800  | (1,130)  | 20,670                              |
| Deferred tax liabilities   | 3,974   | —  | 3,974                               |
| Borrowings from a group undertaking  | 90,000  | —  | 90,000                              |
| Subordinated liabilities   | 65,000  | —  | 65,000                              |
| <b>Total liabilities at 30 Jun 2024</b>                                    | <b>7,112,221</b>  | <b>(674,541)</b>                                   | <b>6,437,680</b>                    |
| <b>Equity</b>  |   |  |                                     |
| Called up share capital  | 108,092   | —  | 108,092                             |
| Revaluation reserve  | 13,419  | —  | 13,419                              |
| Retained earnings <sup>1</sup>   | 454,160   | (20,351)   | 433,809                             |
| <b>Total equity at 30 Jun 2024</b>   | <b>575,671</b>  | <b>(20,351)</b>                                    | <b>555,320</b>                      |
| <b>Total liabilities and equity at 30 Jun 2024</b>                         | <b>7,687,892</b>  | <b>(694,892)</b>                                   | <b>6,993,000</b>                    |

## Pillar 3 Disclosures at 30 June 2024

Table 4: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2) (continued)

|  | Balance sheet<br>as in published<br>financial<br>statements<br>€000 | De-consolidation<br>of insurance<br>entity<br>€000 | Regulatory<br>balance sheet<br>€000 |
|--|---|--|-------------------------------------|
| <b>Assets</b>  |   |  |                                     |
| Balances with Central Bank of Malta, Treasury Bills and cash               | 1,676,639   | —  | 1,676,639                           |
| Items in course of collection from other banks                             | 8,427   | —  | 8,427                               |
| Financial assets mandatorily measured at fair value through profit or loss | 693,024   | (693,024)  | —                                   |
| Derivatives  | 13,577  | —  | 13,577                              |
| Loans and advances to banks  | 720,583   | (4,443)  | 716,140                             |
| Loans and advances to customers  | 3,083,843   | —  | 3,083,843                           |
| Financial investments  | 1,315,859   | —  | 1,315,859                           |
| Prepayments, accrued income and other assets                               | 33,699  | (3,287)  | 30,412                              |
| Current tax assets   | 1,153   | (832)  | 321                                 |
| Reinsurance contract assets  | 2,557   | (2,557)  | —                                   |
| Non-current assets held for sale   | 5,816   | —  | 5,816                               |
| Investment in subsidiaries   | —   | 28,578   | 28,578                              |
| Right-of-use assets  | 2,284   | —  | 2,284                               |
| Property, plant and equipment  | 51,694  | (3)  | 51,691                              |
| Intangible assets  | 20,762  | (406)  | 20,356                              |
| Deferred tax assets  | 31,002  | (379)  | 30,623                              |
| <b>Total assets at 31 Dec 2023</b>   | <b>7,660,919</b>  | <b>(676,353)</b>                                   | <b>6,984,566</b>                    |
| <b>Liabilities and equity</b>  |   |  |                                     |
| Deposits by banks  | 5,117   | —  | 5,117                               |
| Customer accounts  | 6,141,520   | 32,968   | 6,174,488                           |
| Items in the course of transmission to other banks                         | 18,359  | —  | 18,359                              |
| Liabilities under investment contracts                                     | 156,958   | (156,958)  | —                                   |
| Derivatives  | 5,748   | —  | 5,748                               |
| Accruals, deferred income and other liabilities                            | 55,055  | (14,428)   | 40,627                              |
| Current tax liabilities  | 35,190  | —  | 35,190                              |
| Insurance contract liabilities   | 519,363   | (519,363)  | —                                   |
| Provisions   | 21,849  | (1,130)  | 20,719                              |
| Deferred tax liabilities   | 3,727   | —  | 3,727                               |
| Borrowings from a group undertaking  | 90,000  | —  | 90,000                              |
| Subordinated liabilities   | 65,000  | —  | 65,000                              |
| <b>Total liabilities at 31 Dec 2023</b>                                    | <b>7,117,886</b>  | <b>(658,911)</b>                                   | <b>6,458,975</b>                    |
| <b>Equity</b>  |   |  |                                     |
| Called up share capital  | 108,092   | —  | 108,092                             |
| Revaluation reserve  | 10,408  | —  | 10,408                              |
| Retained earnings <sup>1</sup>   | 424,533   | (17,442)   | 407,091                             |
| <b>Total liabilities at 31 Dec 2023</b>                                    | <b>543,033</b>  | <b>(17,442)</b>                                    | <b>525,591</b>                      |
| <b>Total liabilities and equity at 31 Dec 2023</b>                         | <b>7,660,919</b>  | <b>(676,353)</b>                                   | <b>6,984,566</b>                    |

<sup>1</sup> The retained earnings also includes other movements in the equity. The balance sheet components are used in the calculation of the regulatory capital in table Own funds disclosure EU CC1. This table shows items at their accounting values which might be subject to adjustments in the calculation of regulatory capital.



# Capital and Leverage

## Capital management

### Approach and policy

HSBC Bank Malta p.l.c.'s objective in managing its capital is to maintain appropriate levels of capital to support its business strategy and meet regulatory requirements at all times.

HSBC Bank Malta p.l.c. manages its capital to ensure that it exceeds current and expected future requirements. Throughout 2024 HSBC Bank Malta p.l.c. complied with the European Central Bank ('ECB') regulatory capital adequacy requirements. To achieve this, the bank manages its capital within the context of an annual capital plan which is approved by the Board of Directors of HSBC Bank Malta p.l.c. ('the Board') and which determines the appropriate amount and mix of capital.

The policy on capital management is underpinned by the HSBC Group capital management framework, which enables a consistent management of the capital.

The Internal Capital Adequacy Assessment Process ('ICAAP') aims at assessing the adequacy of the bank's capital resources with regards to its risk and requirements, incorporates different assessment methods of the capital needs. These capital measures include economic capital and regulatory capital defined as follows:

- Economic capital is the internally calculated capital requirement which is deemed necessary by HSBC Bank Malta p.l.c. to support the risks to which it is exposed to; and,
- Regulatory capital is the level of capital which HSBC Bank Malta p.l.c. is required to hold in accordance with the rules set by the legislation and the ECB.

The following risks are managed through the capital management framework:

- Credit risk;
- Operational risk;
- Market risk;
- Interest rate risk in the banking book;
- Climate Risk;
- Liquidity Risk; and
- Insurance risk.

The Basel III framework introduces other capital buffers, such as the Capital Conservation Buffer ('CCB'), the Countercyclical Buffer ('CCyB'), the Sectoral Systemic Risk Buffer ('sSyRB'), the Pillar 2 Guidance ('P2G') and other systemic buffers such as the Globally/Other Systematically Important Institutions ('G-SII'/O-SII') buffer. CRR and CRD legislations implemented Basel III in the EU.

### Stress testing

Stress testing is incorporated in the capital management framework and is an important component of understanding the resilience of HSBC Bank Malta p.l.c. to a given scenario based on a set of risk factors. The scenarios are extreme but plausible events. Stress testing allows senior management to assess the bank's vulnerabilities and to formulate its response including risk mitigating actions based on the conditions reflected in the identified stress scenarios.

The actual market stresses experienced by the financial system in recent years have been used to inform the capital planning process and further develop the stress scenarios employed within HSBC Bank Malta p.l.c.

Regulatory stress tests (carried out at the request of regulators using their prescribed assumptions), internal stress tests (using internally defined scenarios defined to capture the specific risks faced by HSBC Bank Malta p.l.c.), reverse stress tests and sensitivity analysis are

performed. HSBC Bank Malta p.l.c. takes into account the results of all regulatory and internal stress testing when assessing internal capital requirements.

### Risks to capital

A list of risks with associated potential impact on HSBC Bank Malta p.l.c.'s capital ratios are reviewed regularly. These risks could potentially affect either the Risk-Weighted Assets ('RWAs') and/or the capital position. These risks are monitored regularly within the Asset and Liability Management Committee ('ALCO') and the Risk Management Meetings ('RMM'). Scenario analysis are performed for the relevant categories of risk. The downside scenario is assessed against our capital management objectives and embedded in the capital risk appetite.

HSBC Bank Malta p.l.c.'s approach to manage its capital position aims at ensuring that the bank complies with the current regulatory requirements and internal risk appetite, as well as to ensure that future regulatory requirements are considered.

## Regulatory capital framework

For regulatory purposes, the capital base can be divided into three tiers; the Common Equity Tier 1, Additional Tier 1, and Tier 2 capital. These are classified based on the degree of permanence and loss absorbency exhibited. HSBC Bank Malta p.l.c.'s capital base is made up of the Common Equity Tier 1 and Tier 2 capital, as it holds no instruments under Additional Tier 1.

Common Equity Tier 1 ('CET1') capital is the highest quality form of capital, comprising shareholders' equity and related non-controlling interests (subject to limits). Under CRR/CRD various capital deductions and regulatory adjustments are made against these items; these include deductions for intangible assets, deferred tax assets that rely on future profitability as well as prudential recognition for non-performing exposures.

Tier 2 ('T2') capital comprises of eligible subordinated debt and any related share premiums.

T2 capital instruments are either perpetual subordinated instruments or dated instruments on which there is an obligation to pay coupons. These instruments or subordinated loans comprise dated loan capital repayable at par on maturity and must have an original maturity of at least five years. Some subordinated loan capital may be called and redeemed by the issuer subject to prior consent from the ECB. It is a regulatory requirement that Tier 2 instruments are amortised on a straight line basis in their final five years to maturity, thus reducing the amount of capital that is recognised for regulatory purposes.

Our T2 capital consists of subordinated debt with HSBC Continental Europe which is repayable at par on maturity. However, the borrower has the option for early repayment, subject to prior consent from the ECB.

As at 30 June 2024, the bank's Tier 2 capital consisted of €65,000,000 subordinated unsecured loan stock issued to HSBC Continental Europe ('HBCE'). The term of the subordinated loan is 10 years with a maturity date of 14 December 2033 and an option of early redemption after five years. It bears interest at a rate equal to three-month Euribor plus a margin of 237 basis points.

The subordinated liabilities will, in the event of the winding up of the bank, be subordinated to the claims of depositors and other creditors.

The bank did not have any defaults of interest or other breaches with respect to its subordinated liabilities during the current and comparative periods.

## Pillar 3 Disclosures at 30 June 2024

The own funds disclosure template ('EU CC1') is presented in accordance with Article 437 of the CRR.

Table 5: Composition of regulatory own funds (EU CC1)

| Ref    |   | At                     |                        |
|--------|---|------------------------|------------------------|
|        |   | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 |
|        | <b>Common equity tier 1 ('CET1') capital: instruments and reserves</b>  |                        |                        |
| 1      | Capital instruments and the related share premium accounts  | 108,092                | 108,092                |
|        | – of which: ordinary shares   | 108,092                | 108,092                |
| 2      | Retained earnings <sup>1</sup>  | 385,972                | 337,718                |
| 3      | Accumulated other comprehensive income (and other reserves)   | 13,419                 | 10,408                 |
| 3a     | Funds for general banking risk (related to BR09) <sup>2</sup>   | –                      | –                      |
| 4      | Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1   | –                      | –                      |
| 5      | Minority interests (amount allowed in consolidated CET1)  | –                      | –                      |
| EU-5a  | Independently reviewed profits net of any foreseeable charge or dividend  | –                      | 48,295                 |
| 6      | <b>Common equity tier 1 capital before regulatory adjustments</b>   | <b>507,483</b>         | <b>504,513</b>         |
|        | <b>Common equity tier 1 capital: regulatory adjustments</b>   |                        |                        |
| 7      | Additional valuation adjustments <sup>2</sup>   | (1,031)                | (863)                  |
| 8      | Intangible assets (net of related tax liability) (negative amount)  | (7,687)                | (10,942)               |
| 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) 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 and indirect holdings by an institution of own CET1 instruments (negative amount)  | –                      | –                      |
| 17     | Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)                        | –                      | –                      |
| 18     | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | –                      | –                      |
| 19     | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)           | –                      | –                      |
| 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) are met) (negative amount)  | –                      | –                      |
| 22     | Amount exceeding the 17.65% threshold (negative amount) <sup>3</sup>  | –                      | –                      |
| 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  | (43,797)               | (37,637)               |
| 28     | <b>Total regulatory adjustments to Common equity tier 1 (CET1)</b>  | <b>(52,515)</b>        | <b>(49,442)</b>        |
| 29     | <b>Common equity tier 1 ('CET1') capital</b>  | <b>454,968</b>         | <b>455,071</b>         |
|        | <b>Additional Tier 1 ('AT1') capital: instruments</b>   |                        |                        |
| 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) and the related share premium accounts subject to phase out from AT1  | –                      | –                      |
| EU-33a | Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1   | –                      | –                      |
| EU-33b | Amount of qualifying items referred to in Article 494b(1) 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   | –                      | –                      |

Table 5: Composition of regulatory own funds (EU CC1) (continued)

| Ref    |  | At               |           |
|--------|--|------------------|-----------|
|        |  | 30 Jun           | 31 Dec    |
|        |  | 2024             | 2023      |
|        |  | €000             | €000      |
| 36     | <b>Additional Tier 1 ('AT1') capital before regulatory adjustments</b>   | —                | —         |
|        | <b>Additional Tier 1 ('AT1') capital: regulatory adjustments</b>   |                  |           |
| 37     | Direct and indirect 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  | —                | —         |
| 43     | <b>Total regulatory adjustments to Additional Tier 1 ('AT1') capital</b>   | —                | —         |
| 44     | <b>Additional Tier 1 ('AT1') capital</b>   | —                | —         |
| 45     | <b>Tier 1 capital (T1 = CET1 + AT1)</b>  | <b>454,968</b>   | 455,071   |
|        | <b>Tier 2 ('T2') capital: instruments</b>  |                  |           |
| 46     | Capital instruments and the related share premium accounts   | <b>65,000</b>    | 65,000    |
| 47     | Amount of qualifying items referred to in Article 484 (5) 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) subject to phase out from T2  | —                | —         |
| EU-47b | Amount of qualifying items referred to in Article 494b (2) 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     | <b>Tier 2 ('T2') capital before regulatory adjustments</b>   | <b>65,000</b>    | 65,000    |
|        | <b>Tier 2 ('T2') capital: regulatory adjustments</b>   |                  |           |
| 52     | Direct and indirect 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 and indirect 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 and indirect 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)   | —                | —         |
| 56b    | Other regulatory adjustments to T2 capital   | —                | —         |
| 57     | <b>Total regulatory adjustments to Tier 2 ('T2') capital</b>   | —                | —         |
| 58     | <b>Tier 2 ('T2') capital</b>   | <b>65,000</b>    | 65,000    |
| 59     | <b>Total capital (TC = T1 + T2)</b>  | <b>519,968</b>   | 520,071   |
| 60     | Total Risk exposure amount   | <b>2,159,153</b> | 2,213,655 |
|        | <b>Capital ratios and buffers</b>  |                  |           |
| 61     | Common equity tier 1 %   | <b>21.1</b>      | 20.6      |
| 62     | Tier 1 %   | <b>21.1</b>      | 20.6      |
| 63     | Total capital %  | <b>24.1</b>      | 23.5      |
| 64     | Institution specific buffer requirement %  | <b>10.3</b>      | 9.9       |
| 65     | – of which: capital conservation buffer requirement %  | <b>2.5</b>       | 2.5       |
| 66     | – of which: counter cyclical buffer requirement %  | —                | —         |
| 67     | – of which: systemic risk buffer requirement %   | <b>0.6</b>       | 0.4       |

## Pillar 3 Disclosures at 30 June 2024

Table 5: Composition of regulatory own funds (EU CC1) (continued)

| Ref   |   | At                     |                        |
|---|---|------------------------|------------------------|
|   |   | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 |
| EU-67a  | – of which: Global Systemically Important Institution ('G-SII') or Other Systemically Important Institution ('O-SII') buffer %  | 1.3                    | 1.3                    |
| EU-67b  | – of which: additional own funds requirements to address the risks other than the risk of excessive leverage %  | 1.4                    | 1.3                    |
| 68  | Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements %   | 13.2                   | 12.9                   |
| 69  | Not applicable  | –                      | –                      |
| 70  | Not applicable  | –                      | –                      |
| 71  | Not applicable  | –                      | –                      |
| <b>Amounts below the threshold for deduction (before risk weighting)</b>                                  |   |                        |                        |
| 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)  | 28,578                 | 28,578                 |
| 74  | Not applicable  | –                      | –                      |
| 75  | Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)   | 26,852                 | 30,623                 |
| <b>Applicable caps on the inclusion of provisions in Tier 2</b>   |   |                        |                        |
| 76  | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)   | –                      | –                      |
| 77  | Cap on inclusion of credit risk adjustments in T2 under standardised approach   | –                      | –                      |
| 78  | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)   | –                      | –                      |
| 79  | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach  | –                      | –                      |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022) |   |                        |                        |
| 80  | Current cap on CET1 instruments subject to phase out arrangements   | –                      | –                      |
| 81  | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)   | –                      | –                      |
| 82  | Current cap on AT1 instruments subject to phase out arrangements  | –                      | –                      |
| 83  | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)  | –                      | –                      |
| 84  | Current cap on T2 instruments subject to phase out arrangements   | –                      | –                      |
| 85  | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)   | –                      | –                      |

- 1 The retained earnings in the disclosure template above does not agree with the retained earnings in the consolidated results reported by the local group under IFRS due to the exclusion of the subsidiary engaged in insurance activities from the regulatory consolidation. Furthermore, the amount represents the closing retained earnings excluding profit for the period after proposed dividends.
- 2 Additional value adjustments are deducted from CET1. These are calculated on all assets and liabilities measured at fair value.
- 3 At 30 June 2024 the investment in HSBC Life Assurance (Malta) Ltd. did not exceed the thresholds and was therefore risk weighted at 250%.

Table 6: Reconciliation between accounting and regulatory scope of consolidation

|   | At                     |                        |
|---|------------------------|------------------------|
|   | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 |
| <b>Common Equity Tier 1 ('CET') capital</b>         |                        |                        |
| Called up share capital                             | 108,092                | 108,092                |
| Retained earnings                                   | 454,160                | 424,533                |
| Revaluation reserve                                 | 13,419                 | 10,408                 |
| Adjustments   |                        |                        |
| – depositor compensation scheme                     | (12,982)               | (12,735)               |
| – intangible assets                                 | (7,687)                | (10,942)               |
| – expected final dividend                           | –                      | (21,078)               |
| – retained earnings-HSBC Life Assurance (Malta) Ltd | (20,351)               | (17,442)               |
| – unverified profits for the period/year            | (47,837)               | –                      |
| – prudential valuation adjustment                   | (1,031)                | (863)                  |
| – IFRS 9 transitional adjustments                   | 1,427                  | 4,672                  |
| – single resolution fund                            | (1,760)                | (1,760)                |
| – non performing loans                              | (30,482)               | (27,814)               |
|   | 454,968                | 455,071                |
| <b>Tier 2 capital</b>                               |                        |                        |
| Subordinated liabilities                            | 65,000                 | 65,000                 |
|   | 65,000                 | 65,000                 |
| <b>Total own funds</b>                              | <b>519,968</b>         | <b>520,071</b>         |

## Leverage ratio

The leverage ratio was introduced into the Basel III framework as a non-risk-based limit to supplement risk-based capital requirements. It aims at constraining the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The Basel III leverage ratio is a volume-based measure calculated as Tier 1 capital divided by total weighted on and off balance sheet exposures, with further netting possibilities on market instruments.

The risk of excess leverage is managed as part of HSBC Bank Malta p.l.c.'s risk management framework and monitored using a leverage ratio metric within the Risk Appetite Statement ('RAS').

The RAS articulates the aggregate level and types of risk that HSBC Bank Malta p.l.c. is willing to accept in its business activities in order to achieve its strategic business objectives.

The RAS is monitored via the risk appetite profile report, which is presented monthly to the RMM.

The leverage exposure measure is also presented to the Asset and Liability Management Committee ('ALCO') every month.

The following is the local group's leverage ratio determined in accordance with the requirements stipulated by implementing regulation EU 2016/200 and ratified under regulation EU 2019/876.

Table EU LR1 gives a summary of the reconciliation between accounting assets and the leverage ratio exposures, whereas table EU LR2 gives a comprehensive disclosure of the leverage ratio.

Table 7: Summary reconciliation of accounting assets and leverage ratio exposures (EU LR1)

|                  |  | At                     |                        |
|------------------|--|------------------------|------------------------|
|                  |  | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 |
| 1                | Total assets as per published financial statements   | 7,687,892              | 7,660,919              |
| Adjustments for: |  |                        |                        |
| 2                | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation   | (694,892)              | (676,353)              |
| 3                | (Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)   | —                      | —                      |
| 4                | (Adjustment for temporary exemption of exposures to central banks (if applicable))   | —                      | —                      |
| 5                | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) ('CRR') | —                      | —                      |
| 6                | Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting  | —                      | —                      |
| 7                | Adjustment for eligible cash pooling transactions  | —                      | —                      |
| 8                | Adjustment for derivative financial instruments  | 21,171                 | 25,682                 |
| 9                | Adjustment for securities financing transactions ('SFTs')  | —                      | —                      |
| 10               | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)   | 228,583                | 192,566                |
| 11               | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)   | —                      | —                      |
| EU-11a           | (Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)  | —                      | —                      |
| EU-11b           | (Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)  | —                      | —                      |
| 12               | Other adjustments  | (59,562)               | (53,519)               |
| 13               | <b>Total exposure measure</b>  | <b>7,183,192</b>       | <b>7,149,295</b>       |

Table 8: Leverage ratio common disclosure (EU LR2)

|   |   | At                     |                        |
|---|---|------------------------|------------------------|
|   |   | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 |
| <b>On-balance sheet exposures (excluding derivatives)</b> |   |                        |                        |
| 1   | On-balance sheet items (excluding derivatives, SFTs, but including collateral)  | 6,968,161              | 6,966,912              |
| 2   | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | —                      | —                      |
| 3   | (Deductions of receivables assets for cash variation margin provided in derivatives transactions)   | —                      | —                      |
| 4   | (Adjustment for securities received under securities financing transactions that are recognised as an asset)                              | —                      | —                      |
| 5   | (General credit risk adjustments to on-balance sheet items)   | —                      | —                      |
| 6   | (Asset amounts deducted in determining Tier 1 capital)  | (52,515)               | (49,442)               |
| 7   | <b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>  | <b>6,915,646</b>       | <b>6,917,470</b>       |
| <b>Derivative exposures</b>                               |   |                        |                        |
| 8   | Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)                             | 24,471                 | 19,008                 |
| EU-8a   | Derogation for derivatives: replacement costs contribution under the simplified standardised approach                                     | —                      | —                      |
| 9   | Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions  | 14,492                 | 20,251                 |
| EU-9a   | Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach                             | —                      | —                      |
| EU-9b   | Exposure determined under Original Exposure Method  | —                      | —                      |
| 10  | (Exempted CCP leg of client-cleared trade exposures) (SA-CCR)   | —                      | —                      |
| EU-10a  | (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)   | —                      | —                      |
| EU-10b  | (Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)   | —                      | —                      |
| 11  | Adjusted effective notional amount of written credit derivatives  | —                      | —                      |
| 12  | (Adjusted effective notional offsets and add-on deductions for written credit derivatives)  | —                      | —                      |
| 13  | <b>Total derivative exposures</b>   | <b>38,963</b>          | <b>39,259</b>          |

## Pillar 3 Disclosures at 30 June 2024

Table 8: Leverage ratio common disclosure (EU LR2) (continued)

|   |  | At                     |                        |
|---|--|------------------------|------------------------|
|   |  | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 |
| Securities financing transaction ('SFT') exposures                |  |                        |                        |
| 14  | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions  | —                      | —                      |
| 15  | (Netted amounts of cash payables and cash receivables of gross SFT assets)   | —                      | —                      |
| 16  | Counterparty credit risk exposure for SFT assets   | —                      | —                      |
| EU-16a  | Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR   | —                      | —                      |
| 17  | Agent transaction exposures  | —                      | —                      |
| EU-17a  | (Exempted CCP leg of client-cleared SFT exposure)  | —                      | —                      |
| 18  | Total securities financing transaction exposures   | —                      | —                      |
| <b>Other off-balance sheet exposures</b>                          |  |                        |                        |
| 19  | Off-balance sheet exposures at gross notional amount   | 1,088,915              | 1,021,913              |
| 20  | (Adjustments for conversion to credit equivalent amounts)  | (860,332)              | (829,347)              |
| 21  | (General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)  | —                      | —                      |
| 22  | <b>Off-balance sheet exposures</b>   | <b>228,583</b>         | <b>192,566</b>         |
| <b>Excluded exposures</b>   |  |                        |                        |
| EU-22a  | (Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)   | —                      | —                      |
| EU-22b  | (Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))   | —                      | —                      |
| EU-22c  | (Excluded exposures of public development banks (or units) – Public sector investments)  | —                      | —                      |
| EU-22d  | (Excluded exposures of public development banks (or units) – Promotional loans):<br>– Promotional loans granted by a public development credit institution<br>– Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State<br>– Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)                  | —                      | —                      |
| EU-22e  | (Excluded passing-through promotional loan exposures by non-public development banks (or units)):<br>– Promotional loans granted by a public development credit institution<br>– Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State<br>– Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution) | —                      | —                      |
| EU-22f  | (Excluded guaranteed parts of exposures arising from export credits)   | —                      | —                      |
| EU-22g  | (Excluded excess collateral deposited at triparty agents)  | —                      | —                      |
| EU-22h  | (Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)  | —                      | —                      |
| EU-22i  | (Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)   | —                      | —                      |
| EU-22j  | (Reduction of the exposure value of pre-financing or intermediate loans)   | —                      | —                      |
| EU-22k  | (Total exempted exposures)   | —                      | —                      |
| <b>Capital and total exposure measure</b>                         |  |                        |                        |
| 23  | <b>Tier 1 capital</b>  | <b>454,968</b>         | 455,071                |
| 24  | <b>Total exposure measure</b>  | <b>7,183,192</b>       | 7,149,295              |
| <b>Leverage ratios</b>  |  |                        |                        |
| 25  | Leverage ratio (%) – transitional  | <b>6.3</b>             | 6.4                    |
| EU-25   | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)  | <b>6.3</b>             | 6.4                    |
| 25a   | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)   | <b>6.3</b>             | 6.4                    |
| 26  | Regulatory minimum leverage ratio requirement (%)  | <b>3.0</b>             | 3.0                    |
| EU-26a  | Additional own funds requirements to address the risk of excessive leverage (%)  | —                      | —                      |
| EU-26b  | – of which: to be made up of CET1 capital (percentage points)  | —                      | —                      |
| 27  | Leverage ratio buffer requirement (%)  | —                      | —                      |
| EU-27a  | Overall leverage ratio requirement (%)   | <b>3.0</b>             | 3.0                    |
| <b>Choice on transitional arrangements and relevant exposures</b> |  |                        |                        |
| EU-27b  | Choice on transitional arrangements for the definition of the capital measure  | <b>Transitional</b>    | Transitional           |
| <b>Disclosure of mean values</b>                                  |  |                        |                        |
| 28  | Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables   | —                      | —                      |
| 29  | Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables  | —                      | —                      |
| 30  | Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)  | <b>7,183,192</b>       | 7,149,295              |
| 30a   | Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)  | <b>7,183,192</b>       | 7,149,295              |
| 31  | Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)  | <b>6.3</b>             | 6.4                    |
| 31a   | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)  | <b>6.3</b>             | 6.4                    |

Table 9: Leverage ratio – Split of on-balance sheet exposures (excluding derivatives and exempted exposures) (EU LR3)

|  | At                     |                        |
|--|------------------------|------------------------|
|  | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 |
| <b>EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)</b>  | <b>6,968,161</b>       | 6,966,912              |
| EU-2 <i>Trading book exposures</i>   | —                      | —                      |
| EU-3 <i>Banking book exposures, – of which:</i>  | <b>6,968,161</b>       | 6,966,912              |
| EU-4 Covered bonds   | —                      | —                      |
| EU-5 Exposures treated as sovereigns   | <b>2,179,143</b>       | 2,271,521              |
| EU-6 Exposures to regional governments, multilateral development banks ('MDB'), international organisations and public sector entities not treated as sovereigns | <b>1,203,469</b>       | 891,106                |
| EU-7 Institutions  | <b>600,934</b>         | 716,677                |
| EU-8 Secured by mortgages of immovable properties  | <b>2,001,964</b>       | 2,051,333              |
| EU-9 Retail exposures  | <b>296,764</b>         | 341,815                |
| EU-10 Corporates   | <b>474,328</b>         | 459,239                |
| EU-11 Exposures in default   | <b>58,349</b>          | 83,664                 |
| EU-12 Other exposures (eg equity, securitisations, and other non-credit obligation assets)   | <b>153,210</b>         | 151,557                |

## Capital buffers

The local group is compliant with the CRD capital requirements. Banking Rule BR/15: 'Capital Buffers of Credit Institutions authorised under the Banking Act 1994, which requires additional buffers, namely the 'capital conservation buffer ('CCb'), the 'countercyclical buffer ('CCyB'), '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 combined buffer – Maximum Distributable Amount ('MDA') threshold.

In addition to the CET1 capital, the local group is required to keep a capital conservation buffer equal to 2.5% in accordance with Article 129 of Directive 2013/36/EU, an O-SII buffer of 1.5% which is capped at 1.25% as determined by the competent authority under Article 131 of Directive 2013/36/EU, and the institution-specific countercyclical buffer as determined by Article 140 (1) of Directive 2013/36/EU. These three capital buffers are to be composed of CET1 capital as a percentage of the Risk Weighted Assets.

The countercyclical capital buffer is an additional capital buffer introduced by Basel III and is designed to counter pro-cyclicality in the

financial system. When cyclical systemic risk is judged to be increasing, the national authorities would increase the CCyB rate so institutions would accumulate capital to create buffers that strengthen the resilience of the banking sector during period of stress when losses materialise.

CRD contemplates a countercyclical buffer in line with Basel III, in the form of an institution-specific countercyclical buffer and the application of increased requirements to address macro-prudential or systemic risk. This is 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. Given that the local group's exposures are contained within Malta, this buffer results in a marginal percentage.

The tables below disclose the geographical distribution of the bank's credit exposure relevant to the calculation of the institution-specific countercyclical buffer rate and the amount of institution-specific countercyclical capital buffer. The disclosures are performed in accordance with Article 440 of Regulation (EU) 575/2013.

Table 10: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (EU CCyB1)

| 10 Breakdown per country       | Group  |                              |  |                |  |                                     |   |
|--------------------------------|--|------------------------------|--|----------------|--|-------------------------------------|---|
|                                | General credit exposures                     |                              | Own funds requirement                                |                | Risk-weighted exposure amounts<br>€000 | Own funds requirements weights<br>% | Counter-cyclical capital buffer rate<br>% |
|                                | Exposure value for SA <sup>1,2</sup><br>€000 | Total exposure value<br>€000 | Relevant credit risk exposures – Credit risk<br>€000 | Total<br>€000  |  |                                     |   |
| Malta                          | 3,033,072                                    | 3,033,072                    | 126,476  | 126,476        | 1,580,950                              | 96.4                                | —   |
| France                         | 51,711                                       | 51,711                       | 4,137  | 4,137          | 51,711                                 | 3.2                                 | 1.0                                       |
| United Kingdom                 | 14,350                                       | 14,350                       | 535  | 535            | 6,688                                  | 0.4                                 | 2.0                                       |
| Ireland                        | 39   | 39                           | 3  | 3              | 39                                     | —                                   | 1.5                                       |
| Germany                        | 25   | 25                           | —  | —              | —                                      | —                                   | 0.8                                       |
| Australia                      | 7  | 7                            | —  | —              | —                                      | —                                   | 1.0                                       |
| Luxembourg                     | 6  | 6                            | —  | —              | —                                      | —                                   | 0.5                                       |
| Belgium                        | 3  | 3                            | —  | —              | —                                      | —                                   | 0.5                                       |
| Lithuania                      | 3  | 3                            | —  | —              | —                                      | —                                   | 1.0                                       |
| Bulgaria                       | —  | —                            | —  | —              | —                                      | —                                   | 2.0                                       |
| Cyprus                         | —  | —                            | —  | —              | —                                      | —                                   | 1.0                                       |
| Hong Kong                      | —  | —                            | —  | —              | —                                      | —                                   | 1.0                                       |
| Norway                         | —  | —                            | —  | —              | —                                      | —                                   | 2.5                                       |
| Others                         | 1,258  | 1,258                        | 30   | 30             | 375                                    | —                                   | —   |
| <b>20 Total at 30 Jun 2024</b> | <b>3,100,474</b>                             | <b>3,100,474</b>             | <b>131,181</b>                                       | <b>131,181</b> | <b>1,639,763</b>                       | <b>100.0</b>                        |   |

## Pillar 3 Disclosures at 30 June 2024

Table 10: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (EU CCyB1) (continued)

|    |                       | Group                                |                       |  |                                |                                |                                      |     |
|----|-----------------------|--------------------------------------|-----------------------|--|--------------------------------|--------------------------------|--------------------------------------|-----|
|    |                       | General credit exposures             | Own funds requirement |  | Risk-weighted exposure amounts | Own funds requirements weights | Counter-cyclical capital buffer rate |     |
|    |                       | Exposure value for SA <sup>1,2</sup> | Total exposure value  | Relevant credit risk exposures – Credit risk | Total <sup>1</sup>             |                                |                                      |     |
|    |                       | €000                                 | €000                  | €000   | €000                           | €000                           | %                                    | %   |
| 10 | Breakdown per country |                                      |                       |  |                                |                                |                                      |     |
|    | Malta                 | 3,101,263                            | 3,101,263             | 129,195                                      | 129,195                        | 1,614,937                      | 96.3                                 | —   |
|    | France                | 55,829                               | 55,829                | 4,466  | 4,466                          | 55,825                         | 3.3                                  | 0.5 |
|    | United Kingdom        | 12,922                               | 12,922                | 492  | 492                            | 6,150                          | 0.4                                  | 2.0 |
|    | Germany               | 50                                   | 50                    | 2  | 2                              | 25                             | —                                    | 0.8 |
|    | Ireland               | 33                                   | 33                    | 2  | 2                              | 25                             | —                                    | 1.0 |
|    | Luxembourg            | 8                                    | 8                     | —  | —                              | —                              | —                                    | 0.5 |
|    | Lithuania             | 6                                    | 6                     | —  | —                              | —                              | —                                    | 1.0 |
|    | Norway                | 1                                    | 1                     | —  | —                              | —                              | —                                    | 2.5 |
|    | Sweden                | 1                                    | 1                     | —  | —                              | —                              | —                                    | 2.0 |
|    | Australia             | —                                    | —                     | —  | —                              | —                              | —                                    | 1.0 |
|    | Bulgaria              | —                                    | —                     | —  | —                              | —                              | —                                    | 2.0 |
|    | Cyprus                | —                                    | —                     | —  | —                              | —                              | —                                    | 0.5 |
|    | Hong Kong             | —                                    | —                     | —  | —                              | —                              | —                                    | 1.0 |
|    | Netherlands           | —                                    | —                     | —  | —                              | —                              | —                                    | 1.0 |
|    | Romania               | —                                    | —                     | —  | —                              | —                              | —                                    | 1.0 |
|    | Others                | 850                                  | 850                   | 23   | 23                             | 288                            | —                                    | —   |
| 20 | Total at 31 Dec 2023  | 3,170,963                            | 3,170,963             | 134,180                                      | 134,180                        | 1,677,250                      | 100.0                                |     |

<sup>^</sup> Figures have been prepared on an IFRS 9 transitional basis.

1 Column 'Exposure value for SA' represents the exposure at default ('EAD') amounts and is disclosed as per the EBA guidelines; EAD is the value of exposures after deducting provisions and credit risk mitigants.

2 Exposure less than €500 cannot be displayed as amounts are shown in €000.

Table 11: Amount of institution-specific countercyclical capital buffer (EU CCyB2)

|   |   | Group <sup>^</sup> |             |
|---|---|--------------------|-------------|
|   |   | 30 Jun 2024        | 31 Dec 2023 |
|   |   | €000               | €000        |
| 1 | Total risk exposure amount                                      | 2,159,153          | 2,213,655   |
| 2 | Institution specific countercyclical capital buffer rate (%)    | 0.04               | 0.02        |
| 3 | Institution specific countercyclical capital buffer requirement | 858                | 532         |

<sup>^</sup> Figures have been prepared on an IFRS 9 transitional basis.



# Credit risk

## Overview

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and treasury business, mainly through the holdings of debt securities, but also from off-balance sheet products such as guarantees. Credit risk represents our largest regulatory capital requirement.

We form part of a universal bank with a conservative approach to credit risk. This is reflected in our credit risk profile being diversified across a number of asset classes with a credit quality profile mainly concentrated in the lower risk classes.

The principal objectives of our credit risk functions are:

- to maintain across HSBC, a strong culture of responsible lending and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent expert scrutiny of credit risks, their costs and their mitigation.

The credit risk functions within Wholesale Credit Risk ('WCR') and Wealth and Personal Banking ('WPB') Risk are the constituent parts that support the Chief Risk Officer ('CRO') in overseeing credit risks. The major duties comprise undertaking independent reviews of large and high-risk credit proposals, overseeing large exposure policy and reporting on our wholesale and retail credit risk management disciplines. These functions also own our credit policy and credit systems programmes, oversee portfolio management and report on risk matters to senior executive management and regulators.

These credit risk functions work closely with other parts of Risk, for example with Operational Risk on the internal control framework and with the Country Head of Enterprise Risk Management on the risk appetite process. In addition, they work jointly with Finance on stress testing and impairment calculation under IFRS9.

The credit risk functions fulfil an essential role as independent risk control units that are distinct from business line management, as they provide objective scrutiny of risk rating assessments, credit proposals for approval and other risk matters.

Our credit risk procedures operate through a hierarchy of credit limit approval authorities. Credit approval authorities are assigned to the CEO, CRO and relevant staff. HSBC Bank Malta p.l.c. is responsible for the quality and performance of its credit portfolios in accordance with the HSBC Group standards. Where lending facilities are proposed in excess of local credit approval authorities, concurrence must be sought from the regional credit risk and/or the global credit risk function as appropriate.

## Credit risk management

Our exposure to credit risk arises from a wide range of customers and products, and the risk rating systems in place to measure and monitor these risks are correspondingly diverse. Senior management receives a variety of reports on our credit risk exposures, including expected credit losses, total exposures (with sectoral distribution), updates on specific portfolios that are considered to have heightened credit risk, as well as key risk indicators through a number of metrics monitored in the Risk Appetite Statement.

Credit risk exposures are generally measured and managed in portfolios of either customer types or product categories. Risk rating

systems are designed to assess the default propensity of, and loss severity associated with distinct customers who are typically managed as individual relationships or, on a portfolio basis.

Risk rating systems for retail exposures are generally quantitative in nature, applying techniques such as behavioural analysis across product portfolios comprising large numbers of homogeneous transactions. Rating systems for individually managed relationships typically use customer financial statements and market data analysis, but also qualitative elements and a final subjective overlay to better reflect any idiosyncratic elements of the customer's risk profile.

A fundamental principle of our policy and approach is that analytical risk rating systems and scorecards are all valuable tools at the disposal of management. The wholesale credit process provides for at least an annual review of facility limits granted. Reviews may be more frequent, as required by circumstances such as the emergence of adverse risk factors.

We constantly seek to improve the quality of our risk management. HSBC Bank Malta p.l.c.'s IT systems that process credit risk data, continue to be enhanced in order to deliver both comprehensive management information in support of business strategy, and solutions to evolving regulatory reporting requirements. HSBC Bank Malta p.l.c. adheres to the HSBC Group standards that govern the process through which risk rating systems are initially developed, judged fit for purpose, approved and implemented. They also govern the conditions under which analytical risk model outcomes can be overridden by decision takers and the process of model performance monitoring and reporting. The emphasis is on an effective dialogue between business line and risk management, suitable independence of decision takers, and a good understanding and robust challenge on the part of senior management.

Like other facets of risk management, analytical risk rating systems are not static. They are subject to review and modification in light of the changing environment, the greater availability and quality of data, and any deficiencies identified through internal and external regulatory review. Structured processes and metrics are in place to capture relevant data and feed this into continuous model improvement.

Further explanation of HSBC Bank Malta p.l.c.'s approach to credit risk, including detail of the past due and impaired exposures, and its approach to credit risk impairment, can be found in the Annual Report and Accounts of HSBC Bank Malta p.l.c.

Table EU CR1 provides information on the gross carrying amount of exposures and related impairment with further details on the IFRS 9 stage, accumulated partial write off and collateral. The IFRS 9 stages have the following characteristics:

- Stage 1: These financial assets are unimpaired and without a significant increase in credit risk. A 12-month allowance for expected credit loss ('ECL') is recognised.
- Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition. A lifetime ECL is recognised.
- Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired. A lifetime ECL is recognised.
- Purchased or originated credit-impaired ('POCI'): Financial assets purchased or originated at a deep discount are seen to reflect incurred credit losses. A lifetime ECL is recognised. Where held, these exposures are included in Stage 3 in this table.

Table 12: Performing and non-performing exposures and related provisions (EU CR1)

|     | Gross carrying amount/nominal amount                            |                   |                   |                          |                   |                   | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |                   |                   |   |                   |                   |                 |
|-----|---|-------------------|-------------------|--------------------------|-------------------|-------------------|--|-------------------|-------------------|---|-------------------|-------------------|-----------------|
|     | Performing exposures  |                   |                   | Non-performing exposures |                   |                   | Performing exposures – accumulated impairment and provisions   |                   |                   | Non-performing exposures – accumulated negative changes in fair value due to credit risk and provisions |                   |                   |                 |
|     |   | of which: stage 1 | of which: stage 2 |                          | of which: stage 2 | of which: stage 3 |  | of which: stage 1 | of which: stage 2 |   | of which: stage 2 | of which: stage 3 |                 |
|     | €000  | €000              | €000              | €000                     | €000              | €000              | €000   | €000              | €000              | €000  | €000              | €000              |                 |
| 005 | <b>Cash balances at central banks and other demand deposits</b> | 1,477,423         | 1,477,423         | –                        | –                 | –                 | –  | (3)               | (3)               | –   | –                 | –                 |                 |
| 010 | <b>Loans and advances</b>                                       | 3,247,415         | 3,027,862         | 219,553                  | 82,641            | –                 | 82,641   | (22,074)          | (9,273)           | (12,801)  | (20,834)          | –                 | (20,834)        |
| 020 | Central banks   | –                 | –                 | –                        | –                 | –                 | –  | –                 | –                 | –   | –                 | –                 | –               |
| 030 | General governments   | 168,304           | 168,304           | –                        | –                 | –                 | –  | (13)              | (13)              | –   | –                 | –                 | –               |
| 040 | Credit institutions   | 288,998           | 288,998           | –                        | –                 | –                 | –  | –                 | –                 | –   | –                 | –                 | –               |
| 050 | Other financial corporations                                    | 183               | 173               | 10                       | –                 | –                 | –  | (13)              | (3)               | (10)  | –                 | –                 | –               |
| 060 | Non-financial corporations                                      | 673,310           | 550,736           | 122,574                  | 31,486            | –                 | 31,486   | (11,699)          | (5,164)           | (6,535)   | (9,545)           | –                 | (9,545)         |
| 070 | – of which: SMEs  | 319,039           | 240,139           | 78,900                   | 31,486            | –                 | 31,486   | (7,361)           | (2,775)           | (4,586)   | (9,545)           | –                 | (9,545)         |
| 080 | Households  | 2,116,620         | 2,019,651         | 96,969                   | 51,155            | –                 | 51,155   | (10,349)          | (4,093)           | (6,256)   | (11,289)          | –                 | (11,289)        |
| 090 | <b>Debt securities</b>  | 2,027,413         | 2,027,413         | –                        | –                 | –                 | –  | (73)              | (73)              | –   | –                 | –                 | –               |
| 100 | Central banks   | –                 | –                 | –                        | –                 | –                 | –  | –                 | –                 | –   | –                 | –                 | –               |
| 110 | General governments   | 1,566,329         | 1,566,329         | –                        | –                 | –                 | –  | (51)              | (51)              | –   | –                 | –                 | –               |
| 120 | Credit institutions   | 461,084           | 461,084           | –                        | –                 | –                 | –  | (22)              | (22)              | –   | –                 | –                 | –               |
| 130 | Other financial corporations                                    | –                 | –                 | –                        | –                 | –                 | –  | –                 | –                 | –   | –                 | –                 | –               |
| 140 | Non-financial corporations                                      | –                 | –                 | –                        | –                 | –                 | –  | –                 | –                 | –   | –                 | –                 | –               |
| 150 | <b>Off-balance-sheet exposures<sup>1</sup></b>                  | 1,087,269         | 791,096           | 102,780                  | 1,603             | –                 | 598  | (1,608)           | (946)             | (327)   | (209)             | –                 | (40)            |
| 160 | Central banks   | –                 | –                 | –                        | –                 | –                 | –  | –                 | –                 | –   | –                 | –                 | –               |
| 170 | General governments   | 60,627            | 60,544            | –                        | –                 | –                 | –  | (2)               | (2)               | –   | –                 | –                 | –               |
| 180 | Credit institutions   | 28,063            | 17,916            | –                        | –                 | –                 | –  | –                 | –                 | –   | –                 | –                 | –               |
| 190 | Other financial corporations                                    | 12,027            | 5,146             | 4,831                    | 120               | –                 | 72   | (30)              | (20)              | (5)   | –                 | –                 | –               |
| 200 | Non-financial corporations                                      | 689,006           | 421,652           | 95,367                   | 1,395             | –                 | 438  | (1,511)           | (891)             | (322)   | (209)             | –                 | (40)            |
| 210 | Households  | 297,546           | 285,838           | 2,582                    | 88                | –                 | 88   | (65)              | (33)              | –   | –                 | –                 | –               |
| 220 | <b>Total at 30 Jun 2024</b>                                     | <b>7,839,520</b>  | <b>7,323,794</b>  | <b>322,333</b>           | <b>84,244</b>     | <b>–</b>          | <b>83,239</b>  | <b>(23,758)</b>   | <b>(10,295)</b>   | <b>(13,128)</b>   | <b>(21,043)</b>   | <b>–</b>          | <b>(20,874)</b> |

|     | Accumulated partial write-off<br>€000                           | Collateral and financial guarantees received |                                     |
|-----|---|--|-------------------------------------|
|     |   | On performing exposures<br>€000              | On non-performing exposures<br>€000 |
| 005 | <b>Cash balances at central banks and other demand deposits</b> | –  | –                                   |
| 010 | <b>Loans and advances</b>                                       | (10,979)                                     | 61,565                              |
| 020 | Central banks   | –  | –                                   |
| 030 | General governments   | –  | 164,572                             |
| 040 | Credit institutions   | –  | –                                   |
| 050 | Other financial corporations                                    | –  | 23                                  |
| 060 | Non-financial corporations                                      | (10,979)                                     | 21,941                              |
| 070 | – of which: SMEs  | (10,979)                                     | 21,941                              |
| 080 | Households  | –  | 39,624                              |
| 090 | <b>Debt securities</b>  | –  | –                                   |
| 100 | Central banks   | –  | –                                   |
| 110 | General governments   | –  | 330,108                             |
| 120 | Credit institutions   | –  | 71,433                              |
| 130 | Other financial corporations                                    | –  | –                                   |
| 140 | Non-financial corporations                                      | –  | –                                   |
| 150 | <b>Off-balance-sheet exposures</b>                              | –  | –                                   |
| 160 | Central banks   | –  | –                                   |
| 170 | General governments   | –  | –                                   |
| 180 | Credit institutions   | –  | –                                   |
| 190 | Other financial corporations                                    | –  | –                                   |
| 200 | Non-financial corporations                                      | –  | –                                   |
| 210 | Households  | –  | –                                   |
| 220 | <b>Total at 30 Jun 2024</b>                                     | <b>(10,979)</b>                              | <b>61,565</b>                       |

Table 12: Performing and non-performing exposures and related provisions (EU CR1) (continued)

|     | Gross carrying amount/nominal amount                     |           |                   |                          |      |                   | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |          |                   |   |      |                   |
|-----|--|-----------|-------------------|--------------------------|------|-------------------|--|----------|-------------------|---|------|-------------------|
|     | Performing exposures                                     |           |                   | Non-performing exposures |      |                   | Performing exposures – accumulated impairment and provisions   |          |                   | Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |      |                   |
|     | of which: Stage 1  |           | of which: Stage 2 | of which: Stage 2        |      | of which: Stage 3 | of which: stage 1  |          | of which: stage 2 | of which: stage 2   |      | of which: stage 3 |
|     | €000   | €000      | €000              | €000                     | €000 | €000              | €000   | €000     | €000              | €000  | €000 | €000              |
| 005 | Cash balances at central banks and other demand deposits |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 1,776,430  | 1,776,430 | —                 | —                        | —    | —                 | (21)   | (21)     | —                 | —   | —    | —                 |
| 010 | Loans and advances                                       |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 3,246,595  | 3,090,994 | 155,601           | 108,360                  | —    | 108,360           | (28,126)   | (14,662) | (13,464)          | (22,025)  | —    | (22,025)          |
| 020 | Central banks  |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | —  | —         | —                 | —                        | —    | —                 | —  | —        | —                 | —   | —    | —                 |
| 030 | General governments                                      |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 165,701  | 165,701   | —                 | —                        | —    | —                 | (16)   | (16)     | —                 | —   | —    | —                 |
| 040 | Credit institutions                                      |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 207,460  | 207,460   | —                 | —                        | —    | —                 | —  | —        | —                 | —   | —    | —                 |
| 050 | Other financial corporations                             |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 7,678  | 7,668     | 10                | —                        | —    | —                 | (8)  | (2)      | (6)               | —   | —    | —                 |
| 060 | Non-financial corporations                               |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 698,257  | 644,149   | 54,108            | 54,212                   | —    | 54,212            | (11,990)   | (6,919)  | (5,071)           | (11,566)  | —    | (11,566)          |
| 070 | – of which: SMEs   |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 303,174  | 260,136   | 43,038            | 54,212                   | —    | 54,212            | (8,043)  | (3,454)  | (4,589)           | (11,566)  | —    | (11,566)          |
| 080 | Households   |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 2,167,499  | 2,066,016 | 101,483           | 54,148                   | —    | 54,148            | (16,112)   | (7,725)  | (8,387)           | (10,459)  | —    | (10,459)          |
| 090 | Debt securities  |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 1,706,044  | 1,706,044 | —                 | —                        | —    | —                 | (78)   | (78)     | —                 | —   | —    | —                 |
| 100 | Central banks  |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | —  | —         | —                 | —                        | —    | —                 | —  | —        | —                 | —   | —    | —                 |
| 110 | General governments                                      |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 1,391,828  | 1,391,828 | —                 | —                        | —    | —                 | (67)   | (67)     | —                 | —   | —    | —                 |
| 120 | Credit institutions                                      |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 314,216  | 314,216   | —                 | —                        | —    | —                 | (11)   | (11)     | —                 | —   | —    | —                 |
| 130 | Other financial corporations                             |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | —  | —         | —                 | —                        | —    | —                 | —  | —        | —                 | —   | —    | —                 |
| 140 | Non-financial corporations                               |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | —  | —         | —                 | —                        | —    | —                 | —  | —        | —                 | —   | —    | —                 |
| 150 | Off-balance-sheet exposures <sup>1</sup>                 |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 1,018,151  | 809,817   | 35,053            | 5,077                    | —    | 4,068             | (1,140)  | (817)    | (80)              | (703)   | —    | (421)             |
| 160 | Central banks  |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | —  | —         | —                 | —                        | —    | —                 | —  | —        | —                 | —   | —    | —                 |
| 170 | General governments                                      |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 63,376   | 63,293    | —                 | —                        | —    | —                 | (3)  | (3)      | —                 | —   | —    | —                 |
| 180 | Credit institutions                                      |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 22,564   | 12,091    | —                 | —                        | —    | —                 | —  | —        | —                 | —   | —    | —                 |
| 190 | Other financial corporations                             |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 4,450  | 3,190     | 43                | —                        | —    | —                 | (12)   | (8)      | (3)               | —   | —    | —                 |
| 200 | Non-financial corporations                               |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 628,963  | 444,178   | 32,856            | 4,897                    | —    | 3,888             | (1,067)  | (779)    | (77)              | (703)   | —    | (421)             |
| 210 | Households   |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 298,798  | 287,065   | 2,154             | 180                      | —    | 180               | (58)   | (27)     | —                 | —   | —    | —                 |
| 220 | Total at 31 Dec 2023                                     |           |                   |                          |      |                   |  |          |                   |   |      |                   |
|     | 7,747,220  | 7,383,285 | 190,654           | 113,437                  | —    | 112,428           | (29,365)   | (15,578) | (13,544)          | (22,728)  | —    | (22,446)          |

|     | Accumulated partial write-off                            | Collaterals and financial guarantees received |                             |
|-----|--|---|-----------------------------|
|     |  | On performing exposures                       | On non-performing exposures |
|     |  | €000  | €000                        |
| 005 | Cash balances at central banks and other demand deposits |   |                             |
|     | —  | —   | —                           |
| 010 | Loans and advances                                       |   |                             |
|     | (10,979)   | 2,623,651                                     | 78,396                      |
| 020 | Central banks  |   |                             |
|     | —  | —   | —                           |
| 030 | General governments                                      |   |                             |
|     | —  | 164,892                                       | —                           |
| 040 | Credit institutions                                      |   |                             |
|     | —  | —   | —                           |
| 050 | Other financial corporations                             |   |                             |
|     | —  | 28  | —                           |
| 060 | Non-financial corporations                               |   |                             |
|     | (10,979)   | 384,765                                       | 35,037                      |
| 070 | – of which: SMEs   |   |                             |
|     | (10,979)   | 185,610                                       | 35,037                      |
| 080 | Households   |   |                             |
|     | —  | 2,073,966                                     | 43,359                      |
| 090 | Debt securities  |   |                             |
|     | —  | 292,272                                       | —                           |
| 100 | Central banks  |   |                             |
|     | —  | —   | —                           |
| 110 | General governments                                      |   |                             |
|     | —  | 246,272                                       | —                           |
| 120 | Credit institutions                                      |   |                             |
|     | —  | 46,000  | —                           |
| 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 at 31 Dec 2023                                     |   |                             |
|     | (10,979)   | 2,915,923                                     | 78,396                      |

1 As shown in the above table EU CR1, 'Off-balance-sheet exposures' exclude from the respective heading 'of which: stage 1', 'of which: stage 2' and 'of which: stage 3', those exposures which are out-of-scope for IFRS9, which are mainly non-financial guarantees.

## Pillar 3 Disclosures at 30 June 2024

The net credit exposure based on maturity and financial instrument is shown in table EU CR1-A. The term 'exposures' refers to items on the balance sheet whose 'net value of exposure' is determined by

subtracting the gross amount from the credit risk adjustments. On the basis of the residual contractual maturity, the net exposure is divided into the five maturity buckets in the table.

Table 13: Maturity of exposures (EU CR1-A)

|       |                             | Net exposure value <sup>1,2</sup> |                   |                                |                   |                               | Total<br>€000    |
|-------|-----------------------------|-----------------------------------|-------------------|--------------------------------|-------------------|-------------------------------|------------------|
|       |                             | On demand<br>€000                 | <= 1 year<br>€000 | > 1 year <= 5<br>years<br>€000 | > 5 years<br>€000 | No stated<br>maturity<br>€000 |                  |
| 1     | Loans and advances          | 62,117                            | 584,532           | 235,868                        | 2,404,631         | —                             | 3,287,148        |
| 2     | Debt securities             | —                                 | 728,844           | 1,262,746                      | 35,750            | —                             | 2,027,340        |
| 3     | <b>Total at 30 Jun 2024</b> | <b>62,117</b>                     | <b>1,313,376</b>  | <b>1,498,614</b>               | <b>2,440,381</b>  | <b>—</b>                      | <b>5,314,488</b> |
| <hr/> |                             |                                   |                   |                                |                   |                               |                  |
| 1     | Loans and advances          | 83,849                            | 475,110           | 313,131                        | 2,432,714         | —                             | 3,304,804        |
| 2     | Debt securities             | —                                 | 517,969           | 1,187,947                      | 50                | —                             | 1,705,966        |
| 3     | Total at 31 Dec 2023        | 83,849                            | 993,079           | 1,501,078                      | 2,432,764         | —                             | 5,010,770        |

1 Cash balances at central banks and other demand deposits are not included in the above table.

2 Comparative information for year ended 31 December 2023 has been restated with current period ended 30 June 2024 presentation.

### Expected Credit Losses ('ECLs')

HSBC Bank Malta p.l.c. analyses credit loss experience in order to assess the performance of our risk measurement and control processes, and to inform our understanding of the implications for risk and capital management of dynamic changes occurring in the risk profile of our exposures.

HSBC Bank Malta p.l.c. has adopted the IFRS9 framework which uses the following three stage model for the calculation of Expected Credit Losses ('ECL'), as impairments that looks at the changes in credit quality:

- stage 1: Those financial instruments that are unimpaired and without a significant increase in credit risk. A 12-month allowance for ECL is recognised;

- stage 2: A significant increase in credit risk has been experienced on these financial instruments since initial recognition. A lifetime ECL is recognised; and
- stage 3: There is objective evidence of impairment and the financial instruments are therefore considered to be in default or otherwise credit impaired. A lifetime ECL is recognised.

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Change in ECL and other credit impairment charges represents the movement in the ECL during the year including write-offs, recoveries and foreign exchange losses.

The table below analyses the change in stock of specific credit risk adjustment for the financial period/year ended 30 June 2024 and 31 December 2023 respectively.

Table 14: Changes in the stock of non-performing loans and advances (EU CR2)

|     |   | At 30 Jun 2024                | At 31 Dec 2023                |
|-----|---|-------------------------------|-------------------------------|
|     |   | Gross carrying amount<br>€000 | Gross carrying amount<br>€000 |
| 010 | Initial stock of non-performing loans and advances      | 108,360                       | 127,766                       |
| 020 | Inflows to non-performing portfolios                    | 9,184                         | 8,215                         |
| 030 | Outflows from non-performing portfolios                 | (34,903)                      | (27,621)                      |
| 040 | – of which: Outflows due to write-offs                  | (465)                         | (567)                         |
| 050 | – of which: Outflow due to other situations             | (34,438)                      | (27,054)                      |
| 060 | <b>Final stock of non-performing loans and advances</b> | <b>82,641</b>                 | <b>108,360</b>                |

### Impaired loans and advances

Impaired loans and advances are those that are classified as CRR9 or CRR10. These grades are assigned when HSBC Bank Malta p.l.c. considers that either the customer is unlikely to pay its credit obligations in full without recourse to security, or when the customer is more than 90 days past due on any material credit obligation to the bank.

Impaired loans and advances also include renegotiated loans and advances that have been subject to a change in contractual cash flows as a result of a financial concession which the bank would not

otherwise consider, and where it is probable that without the concession the borrower would be unable to meet the contractual payment obligations in full, unless the concession is insignificant and there are no other indicators of impairment. Impaired loans and advances can also arise from when a non-financial concession is granted, which may trigger an Unlikely to Pay ('UTP') assessment, the outcome of which may result in the exposure being re-classified as CRR9.

## Recognition of risk mitigation under the standardised approach

Where credit risk mitigation is available in the form of an eligible guarantee, non-financial collateral or credit derivatives, the exposure is divided into covered and uncovered portions. The covered portion, which is determined after applying an appropriate 'haircut' for currency and maturity mismatches (and for omission of restructuring clauses for credit derivatives, where appropriate) to the amount of the protection provided, attracts the risk weight of the protection provider. The uncovered portion attracts the risk weight of the

obligor. For exposures fully or partially covered by eligible financial collateral, the value of the exposure is adjusted under the financial collateral comprehensive method using supervisory volatility adjustments, including those arising from currency mismatch, which are determined by the specific type of collateral (and in the case of eligible debt securities, their credit quality) and its liquidation period. The adjusted exposure value is subject to the risk weight of the obligor.

Table 15: Credit risk mitigation ('CRM') techniques – overview (CR3)

|                                       | Exposures unsecured: carrying amount <sup>1</sup> | Exposures secured: carrying amount | Exposures secured by collateral | Exposures secured by financial guarantees |
|---------------------------------------|---|------------------------------------|---------------------------------|---|
|                                       | €000  | €000                               | €000                            | €000                                      |
| 1 Loans and advances                  | 2,117,072   | 2,647,496                          | 2,404,064                       | 243,432                                   |
| 2 Debt securities                     | 1,625,799   | 401,541                            | —                               | 401,541                                   |
| 3 <b>Total at 30 Jun 2024</b>         | <b>3,742,871</b>                                  | <b>3,049,037</b>                   | <b>2,404,064</b>                | <b>644,973</b>                            |
| 4 – of which: non-performing exposure | 242   | 61,565                             | 61,565                          | —   |
| EU-5 – of which: defaulted            | 242   | 61,565                             | 61,565                          | —   |
| 1 Loans and advances                  | 2,379,166   | 2,702,047                          | 2,441,417                       | 260,630                                   |
| 2 Debt securities                     | 1,413,694   | 292,272                            | —                               | 292,272                                   |
| 3 <b>Total at 31 Dec 2023</b>         | <b>3,792,860</b>                                  | <b>2,994,319</b>                   | <b>2,441,417</b>                | <b>552,902</b>                            |
| 4 – of which: non-performing exposure | 7,939   | 78,396                             | 78,396                          | —   |
| EU-5 – of which: defaulted            | 7,939   | 78,396                             | 78,396                          | —   |

<sup>1</sup> Cash balances at central banks and other demand deposits are included in the above table.

## Pillar 3 Disclosures at 30 June 2024

### Credit risk exposures and credit risk mitigant techniques

The following table illustrates the effect of all CRM techniques applied in accordance with Part Three, Title II, Chapter 4 of the CRR, including the financial collateral simple method and the financial collateral comprehensive method in the application of Article 222 and

Article 223 of the same regulation on standardised approach capital requirements' calculations. RWA density provides a synthetic metric on the riskiness of each portfolio.

Table 16: Standardised approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

|                                  |   | Exposures before CCF and CRM |                          | Exposures post-CCF and CRM |                          | RWAs and RWA density |             |
|----------------------------------|---|------------------------------|--------------------------|----------------------------|--------------------------|----------------------|-------------|
|                                  |   | On-balance sheet amount      | Off-balance sheet amount | On-balance sheet amount    | Off-balance sheet amount | RWAs                 | RWA density |
|                                  |   | €000                         | €000                     | €000                       | €000                     | €000                 | %           |
| <b>Asset classes<sup>1</sup></b> |   |                              |                          |                            |                          |                      |             |
| 1                                | Central governments or central banks                            | 2,179,143                    | —                        | 2,430,927                  | 33,855                   | 67,130               | 2.7         |
| 2                                | Regional government or local authorities                        | 14                           | —                        | 14                         | —                        | 3                    | —           |
| 3                                | Public sector entities  | 570,912                      | 60,617                   | 402,583                    | 1,692                    | —                    | —           |
| 4                                | Multilateral development banks                                  | 218,334                      | —                        | 218,334                    | —                        | —                    | —           |
| 5                                | International organisations                                     | 414,209                      | —                        | 414,209                    | —                        | —                    | —           |
| 6                                | Institutions  | 600,934                      | 23,772                   | 600,934                    | 19,045                   | 162,257              | 26.2        |
| 7                                | Corporates  | 474,328                      | 635,623                  | 381,852                    | 87,977                   | 439,868              | 93.6        |
| 8                                | Retail  | 296,764                      | 276,218                  | 294,963                    | 142                      | 221,105              | 74.9        |
| 9                                | Secured by mortgages on immovable property                      | 2,001,964                    | 71,834                   | 2,001,964                  | 7,693                    | 727,237              | 36.2        |
| 10                               | Exposures in default  | 58,349                       | 1,041                    | 57,821                     | 59                       | 64,870               | 112.1       |
| 11                               | Exposures associated with particularly high risk                | 7,016                        | 17,453                   | 6,800                      | 8,471                    | 22,907               | 150.0       |
| 12                               | Covered bonds   | —                            | —                        | —                          | —                        | —                    | —           |
| 13                               | Institutions and corporates with a short-term credit assessment | —                            | —                        | —                          | —                        | —                    | —           |
| 14                               | Collective investment undertakings                              | —                            | —                        | —                          | —                        | —                    | —           |
| 15                               | Equity  | 92                           | —                        | 92                         | —                        | 92                   | 100.0       |
| 16                               | Other items   | 146,102                      | —                        | 146,102                    | —                        | 156,337              | 107.0       |
| 17                               | <b>Total at 30 Jun 2024</b>                                     | <b>6,968,161</b>             | <b>1,086,558</b>         | <b>6,956,595</b>           | <b>158,934</b>           | <b>1,861,806</b>     | <b>26.2</b> |

| Asset classes <sup>1</sup> |   |                  |                  |                  |                |                  |             |
|----------------------------|---|------------------|------------------|------------------|----------------|------------------|-------------|
| 1                          | Central governments or central banks                            | 2,271,521        | 1                | 2,533,229        | 35,597         | 76,558           | 3.0         |
| 2                          | Regional government or local authorities                        | —                | —                | —                | —              | —                | —           |
| 3                          | Public sector entities  | 458,670          | 63,367           | 292,892          | 1,546          | —                | —           |
| 4                          | Multilateral development banks                                  | 125,571          | —                | 125,571          | —              | —                | —           |
| 5                          | International organisations                                     | 306,865          | —                | 306,865          | —              | —                | —           |
| 6                          | Institutions  | 716,677          | 18,022           | 716,677          | 13,265         | 177,474          | 24.3        |
| 7                          | Corporates  | 459,239          | 633,505          | 353,000          | 65,027         | 403,271          | 96.5        |
| 8                          | Retail  | 341,815          | 275,204          | 340,122          | 158            | 254,996          | 74.9        |
| 9                          | Secured by mortgages on immovable property                      | 2,051,333        | 14,826           | 2,051,333        | —              | 744,101          | 36.3        |
| 10                         | Exposures in default  | 83,664           | 4,035            | 83,200           | 129            | 99,589           | 119.5       |
| 11                         | Exposures associated with particularly high risk                | 6,472            | 10,454           | 6,390            | 4,991          | 17,071           | 150.0       |
| 12                         | Covered bonds   | —                | —                | —                | —              | —                | —           |
| 13                         | Institutions and corporates with a short-term credit assessment | —                | —                | —                | —              | —                | —           |
| 14                         | Collective investment undertakings                              | —                | —                | —                | —              | —                | —           |
| 15                         | Equity  | 89               | —                | 89               | —              | 89               | 100.0       |
| 16                         | Other items   | 144,996          | —                | 144,996          | —              | 147,539          | 101.8       |
| 17                         | <b>Total at 31 Dec 2023</b>                                     | <b>6,966,912</b> | <b>1,019,414</b> | <b>6,954,364</b> | <b>120,713</b> | <b>1,920,688</b> | <b>27.1</b> |

<sup>1</sup> Derivative instruments exposures are not included in the above table, on which RWA's amounted to €19,047,000 at 30 Jun 2024 (2023: €14,878,000).

Table 17: Credit quality of forborne exposures (EU CQ1)

|   | Gross carrying amount/nominal amount |                         |                                |                               | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |  | Collateral received and financial guarantees received on forborne exposures |  |
|---|--------------------------------------|-------------------------|--------------------------------|-------------------------------|--|--|---|--|
|   | Performing forborne<br>€000          | Non-performing forborne |                                |                               | On performing forborne exposures<br>€000   | On non-performing forborne exposures<br>€000 | Total<br>€000   | of which:<br>forborne non-performing exposures<br>€000 |
|   |                                      | Total<br>€000           | of which:<br>defaulted<br>€000 | of which:<br>impaired<br>€000 |  |  |   |  |
| 005 <b>Cash balances at central banks and other demand deposits</b> | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 010 <b>Loans and advances</b>                                       | <b>47,497</b>                        | <b>44,247</b>           | <b>44,247</b>                  | <b>44,247</b>                 | <b>(2,241)</b>   | <b>(8,215)</b>                               | <b>81,004</b>   | <b>37,438</b>  |
| 020 Central banks   | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 030 General governments   | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 040 Credit institutions   | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 050 Other financial corporations                                    | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 060 Non-financial corporations                                      | <b>16,981</b>                        | <b>24,451</b>           | <b>24,451</b>                  | <b>24,451</b>                 | <b>(978)</b>   | <b>(5,807)</b>                               | <b>34,483</b>   | <b>20,119</b>  |
| 070 Households  | <b>30,516</b>                        | <b>19,796</b>           | <b>19,796</b>                  | <b>19,796</b>                 | <b>(1,263)</b>   | <b>(2,408)</b>                               | <b>46,521</b>   | <b>17,319</b>  |
| 080 <b>Debt securities</b>  | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 090 <b>Loan commitments given</b>                                   | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 100 <b>Total at 30 Jun 2024</b>                                     | <b>47,497</b>                        | <b>44,247</b>           | <b>44,247</b>                  | <b>44,247</b>                 | <b>(2,241)</b>   | <b>(8,215)</b>                               | <b>81,004</b>   | <b>37,438</b>  |
| 005 Cash balances at central banks and other demand deposits        | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 010 Loans and advances  | 34,212                               | 71,460                  | 71,460                         | 71,460                        | (1,947)  | (11,951)                                     | 83,059  | 52,670   |
| 020 Central banks   | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 030 General governments   | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 040 Credit institutions   | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 050 Other financial corporations                                    | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 060 Non-financial corporations                                      | 3,030                                | 49,980                  | 49,980                         | 49,980                        | (267)  | (9,637)                                      | 34,617  | 33,661   |
| 070 Households  | 31,182                               | 21,480                  | 21,480                         | 21,480                        | (1,680)  | (2,314)                                      | 48,442  | 19,009   |
| 080 Debt securities   | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 090 Loan commitments given  | —                                    | —                       | —                              | —                             | —  | —  | —   | —  |
| 100 Total at 31 Dec 2023  | 34,212                               | 71,460                  | 71,460                         | 71,460                        | (1,947)  | (11,951)                                     | 83,059  | 52,670   |

## Pillar 3 Disclosures at 30 June 2024

The below table presents an analysis of performing and non-performing exposures by days past due. The gross NPL ratio at 30 June 2024 was 2.48% (3.23% at 31 December 2023) calculated in line with the EBA guidelines.

Table 18: Credit quality of performing and non-performing exposures by past due days (EU CQ3)

|      | Gross carrying amount/nominal amount                            |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|------|---|------------------------------------|------------------------------|--------|--|-------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|--------------------|---------------------|
|      | Performing exposures  |                                    |                              |        | Non-performing exposures                               |                               |                              |                             |                              |                              |                    |                     |
|      | Total   | Not past due or past due ≤ 30 days | Past due > 30 days ≤ 90 days | Total  | Unlikely to pay but not past due or 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 |
| €000 | €000  | €000                               | €000                         | €000   | €000   | €000                          | €000                         | €000                        | €000                         | €000                         | €000               | €000                |
| 5    | <b>Cash balances at central banks and other demand deposits</b> |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 1,477,423   | 1,477,423                          | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 10   | <b>Loans and advances</b>                                       |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 3,247,415   | 3,245,109                          | 2,306                        | 82,641 | 49,082   | 5,193                         | 3,340                        | 6,919                       | 8,244                        | 2,515                        | 7,348              | 82,641              |
| 20   | Central banks   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | —   | —                                  | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 30   | General governments   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 168,304   | 168,304                            | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 40   | Credit institutions   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 288,998   | 288,998                            | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 50   | Other financial corporations                                    |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 183   | 180                                | 3                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 60   | Non-financial corporations                                      |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 673,310   | 673,287                            | 23                           | 31,486 | 20,276   | 9                             | 95                           | 4,053                       | 4,902                        | 1,369                        | 782                | 31,486              |
| 70   | – of which: SMEs  |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 319,039   | 319,016                            | 23                           | 31,486 | 20,276   | 9                             | 95                           | 4,053                       | 4,902                        | 1,369                        | 782                | 31,486              |
| 80   | Households  |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 2,116,620   | 2,114,340                          | 2,280                        | 51,155 | 28,806   | 5,184                         | 3,245                        | 2,866                       | 3,342                        | 1,146                        | 6,566              | 51,155              |
| 90   | <b>Debt securities</b>  |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 2,027,413   | 2,027,413                          | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 100  | Central banks   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | —   | —                                  | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 110  | General governments   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 1,566,329   | 1,566,329                          | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 120  | Credit institutions   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 461,084   | 461,084                            | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 130  | Other financial corporations                                    |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | —   | —                                  | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 140  | Non-financial corporations                                      |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | —   | —                                  | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 150  | <b>Off-balance-sheet exposures</b>                              |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 1,087,269   | —                                  | —                            | 1,603  | —  | —                             | —                            | —                           | —                            | —                            | —                  | 1,603               |
| 160  | Central banks   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | —   | —                                  | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 170  | General governments   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 60,627  | —                                  | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 180  | Credit institutions   |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 28,063  | —                                  | —                            | —      | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |
| 190  | Other financial corporations                                    |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 12,027  | —                                  | —                            | 120    | —  | —                             | —                            | —                           | —                            | —                            | —                  | 120                 |
| 200  | Non-financial corporations                                      |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 689,006   | —                                  | —                            | 1,395  | —  | —                             | —                            | —                           | —                            | —                            | —                  | 1,395               |
| 210  | Households  |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 297,546   | —                                  | —                            | 88     | —  | —                             | —                            | —                           | —                            | —                            | —                  | 88                  |
| 220  | <b>Total at 30 Jun 2024</b>                                     |                                    |                              |        |  |                               |                              |                             |                              |                              |                    |                     |
|      | 7,839,520   | 6,749,945                          | 2,306                        | 84,244 | 49,082   | 5,193                         | 3,340                        | 6,919                       | 8,244                        | 2,515                        | 7,348              | 84,244              |



Table 18: Credit quality of performing and non-performing exposures by past due days (EU CQ3) (continued)

|     |  | Gross carrying amount/nominal amount |                              |       |  |                               |                              |                             |                              |                              |                    |                     |         |
|-----|--|--------------------------------------|------------------------------|-------|--|-------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|--------------------|---------------------|---------|
|     |  | Performing exposures                 |                              |       | Non-performing exposures                               |                               |                              |                             |                              |                              |                    |                     |         |
|     |  | Not past due or past due ≤ 30 days   | Past due > 30 days ≤ 90 days | Total | Unlikely to pay but not past due or 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 |         |
|     |  | €000                                 | €000                         | €000  | €000   | €000                          | €000                         | €000                        | €000                         | €000                         | €000               | €000                |         |
| 5   | Cash balances at central banks and other demand deposits | 1,776,430                            | 1,776,430                    | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   |         |
| 10  | Loans and advances                                       | 3,246,595                            | 3,242,351                    | 4,244 | 108,360  | 73,217                        | 3,874                        | 3,315                       | 8,494                        | 6,853                        | 4,100              | 8,507               | 108,360 |
| 20  | Central banks  | —                                    | —                            | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 30  | General governments                                      | 165,701                              | 165,701                      | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 40  | Credit institutions                                      | 207,460                              | 207,460                      | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 50  | Other financial corporations                             | 7,678                                | 7,678                        | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 60  | Non-financial corporations                               | 698,257                              | 697,873                      | 384   | 54,212   | 40,458                        | 67                           | 111                         | 6,154                        | 3,711                        | 2,595              | 1,116               | 54,212  |
| 70  | – of which: SMEs   | 303,174                              | 302,790                      | 384   | 54,212   | 40,458                        | 67                           | 111                         | 6,154                        | 3,711                        | 2,595              | 1,116               | 54,212  |
| 80  | Households   | 2,167,499                            | 2,163,639                    | 3,860 | 54,148   | 32,759                        | 3,807                        | 3,204                       | 2,340                        | 3,142                        | 1,505              | 7,391               | 54,148  |
| 90  | Debt securities  | 1,706,044                            | 1,706,044                    | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 100 | Central banks  | —                                    | —                            | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 110 | General governments                                      | 1,391,828                            | 1,391,828                    | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 120 | Credit institutions                                      | 314,216                              | 314,216                      | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 130 | Other financial corporations                             | —                                    | —                            | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 140 | Non-financial corporations                               | —                                    | —                            | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 150 | Off-balance-sheet exposures                              | 1,018,151                            | —                            | —     | 5,077  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | 5,077   |
| 160 | Central banks  | —                                    | —                            | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 170 | General governments                                      | 63,376                               | —                            | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 180 | Credit institutions                                      | 22,564                               | —                            | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 190 | Other financial corporations                             | 4,450                                | —                            | —     | —  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | —       |
| 200 | Non-financial corporations                               | 628,963                              | —                            | —     | 4,897  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | 4,897   |
| 210 | Households   | 298,798                              | —                            | —     | 180  | —                             | —                            | —                           | —                            | —                            | —                  | —                   | 180     |
| 220 | Total at 31 Dec 2023                                     | 7,747,220                            | 6,724,825                    | 4,244 | 113,437  | 73,217                        | 3,874                        | 3,315                       | 8,494                        | 6,853                        | 4,100              | 8,507               | 113,437 |

## Pillar 3 Disclosures at 30 June 2024

Table 19: Quality of non-performing exposures by geography (EU CQ4)

|   | Gross carrying/nominal amount |                                 |                            |  | Accumulated impairment<br>€000 | Provisions on off-balance-sheet commitments and financial guarantees given<br>€000 | Accumulated negative changes in fair value due to credit risk on non-performing exposures<br>€000 |
|---|-------------------------------|---------------------------------|----------------------------|--|--------------------------------|--|---|
|   |                               | <i>of which: non-performing</i> | <i>of which: defaulted</i> | <i>of which: subject to impairment</i> |                                |  |   |
|   | €000                          | €000                            | €000                       | €000                                   |                                |  |   |
| 010 On-balance-sheet exposures <sup>1,2</sup> | 5,357,469                     | 82,641                          | 82,641                     | 5,357,469                              | (42,981)                       |  | —   |
| 020 Malta                                     | 3,524,550                     | 78,854                          | 78,854                     | 3,524,550                              | (41,946)                       |  | —   |
| 030 France                                    | 757,585                       | —                               | —                          | 757,585                                | (15)                           |  | —   |
| 040 Germany                                   | 387,229                       | —                               | —                          | 387,229                                | (16)                           |  | —   |
| 050 Luxembourg                                | 149,136                       | —                               | —                          | 149,136                                | (13)                           |  | —   |
| 060 Belgium                                   | 95,982                        | —                               | —                          | 95,982                                 | (27)                           |  | —   |
| 070 Other countries                           | 442,987                       | 3,787                           | 3,787                      | 442,987                                | (964)                          |  | —   |
| 080 Off-balance-sheet exposures <sup>2</sup>  | 1,088,872                     | 1,603                           | 1,603                      |  |                                | 1,817  |   |
| 090 Malta                                     | 994,042                       | 1,603                           | 1,603                      |  |                                | 1,784  |   |
| 100 France                                    | 73,402                        | —                               | —                          |  |                                | 33   |   |
| 110 United Kingdom                            | 9,854                         | —                               | —                          |  |                                | —  |   |
| 120 United States                             | 4,200                         | —                               | —                          |  |                                | —  |   |
| 130 Belgium                                   | 2,349                         | —                               | —                          |  |                                | —  |   |
| 140 Other countries                           | 5,025                         | —                               | —                          |  |                                | —  |   |
| 150 Total at 30 Jun 2024                      | 6,446,341                     | 84,244                          | 84,244                     | 5,357,469                              | (42,981)                       | 1,817  | —   |
| 010 On-balance-sheet exposures <sup>1,2</sup> | 5,060,999                     | 108,360                         | 108,360                    | 5,060,999                              | (50,229)                       |  | —   |
| 020 Malta                                     | 3,622,246                     | 103,190                         | 103,190                    | 3,622,246                              | (48,814)                       |  | —   |
| 030 France                                    | 657,892                       | —                               | —                          | 657,892                                | (21)                           |  | —   |
| 040 Germany                                   | 272,464                       | —                               | —                          | 272,464                                | (59)                           |  | —   |
| 050 United Kingdom                            | 40,305                        | 102                             | 102                        | 40,305                                 | (10)                           |  | —   |
| 060 United Arab Emirates                      | 15,260                        | 1,900                           | 1,900                      | 15,260                                 | (444)                          |  | —   |
| 070 Other countries                           | 452,832                       | 3,168                           | 3,168                      | 452,832                                | (881)                          |  | —   |
| 080 Off-balance-sheet exposures <sup>2</sup>  | 1,023,228                     | 5,077                           | 5,077                      |  |                                | 1,843  |   |
| 090 Malta                                     | 983,666                       | 5,075                           | 5,075                      |  |                                | 1,843  |   |
| 100 United Kingdom                            | 17,312                        | —                               | —                          |  |                                | —  |   |
| 110 United States                             | 10,060                        | 2                               | 2                          |  |                                | —  |   |
| 120 France                                    | 4,686                         | —                               | —                          |  |                                | —  |   |
| 130 Belgium                                   | 2,646                         | —                               | —                          |  |                                | —  |   |
| 140 Other countries                           | 4,858                         | —                               | —                          |  |                                | —  |   |
| 150 Total at 31 Dec 2023                      | 6,084,227                     | 113,437                         | 113,437                    | 5,060,999                              | (50,229)                       | 1,843  | —   |

1 Cash balances at central banks and other demand deposits are not included in the above table.

2 Amounts shown by geographical region and country/territory in the above table are based on the country/territory of residence of the counterparty except for financial investments with international organisations and multilateral developments which are assigned to the geographical area 'Other countries'.

Table 20: Credit quality of loans and advances to non-financial corporations by industry (EU CQ5)

|     |   | Gross carrying amount |                                 |                            |   | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
|-----|---|-----------------------|---------------------------------|----------------------------|---|------------------------|---|
|     |   |                       | <i>of which: non-performing</i> | <i>of which: defaulted</i> | <i>of which: loans and advances subject to impairment</i> |                        |   |
|     |   | €000                  | €000                            | €000                       | €000  |                        |   |
| 010 | Agriculture, forestry and fishing                             | 151                   | 21                              | 21                         | 151   | (23)                   | —   |
| 020 | Mining and quarrying  | —                     | —                               | —                          | —   | —                      | —   |
| 030 | Manufacturing   | 62,678                | 3,911                           | 3,911                      | 62,678  | (1,918)                | —   |
| 040 | Electricity, gas, steam and air conditioning supply           | 98,309                | —                               | —                          | 98,309  | (1,072)                | —   |
| 050 | Water supply  | 34                    | —                               | —                          | 34  | —                      | —   |
| 060 | Construction  | 24,520                | 5,046                           | 5,046                      | 24,520  | (2,002)                | —   |
| 070 | Wholesale and retail trade                                    | 152,545               | 4,558                           | 4,558                      | 152,545   | (3,859)                | —   |
| 080 | Transport and storage   | 5,579                 | —                               | —                          | 5,579   | (266)                  | —   |
| 090 | Accommodation and food service activities                     | 51,752                | 3,677                           | 3,677                      | 51,752  | (3,251)                | —   |
| 100 | Information and communication                                 | 3,415                 | 2,643                           | 2,643                      | 3,415   | (1,172)                | —   |
| 110 | Real estate activities  | 83,040                | 7,550                           | 7,550                      | 83,040  | (2,936)                | —   |
| 120 | Financial and insurance activities                            | 44,586                | 511                             | 511                        | 44,586  | (475)                  | —   |
| 130 | Professional, scientific and technical activities             | 134,611               | 87                              | 87                         | 134,611   | (1,755)                | —   |
| 140 | Administrative and support service activities                 | 24,366                | 960                             | 960                        | 24,366  | (465)                  | —   |
| 150 | Public administration and defense, compulsory social security | —                     | —                               | —                          | —   | —                      | —   |
| 160 | Education   | 187                   | —                               | —                          | 187   | (4)                    | —   |
| 170 | Human health services and social work activities              | 17,260                | 2,461                           | 2,461                      | 17,260  | (1,943)                | —   |
| 180 | Arts, entertainment and recreation                            | 83                    | 10                              | 10                         | 83  | (12)                   | —   |
| 190 | Other services  | 1,680                 | 51                              | 51                         | 1,680   | (91)                   | —   |
| 200 | <b>Total at 30 Jun 2024</b>                                   | <b>704,796</b>        | <b>31,486</b>                   | <b>31,486</b>              | <b>704,796</b>  | <b>(21,244)</b>        | <b>—</b>  |
| 010 | Agriculture, forestry and fishing                             | 200                   | 25                              | 25                         | 200   | (28)                   | —   |
| 020 | Mining and quarrying  | —                     | —                               | —                          | —   | —                      | —   |
| 030 | Manufacturing   | 107,853               | 3,213                           | 3,213                      | 107,853   | (1,902)                | —   |
| 040 | Electricity, gas, steam and air conditioning supply           | 66,366                | —                               | —                          | 66,366  | (344)                  | —   |
| 050 | Water supply  | 16,871                | —                               | —                          | 16,871  | (6)                    | —   |
| 060 | Construction  | 22,808                | 6,303                           | 6,303                      | 22,808  | (2,171)                | —   |
| 070 | Wholesale and retail trade                                    | 143,419               | 5,022                           | 5,022                      | 143,419   | (3,879)                | —   |
| 080 | Transport and storage   | 5,697                 | 2                               | 2                          | 5,697   | (255)                  | —   |
| 090 | Accommodation and food service activities                     | 51,606                | 17,647                          | 17,647                     | 51,606  | (4,097)                | —   |
| 100 | Information and communication                                 | 23,950                | 59                              | 59                         | 23,950  | (1,337)                | —   |
| 110 | Real estate activities  | 82,106                | 8,816                           | 8,816                      | 82,106  | (3,218)                | —   |
| 120 | Financial and insurance activities                            | 52,495                | 8,291                           | 8,291                      | 52,495  | (1,812)                | —   |
| 130 | Professional, scientific and technical activities             | 136,563               | 158                             | 158                        | 136,563   | (1,489)                | —   |
| 140 | Administrative and support service activities                 | 21,224                | 782                             | 782                        | 21,224  | (654)                  | —   |
| 150 | Public administration and defense, compulsory social security | —                     | —                               | —                          | —   | —                      | —   |
| 160 | Education   | 1,353                 | 1,154                           | 1,154                      | 1,353   | (175)                  | —   |
| 170 | Human health services and social work activities              | 17,615                | 2,449                           | 2,449                      | 17,615  | (2,093)                | —   |
| 180 | Arts, entertainment and recreation                            | 295                   | 87                              | 87                         | 295   | (18)                   | —   |
| 190 | Other services  | 2,048                 | 204                             | 204                        | 2,048   | (78)                   | —   |
| 200 | <b>Total at 31 Dec 2023</b>                                   | <b>752,469</b>        | <b>54,212</b>                   | <b>54,212</b>              | <b>752,469</b>  | <b>(23,556)</b>        | <b>—</b>  |

## Pillar 3 Disclosures at 30 June 2024

The table below provides information on the instruments that were cancelled in exchange for collateral obtained by taking possession and on the value of the collateral obtained. The value at initial recognition represents the gross carrying amount of the collateral obtained by taking possession at initial recognition on the balance

sheet, whilst the accumulated negative change is the accumulated impairment or negative change in the initial recognition value of the collateral obtained, including amortisation in the case of property plant and equipment ('PP&E') and investment properties.

Table 21: Collateral obtained by taking possession and execution processes (EU CQ7)

|     |   | At 30 Jun 2024                           |                              | At 31 Dec 2023                           |                              |
|-----|---|--|------------------------------|--|------------------------------|
|     |   | Collateral obtained by taking possession |                              | Collateral obtained by taking possession |                              |
|     |   | Value at initial recognition             | Accumulated negative changes | Value at initial recognition             | Accumulated negative changes |
|     |   | €000                                     | €000                         | €000                                     | €000                         |
| 010 | Property Plant and Equipment ('PP&E')   |  |                              |  |                              |
| 020 | Other than PP&E                         | 3,000                                    | (472)                        | 3,221                                    | (472)                        |
| 030 | Residential immovable property          | 1,051                                    | (400)                        | 1,272                                    | (400)                        |
| 040 | Commercial Immovable property           | 1,949                                    | (72)                         | 1,949                                    | (72)                         |
| 050 | Movable property (auto, shipping, etc.) | —  | —                            | —  | —                            |
| 060 | Equity and debt instruments             | —  | —                            | —  | —                            |
| 070 | Other collateral                        | —  | —                            | —  | —                            |
| 080 | <b>Total</b>                            | <b>3,000</b>                             | <b>(472)</b>                 | <b>3,221</b>                             | <b>(472)</b>                 |

# Counterparty credit risk

## Overview

Counterparty Credit Risk ('CCR') is the credit risk associated with contracts to exchange value such as derivatives and securities financing transactions (including repos and reverse repos), and securities lending and borrowing. CCR exposures relating to derivatives and securities financing transactions create a bilateral risk of loss because the market value of the transaction can be positive or negative to either counterparty to the transaction. An economic loss to the local group would occur on derivatives and securities financing transactions if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

The table on the following page sets out details of the local group's counterparty credit risk exposures through its over the counter ('OTC') derivative exposures.

Four approaches may be used under CRD to calculate exposure values for CCR: mark-to-market, original exposure, standardised approach ('SA-CCR') and IMM. Exposure values calculated under these approaches are used to determine RWAs. HSBC Bank Malta p.l.c. applies the SA-CCR approach. Under SA-CCR the exposure at default ('EAD') is calculated by multiplying the alpha factor (set at 1.4 by the Basel Committee) by the sum of the replacement cost ('RC') and potential future exposures ('PFE')

Credit exposure monitoring is performed by the Risk function.

## Credit authority for CCR

HSBC Bank Malta p.l.c. Wholesale Credit Risk has a delegated approval authority for corporates. Depending on the level of the credit limit and customer risk rating ('CRR'), credit approval might require concurrence from the Group or Regional WCR when HSBC Bank Malta p.l.c.'s delegated approval authority threshold is exceeded. Sovereigns, intra-group and banks limits require the region's or group WCR's concurrence irrespective of the amount of the facility.

All corporate credit limits are reviewed at least once a year. At the request of the local relationship manager and potentially the global relationship manager, HSBC Bank Malta p.l.c. WCR may recommend credit limit applications to the relevant credit authority for specific

limit requests. WCR's recommendations highlight the main risk drivers and are based on the in-depth analysis of the existing portfolio which includes views on contingent market risk and stress exposure and potentially include proposals to reduce the portfolio risk or mitigate proposed transactions.

### Credit limit set up for CCR management

Two groups of limits are used in the management of CCR:

- Counterparty-level limits; and
- Portfolio-level traded credit risk limits.

### Counterparty-level limits

#### Category A ('Cat A') limits

Cat A limits are those for which a credit limit is typically recorded at the full notional amount of the facility, the bank being actually or potentially at risk for 100% of the facility. Cat A facilities include on balance sheet assets such as loans or lines of credit. They may be either funded or unfunded. Cat A limits are set according to maturity bands.

#### Category B ('Cat B') limits

Cat B limits cover key counterparty credit exposures arising from off balance sheet products and are used for the monitoring of the Potential Future Exposure ('PFE'). Usage under Cat B represents the potential cost of replacement of the OTC contracts.

#### Category S ('Cat S') limits

Cat S limits cover the risk that counterparties will fail to meet their delivery obligations, either through payment systems ('PSL'), or through settlement processes for treasury and securities transactions ('TSL').

### Portfolio-level limits

Risk has established a number of portfolio-level limits to monitor risk at an aggregate level. These are formalised through a mandate shared with the Head of Global Markets ('GM'), subject to annual review and ongoing monitoring routines.

## Pillar 3 Disclosures at 30 June 2024

Table 22: Analysis of counterparty credit risk ('CCR') exposure by approach (EU CCR1)

|     |   | Replacement<br>cost<br>€000 | Potential<br>future<br>exposure<br>€000 | EEPE<br>€000 | Alpha<br>used for<br>computing<br>regulatory<br>exposure<br>value<br>€000 | Exposure<br>value pre-<br>CRM<br>€000 | EAD post-<br>CRM<br>€000 | Exposure<br>value<br>€000 | RWAs<br>€000  |
|-----|---|-----------------------------|---|--------------|---|---------------------------------------|--------------------------|---------------------------|---------------|
| EU1 | EU-Original Exposure Method (for derivatives)                         | —                           | —                                       | —            | 1.4   | —                                     | —                        | —                         | —             |
| EU2 | EU-Simplified SA-CCR (for derivatives)                                | —                           | —                                       | —            | 1.4   | —                                     | —                        | —                         | —             |
| 1   | SA-CCR (for derivatives)  | 17,479                      | 8,216                                   | —            | 1.4   | 35,973                                | 35,973                   | 35,973                    | 19,047        |
| 2   | IMM (for derivatives and SFTs)  | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 2a  | – of which: securities financing transactions netting sets            | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 2b  | – of which: derivatives and long settlement transactions netting sets | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 2c  | – of which: from contractual cross-product netting sets               | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 3   | Financial collateral simple method (for SFTs)                         | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 4   | Financial collateral comprehensive method (for SFTs)                  | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 5   | VaR for SFTs  | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 6   | <b>Total at 30 Jun 2024</b>   |                             |   |              |   | <b>35,973</b>                         | <b>35,973</b>            | <b>35,973</b>             | <b>19,047</b> |
| EU1 | EU-Original Exposure Method (for derivatives)                         | —                           | —                                       | —            | 1.4   | —                                     | —                        | —                         | —             |
| EU2 | EU-Simplified SA-CCR (for derivatives)                                | —                           | —                                       | —            | 1.4   | —                                     | —                        | —                         | —             |
| 1   | SA-CCR (for derivatives)  | 13,577                      | 12,609                                  | —            | 1.4   | 36,660                                | 36,660                   | 36,660                    | 14,878        |
| 2   | IMM (for derivatives and SFTs)  | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 2a  | – of which: securities financing transactions netting sets            | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 2b  | – of which: derivatives and long settlement transactions netting sets | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 2c  | – of which: from contractual cross-product netting sets               | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 3   | Financial collateral simple method (for SFTs)                         | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 4   | Financial collateral comprehensive method (for SFTs)                  | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 5   | VaR for SFTs  | —                           | —                                       | —            | —   | —                                     | —                        | —                         | —             |
| 6   | <b>Total at 31 Dec 2023</b>   |                             |   |              |   | <b>36,660</b>                         | <b>36,660</b>            | <b>36,660</b>             | <b>14,878</b> |

Table 23: Transactions subject to own funds requirements for CVA risk (EU CCR2)

|     | At 30 Jun 2024   |               | At 31 Dec 2023    |              |              |
|-----|--|---------------|-------------------|--------------|--------------|
|     | Exposure<br>value  | RWEA          | Exposure<br>value | RWEA         |              |
| 1   | Total transactions subject to the Advanced method  | —             | —                 | —            |              |
| 2   | (i) VaR component (including the 3x multiplier)  | —             | —                 | —            |              |
| 3   | (ii) stressed VaR component (including the 3x multiplier)                                | —             | —                 | —            |              |
| 4   | Transactions subject to the Standardised method  | 10,371        | 1,081             | 9,215        | 1,496        |
| EU4 | Transactions subject to the Alternative approach (Based on the Original Exposure Method) | —             | —                 | —            | —            |
| 5   | <b>Total transactions subject to own funds requirements for CVA risk</b>                 | <b>10,371</b> | <b>1,081</b>      | <b>9,215</b> | <b>1,496</b> |

# Market risk

## Overview

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce the bank's income or portfolio value.

There were no material changes to the policies and practices for the management of market risk during the first half of 2024.

## Exposure to Market risk

Exposure to market risk is split into two portfolios:

- Trading portfolios: these comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.

- Non-trading portfolios: these comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, financial investments measured at fair value through other comprehensive income, debt instruments measured at amortised cost, and exposures arising from our insurance operations.

The local group operates in non-trading portfolios, with the objective of managing and controlling market risk exposures, to optimise return on risk while maintaining a market risk profile consistent with our established risk appetite.

The table below reflects the market risk RWAs under the standardised approach.

Table 24: Market risk under standardised approach (MR1)

|                          |   | At                             |                                |
|--------------------------|---|--------------------------------|--------------------------------|
|                          |   | 30 Jun<br>2024<br>RWAs<br>€000 | 31 Dec<br>2023<br>RWAs<br>€000 |
| <b>Outright products</b> |   |                                |                                |
| 1                        | Interest rate risk (general and specific) | —                              | —                              |
| 2                        | Equity risk (general and specific)        | —                              | —                              |
| 3                        | Foreign exchange risk                     | 821                            | 194                            |
| 4                        | Commodity risk                            | —                              | —                              |
| <b>Options</b>           |   |                                |                                |
| 5                        | Simplified approach                       | —                              | —                              |
| 6                        | Delta-plus approach                       | —                              | —                              |
| 7                        | Scenario approach                         | —                              | —                              |
| 8                        | Securitisation (specific risk)            | —                              | —                              |
| 9                        | <b>Total</b>                              | <b>821</b>                     | <b>194</b>                     |

# Non-Financial Risk ('NFR')

## Overview

HSBC Bank Malta p.l.c. defines NFR as the risk of loss resulting from:

- people, inadequate or failed internal processes, data or systems; and
- external events, including Legal risk.

This risk includes external or internal fraud risk, non-authorised activities, errors and omissions - including low probability events that would result in a high value loss should they arise – and risks related to models. It arises during daily operations (including those undertaken by a Third Party on our behalf) while taking Financial Risk.

HSBC Bank Malta p.l.c. classifies losses using the following taxonomy, comprising seven level 1 risk categories: Financial Reporting and Tax Risk, Financial Crime and Fraud Risk, Regulatory Compliance Risk, Legal Risk, Resilience Risk, Model Risk and People Risk.

Further information can be found in The Report of the Directors under section Risk governance of the Annual Report and Accounts. The risk weighted exposure amount for operational risk stood at €276,398,920 at 30 June 2024.

## Organisation and responsibilities

Responsibility for managing non-financial risk lies with our people. Our non-financial risk framework sets out our approach to governance and risk appetite and provides a single view of non-financial risks that matter the most and associated controls.

In line with the increasing threat landscape that the industry faces within non-financial risk, we formed the new operational and resilience risk-sub-function in 2020. Operational and Resilience Risk is a combined risk stewardship and oversight function, which ensures governance and management of Operational and Resilience Risk through the delivery and embedding of effective frameworks, and continuous oversight and assurance of end to end processes, risks and controls. The effectiveness of first line of defence risk and control owners and second line of defence risk stewards in managing HSBC's Non-Financial Risk processes and practices is reported through the Risk Management Meeting ('RMM').

Non-financial risk is organised as a specific risk discipline within our Risk function, managed by the Head of Operational Risk and the Head of Resilience Risk, who together are responsible for monitoring the effectiveness of the internal control environment, the level of operational losses and the resilience risk taxonomies.

We manage risk using a three lines of defence ('LOD') model:

The First LOD has ultimate ownership for risk and controls, and is accountable for identifying, assessing, and managing events and near misses, and for delivering good conduct outcomes.

The Second LOD provides subject matter expertise, advice, guidance and review and challenge of the First LOD's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The

Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes CROs, Risk Stewards and the Operational and Resilience Risk ('ORR') function.

The third LOD is Internal Audit, which provides independent assurance to management and the non-executive Risk and Audit Committees as to whether our risk management, governance and internal control processes are designed and operating effectively.

## Measurement and monitoring

We have codified our Risk Management Framework ('RMF') to a high level standard, supplemented by detailed policies. These policies explain our approach to identifying, assessing, monitoring and controlling financial and non-financial risk, and give guidance on mitigating actions to be taken when weaknesses are identified.

Monitoring risk exposure against risk appetite and tolerance on a regular basis, and setting out our risk acceptance process, drives risk awareness in a more forward-looking manner. It assists management in determining whether further action is required.

Business managers are responsible for maintaining an appropriate level of internal control, commensurate with the scale and nature of operations. They are responsible for identifying and assessing risks, designing controls and monitoring the effectiveness of these controls. The RMF helps managers to fulfil these responsibilities by defining a standard risk assessment methodology.

## Risk and control assessment approach

Non-financial risk and control assessments are performed by individual business units and functions. The risk and control assessment process is designed to provide business areas and functions with a forward-looking view of non-financial risks, an assessment of the effectiveness of controls, and a tracking mechanism for action plans so that they can proactively manage non-financial risks within acceptable levels. These determine our end-to-end control effectiveness and the level of residual risk.

## Recording

We use a Group-wide risk management system to record the results of our non-financial risk management process. Non-financial risk and control assessments as described above, are inputted and maintained by business units. Business management monitors and follows up the progress of documented action plans. Operational risk losses are entered into the group-wide risk management system and reported to the RMM, the Risk Committee, and the Board itself, on a regular basis.



## Other risks

### Liquidity and funding

#### Overview

Liquidity risk is the risk that HSBC Bank Malta p.l.c. does not have sufficient financial resources to meet its obligations as they fall due, or will have to access such resources at excessive cost. The risk arises from mismatches in the timing of cash flows or when the funding needed for illiquid asset positions cannot be obtained at the expected terms as and when required. In accordance with Article 451a(4) CRR, a qualitative assessment of the liquidity risk management is being disclosed. To complement the qualitative assessment, the following table has been defined to provide the quantitative LCR information and complements Article 435 (1) (f) of the CRR.

#### Liquidity management across the group

The HSBC Group's operating entities are predominantly defined on a country basis to reflect the local management of liquidity and funding. In this context, liquidity and funding risks are managed by HSBC Bank Malta p.l.c. on a standalone basis with no implicit reliance assumed on any other Group entity (unless pre-committed). HSBC Group's general policy is that each defined operating entity should be self-sufficient in funding its own activities.

HSBC Bank Malta p.l.c. manages its liquidity and funding risks in line with the HSBC Group framework.

#### Strategies and processes in the management of liquidity risk

HSBC has an internal liquidity and funding risk management framework ('LFRF'), which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. The management of liquidity and funding is undertaken locally (by country) in compliance with the Group's LFRF, and with practices and limits set by the Markets Treasury through the RMM and approved by the Board. HSBC Bank Malta p.l.c.'s policy is that it should be self-sufficient in funding its own activities.

The key aspects of the internal LFRF which is used to ensure that HSBC maintains an appropriate overall liquidity risk profile are:

- the bank is to manage liquidity and funding risk on a standalone basis without reliance on other members of the group or central banks and other shareholders;
- minimum liquidity coverage ratio ('LCR') requirement;

- minimum net stable funding ratio ('NSFR') requirement or other appropriate metric;
- annual individual liquidity adequacy assessment;
- liquidity funds transfer pricing; and
- forward looking funding assessments.

#### Structure and Organisation of the liquidity risk management function

The Asset, Liability and Capital Management ('ALCM') team is responsible for the application of the LFRF for HSBC Bank Malta p.l.c. The elements of the LFRF are underpinned by a robust governance framework, the two major elements of which are:

- Asset and Liability Management Committees ('ALCOs'); and
- Annual individual liquidity adequacy assessment process ('ILAAP') used to validate risk tolerance and set risk appetite.

HSBC Bank Malta p.l.c. is required to prepare an internal liquidity adequacy assessment ('ILAA') document at an appropriate frequency. The final objective of the ILAA, approved by the Board of Directors, is to verify that HSBC Bank Malta p.l.c. maintains liquidity resources which are adequate in both amount and quality at all times, ensuring that there is no significant risk that its liabilities cannot be met as they fall due, maintaining a prudent funding profile.

#### Management of liquidity and funding risk

##### Liquidity coverage ratio

The LCR metric was designed to promote the short-term resilience of a bank's liquidity profile. It aims to ensure that a bank has an adequate stock of unencumbered high-quality liquid assets ('HQLA') that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar days liquidity stress scenario.

The LCR is calculated as per Commission Delegated Regulation 2015/61 (LCR Delegated Act) supplementing the CRR.

HSBC Bank Malta p.l.c.'s LCR was 552.0% as at 30 June 2024. In accordance with Regulation EU 2019/876 of the European Parliament ('CRR II'), the table below presents the average of the previous twelve month-end balances for each reporting date. As such therefore, the LCR values reported below do not represent the point-in-time ratios at the end of each period.

## Pillar 3 Disclosures at 30 June 2024

Table 25: Quantitative information of LCR (EU LIQ1)

|                                   | Total unweighted value (average)  |                        |                        |                        | Total weighted value (average) |                        |                        |                        |           |
|-----------------------------------|---|------------------------|------------------------|------------------------|--------------------------------|------------------------|------------------------|------------------------|-----------|
|                                   | 30 Jun<br>2024<br>€000  | 31 Mar<br>2024<br>€000 | 31 Dec<br>2023<br>€000 | 30 Sep<br>2023<br>€000 | 30 Jun<br>2024<br>€000         | 31 Mar<br>2024<br>€000 | 31 Dec<br>2023<br>€000 | 30 Sep<br>2023<br>€000 |           |
| EU 1a                             | Quarter ending on 30 Jun 2024   |                        |                        |                        |                                |                        |                        |                        |           |
| EU 1b                             | Number of data points used in the calculation of averages   |                        |                        |                        |                                |                        |                        |                        |           |
|                                   | 12  | 12                     | 12                     | 12                     | 12                             | 12                     | 12                     | 12                     |           |
| <b>High-Quality Liquid Assets</b> |   |                        |                        |                        |                                |                        |                        |                        |           |
| 1                                 | Total high-quality liquid assets ('HQLA'), after application of haircuts in line with Article 9 of regulation (EU) 2015/61  |                        |                        |                        | 2,871,219                      | 2,747,169              | 2,624,665              | 2,561,077              |           |
| <b>Cash – Outflows</b>            |   |                        |                        |                        |                                |                        |                        |                        |           |
| 2                                 | Retail deposits and deposits from small business customers  | 4,585,326              | 4,592,612              | 4,604,797              | 4,612,415                      | 336,998                | 337,712                | 339,091                | 339,921   |
| 3                                 | – of which: Stable deposits   | 3,147,718              | 3,153,392              | 3,159,074              | 3,163,708                      | 157,386                | 157,670                | 157,954                | 158,185   |
| 4                                 | – of which: Less stable deposits  | 1,437,608              | 1,439,220              | 1,445,723              | 1,448,707                      | 179,612                | 180,042                | 181,137                | 181,736   |
| 5                                 | Unsecured wholesale funding   | 1,327,474              | 1,309,102              | 1,246,073              | 1,271,751                      | 630,983                | 622,290                | 596,479                | 606,938   |
| 6                                 | Operational deposits (all counterparties) and deposits in networks of cooperative banks   | 488,492                | 476,340                | 443,406                | 441,213                        | 117,096                | 113,998                | 105,727                | 105,200   |
| 7                                 | Non-operational deposits (all counterparties)   | 838,982                | 832,762                | 802,667                | 830,538                        | 513,887                | 508,291                | 490,752                | 501,738   |
| 8                                 | Unsecured debt  | –                      | –                      | –                      | –                              | –                      | –                      | –                      | –         |
| 9                                 | Secured wholesale funding   | –                      | –                      | –                      | –                              | –                      | –                      | –                      | –         |
| 10                                | Additional requirements   | 879,108                | 866,502                | 874,447                | 874,969                        | 130,036                | 124,481                | 123,316                | 121,788   |
| 11                                | Outflows related to derivative exposures and other collateral requirements  | 31,350                 | 27,961                 | 26,822                 | 26,680                         | 31,350                 | 27,961                 | 26,822                 | 26,680    |
| 12                                | Outflows related to loss of funding on debt products  | –                      | –                      | –                      | –                              | –                      | –                      | –                      | –         |
| 13                                | Credit and liquidity facilities   | 847,758                | 838,541                | 847,625                | 848,289                        | 98,687                 | 96,521                 | 96,494                 | 95,108    |
| 14                                | Other contractual funding obligations   | 50,920                 | 53,240                 | 54,911                 | 56,047                         | 38,228                 | 41,253                 | 42,269                 | 43,749    |
| 15                                | Other contingent funding obligations  | 212,374                | 211,784                | 202,905                | 193,765                        | 10,619                 | 10,589                 | 10,145                 | 9,688     |
| 16                                | Total Cash Outflows   | 1,146,863              | 1,136,325              | 1,111,300              | 1,122,084                      | 1,146,863              | 1,136,325              | 1,111,300              | 1,122,084 |
| <b>Cash – Inflows</b>             |   |                        |                        |                        |                                |                        |                        |                        |           |
| 17                                | Secured lending (e.g. reverse repos)  | –                      | –                      | –                      | –                              | –                      | –                      | –                      | –         |
| 18                                | Inflows from fully performing exposures   | 599,107                | 564,060                | 585,476                | 538,504                        | 583,724                | 546,778                | 562,134                | 514,570   |
| 19                                | Other cash inflows  | 34,716                 | 28,670                 | 28,757                 | 26,098                         | 34,716                 | 28,670                 | 28,757                 | 26,098    |
| EU-19a                            | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | –                      | –                      | –                      | –                              | –                      | –                      | –                      | –         |
| EU-19b                            | (Excess inflows from a related specialised credit institution)  | 860,148                | 852,243                | 833,475                | 841,563                        | 860,148                | 852,243                | 833,475                | 841,563   |
| 20                                | Total Cash Inflows  | 633,823                | 592,729                | 614,232                | 564,602                        | 618,439                | 575,447                | 590,891                | 540,668   |
| EU-20a                            | Fully exempt inflows  | –                      | –                      | –                      | –                              | –                      | –                      | –                      | –         |
| EU-20b                            | Inflows subject to 90% cap  | –                      | –                      | –                      | –                              | –                      | –                      | –                      | –         |
| EU-20c                            | Inflows subject to 75% cap <sup>1</sup>   | 633,823                | 592,729                | 614,232                | 564,602                        | 618,439                | 575,447                | 590,891                | 540,668   |
| <b>Total Adjusted Value</b>       |   |                        |                        |                        |                                |                        |                        |                        |           |
| EU-21                             | Liquidity Buffer  | 2,871,219              | 2,747,169              | 2,624,665              | 2,561,077                      | 2,871,219              | 2,747,169              | 2,624,665              | 2,561,077 |
| 22                                | Total Net Cash Outflows   | 528,424                | 512,923                | 520,409                | 581,416                        | 528,424                | 512,923                | 520,409                | 581,416   |
| 23                                | Liquidity Coverage Ratio %  | 552.0                  | 543.4                  | 504.4                  | 440.5                          | 552.0                  | 543.4                  | 504.4                  | 440.5     |

HSBC Bank Malta p.l.c. is largely funded through retail deposits. Despite the short-term contractual nature of retail deposits, these are observed as sticky in nature and are expected to remain on balance sheet for an extended period of time. Such funding is deemed to be a reliable source of stable funding.

The bank operates a structural liquidity surplus with the excess liquidity being either invested in high quality bonds, deposits with the Central Bank or placed with other HSBC Group entities. The high level of deposits compared to the level of loans results in excess liquidity, which explains the high level of NSFR and LCR ratios.

The key functions supporting liquidity management are the following:

- Asset Liability and Capital Management which manages the balance sheet to achieve efficient allocation and utilisation of all resources. Asset Liability and Capital Management function reviews the risk arising from the Liquidity and Funding, as well as Interest Rates, Foreign Exchange and Capital. It serves as the First Line of Defence and ensures prudent management of the above mentioned risk.
- Markets Treasury manages the liquidity of the bank in line with ALCM, Group and regulatory norms. It is also responsible for executing the management of the Interest Rate Risk in the Banking Book and forms part of the First Line of Defence.
- Risk function through the RMM is the formal governance committee established to provide recommendation and advice to HSBC Bank Malta p.l.c.'s CRO on enterprise-wide management of all risks. The Risk function is the Second Line of Defence for risk matters including liquidity.
- Asset and Liability Management Committee is the primary senior management committee for considering liquidity adequacy within the bank.
- The Board represents the bank's administrative, management and supervisory body.

Liquidity risk is largely managed locally, however local Markets Treasury interacts with other Group entities to deploy the excess liquidity and with HSBC Continental Europe on strategy of its EUR assets.

HSBC Bank Malta p.l.c.'s liquidity reporting includes LCR, NSFR, Additional Monitoring Metrics ('AMM') - contains the maturity ladder, concentration of funding by counterparty, concentration of funding by product type, prices for various maturities, rollover of funding, concentration of counterbalancing capacity), and PRA110. HSBC Bank Malta p.l.c. has also an Internal Liquidity Metric, which is a 90-day dual stress liquidity reporting metric. The Internal Liquidity Metric provides improved analysis of the liquidity of the bank. The metric also includes details of the management actions possible under the baseline scenario and the recovery scenario. HSBC Bank Malta p.l.c. ensures adequacy through HSBC's liquidity and funding management framework which ensures that all foreseeable funding commitments and deposit withdrawals can be met when due or in case of stress.

The HSBC Group framework requires operating entities to maintain strong liquidity positions in line with regulatory and internal requirements. These requirements ensure the maintenance of:

- A diversified and stable funding base comprising core retail and corporate customer deposits and institutional balances, and long-term funding, while discouraging reliance on short-term professional funding; and
- A liquid assets portfolio that enables HSBC Bank Malta p.l.c. to respond to unforeseen liquidity requirements.

HSBC Bank Malta p.l.c. has a strong liquidity surplus, however it also has set-up a Contingency Funding Plan which is expected to document procedures for:

- Identifying when a liquidity stress is starting;
- Managing liquidity during a liquidity stress; and
- Remediating the liquidity position once a liquidity stress has stabilised.

Stress testing serves to identify certain scenarios that could cause liquidity outflows to increase and inflows to slow or cease. The liquidity stress testing for HSBC Bank Malta p.l.c. takes the following forms:

- Calculation of the LCR, which is a 30-day combined stress;
- Calculation of the Internal Liquidity Metric which is both a market wide and idiosyncratic ninety-day stress; and
- Internal Liquidity Adequacy Assessment ('ILAA') which uses a series of scenarios to assess the suitability of the HSBC Bank Malta p.l.c.'s liquidity position under stress.

On an annual basis the management provides a declaration 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 bank's profile and strategy. The Liquidity Adequacy Statement as per ILAAP signed by the banks Chairman and CEO states: "HSBC Bank Malta p.l.c. maintains liquidity resources which are adequate in both amount and quality at all times to support the business activity, and ensures there is no significant risk that its liabilities cannot be met as they fall due".

### Net stable funding ratio ('NSFR')

The NSFR requires institutions to maintain sufficient stable funding. It is designed to give a picture of the bank's long-term funding profile (that is, funding with a term of over one year) and is therefore used as a complement to the LCR.

HSBC Bank Malta p.l.c.'s NSFR was 233.3% as at 30 June 2024. The below table shows NSFR ratio for 30 June 2024 and 31 March 2024, respectively.

Table 26: Net Stable Funding Ratio (EU LIQ2)

| Available stable funding ('ASF') Items | 30 Jun 2024                           |            |                   |         |                | 31 Mar 2024                           |            |                   |         |                |
|--|---------------------------------------|------------|-------------------|---------|----------------|---------------------------------------|------------|-------------------|---------|----------------|
|  | Unweighted value by residual maturity |            |                   |         |                | Unweighted value by residual maturity |            |                   |         |                |
|  | No maturity                           | < 6 months | 6 months to < 1yr | ≥ 1yr   | Weighted value | No maturity                           | < 6 months | 6 months to < 1yr | ≥ 1yr   | Weighted value |
|  | €000                                  | €000       | €000              | €000    | €000           | €000                                  | €000       | €000              | €000    | €000           |
| 1 Capital items and instruments        | —                                     | —          | —                 | 612,664 | 612,664        | —                                     | —          | —                 | 634,956 | 634,956        |
| 2 Own funds                            | —                                     | —          | —                 | 519,736 | 519,736        | —                                     | —          | —                 | 513,442 | 513,442        |
| 3 Other capital instruments            | —                                     | —          | —                 | 92,928  | 92,928         | —                                     | —          | —                 | 121,514 | 121,514        |
| 4 Retail deposits                      | —                                     | 4,636,093  | —                 | —       | 4,296,160      | 4,604,255                             | —          | —                 | —       | 4,266,365      |
| 5 Stable deposits                      | —                                     | 3,188,093  | —                 | —       | 3,028,688      | 3,168,042                             | —          | —                 | —       | 3,009,640      |
| 6 Less stable deposits                 | —                                     | 1,448,001  | —                 | —       | 1,267,472      | 1,436,214                             | —          | —                 | —       | 1,256,725      |
| 7 Wholesale funding:                   | —                                     | 1,452,408  | 6,781             | 90,002  | 640,484        | 1,386,669                             | 6,836      | 89,912            | —       | 626,091        |
| 8 Operational deposits                 | —                                     | 491,875    | —                 | —       | 245,937        | 490,341                               | —          | —                 | —       | 245,170        |
| 9 Other wholesale funding              | —                                     | 960,534    | 6,781             | 90,002  | 394,547        | 896,329                               | 6,836      | 89,912            | —       | 380,921        |
| 10 Interdependent liabilities          | —                                     | —          | —                 | —       | —              | —                                     | —          | —                 | —       | —              |
| 11 Other liabilities:                  | —                                     | 189,925    | —                 | —       | —              | —                                     | 146,107    | —                 | —       | —              |
| 12 NSFR derivative liabilities         | —                                     | —          | —                 | —       | —              | —                                     | —          | —                 | —       | —              |

## Pillar 3 Disclosures at 30 June 2024

Table 26: Net Stable Funding Ratio (EU LIQ2) (continued)

|  | 30 Jun 2024   |                |                   |                  |                  | 31 Mar 2024                           |            |                   |                  |                |
|--|---|----------------|-------------------|------------------|------------------|---------------------------------------|------------|-------------------|------------------|----------------|
|  | Unweighted value by residual maturity   |                |                   |                  | Weighted value   | Unweighted value by residual maturity |            |                   |                  | Weighted value |
|  | No maturity   | < 6 months     | 6 months to < 1yr | ≥ 1yr            |                  | No maturity                           | < 6 months | 6 months to < 1yr | ≥ 1yr            |                |
| 13   | All other liabilities and capital instruments not included in the above categories  | 189,925        | —                 | —                | —                | 146,107                               | —          | —                 | —                |                |
| 14   | <b>Total ASF</b>  |                |                   |                  | <b>5,549,308</b> |                                       |            |                   | <b>5,527,412</b> |                |
| <b>Required stable funding ('RSF') Items</b> |   |                |                   |                  |                  |                                       |            |                   |                  |                |
| 15   | Total high-quality liquid assets ('HQLA')   |                |                   |                  | <b>6,392</b>     |                                       |            |                   | <b>6,392</b>     |                |
| EU-15a                                       | Assets encumbered for more than 12m in cover pool   | —              | —                 | —                | —                | —                                     | —          | —                 | —                |                |
| 16   | Deposits held at other financial institutions for operational purposes  | —              | —                 | —                | —                | —                                     | —          | —                 | —                |                |
| 17   | Performing loans and securities:  | <b>726,162</b> | <b>224,895</b>    | <b>2,639,116</b> | <b>2,144,208</b> | 714,256                               | 173,003    | 2,761,266         | 2,225,888        |                |
| 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          | <b>498,559</b> | <b>100,678</b>    | —                | <b>100,195</b>   | 512,252                               | 1,500      | 100,000           | 151,975          |                |
| 20   | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs                          | <b>88,969</b>  | <b>54,753</b>     | <b>800,128</b>   | <b>2,030,443</b> | 67,041                                | 98,486     | 799,479           | 2,061,379        |                |
| 21   | – of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk  | <b>37,458</b>  | <b>9,009</b>      | <b>202,910</b>   | <b>1,211,745</b> | 11,736                                | 33,952     | 205,294           | 1,216,889        |                |
| 22   | Performing residential mortgages  | <b>68,535</b>  | <b>68,263</b>     | <b>1,831,977</b> | —                | 69,531                                | 68,756     | 1,857,245         | —                |                |
| 23   | – of which: With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk  | <b>60,555</b>  | <b>60,284</b>     | <b>1,532,617</b> | —                | 61,015                                | 60,242     | 1,538,424         | —                |                |
| 24   | Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products | <b>70,100</b>  | <b>1,200</b>      | <b>7,012</b>     | —                | 65,432                                | 4,261      | 4,542             | —                |                |
| 25   | Interdependent assets   | —              | —                 | —                | —                | —                                     | —          | —                 | —                |                |
| 26   | Other assets:   | —              | <b>44,408</b>     | —                | <b>142,280</b>   | —                                     | 52,699     | —                 | 131,162          |                |
| 27   | Physical traded commodities   | —              | —                 | —                | —                | —                                     | —          | —                 | —                |                |
| 28   | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs   | —              | —                 | —                | —                | —                                     | —          | —                 | —                |                |
| 29   | NSFR derivative assets  | —              | —                 | —                | —                | —                                     | —          | —                 | —                |                |
| 30   | NSFR derivative liabilities before deduction of variation margin posted   | <b>7,950</b>   | —                 | —                | <b>397</b>       | 8,011                                 | —          | —                 | 401              |                |
| 31   | All other assets not included in the above categories   | <b>36,458</b>  | —                 | <b>142,280</b>   | <b>173,883</b>   | 44,688                                | —          | 131,162           | 162,345          |                |
| 32   | Off-balance sheet items   | —              | —                 | <b>1,077,481</b> | <b>53,699</b>    | —                                     | —          | 1,018,846         | 50,764           |                |
| 33   | <b>Total RSF</b>  |                |                   |                  | <b>2,378,580</b> |                                       |            |                   | <b>2,445,790</b> |                |
| 34   | <b>Net Stable Funding Ratio (%)</b>   |                |                   |                  | <b>233.3</b>     |                                       |            |                   | <b>226.0</b>     |                |

## Liquid Assets

Liquid assets consist in any unencumbered liquid securities and available cash held by Markets Treasury. They are managed at HSBC Bank Malta p.l.c. level. The LFRF gives ultimate control of all unencumbered assets and sources of liquidity to Markets Treasury.

## Liquidity stress testing

HSBC Bank Malta p.l.c. undertakes liquidity stress testing to test that its risk appetite is appropriate, to validate that it can continue to operate under various stress scenarios and to test whether the stress assumptions within the LCR scenario are appropriate and conservative enough for the business.

HSBC Bank Malta p.l.c. also conducts reverse stress testing with the specific aim of reviewing the remoteness of the scenarios that would lead Bank Malta p.l.c. to exhaust its liquidity resources. If the scenarios are not deemed remote enough, then corrective action is taken.

Several different stress testing scenarios are run to test the quality of liquidity resources under stresses of varying durations and nature. As part of this exercise, various assumptions are used which are approved by the relevant ALCO and Board and the results of the stress testing are presented through the ILAAP to the Board and on a quarterly basis to the relevant ALCO.

## Overall adequacy of liquidity risk management

HSBC Bank Malta p.l.c. is required to manage liquidity risk and funding risk in accordance with the LFRF, which includes the preparation of an Individual Liquidity Adequacy Assessment ('ILAA') document, to ensure that:

- liquidity resources are adequate, both as to the amount and quality;
- there is no significant risk that liabilities cannot be met as they fall due;
- a prudent structural funding profile is maintained;
- adequate liquidity resources continue to be maintained; and
- that the liquidity risk framework is adequate and robust.

The two key objectives of the ILAAP process are to:

- demonstrate that all material liquidity and funding risks are captured within the internal framework; and
- validate the risk tolerance/appetite set by HSBC Bank Malta p.l.c. by demonstrating that reverse stress testing scenarios are acceptably remote; and vulnerabilities have been assessed through the use of severe stress scenarios.

The final conclusion of the ILAA, approved by the Board of Directors, is that HSBC Bank Malta p.l.c.

- maintains liquidity resources which are adequate in both amount and quality at all times;
- ensures that there is no significant risk that its liabilities cannot be met as they fall due; and
- ensures its liquidity resources contain an adequate amount of high quality liquid assets ('HQLA') and maintains a prudent funding profile.

## Interest rate risk in the banking book

Interest rate risk in the banking book ('IRRBB') is the risk of an adverse impact to earnings or capital due to changes in market interest rates that affect the bank's banking book positions. It is generated by our non-traded assets and liabilities, specifically loans, deposits, and financial instruments that are not held for trading intent or held in order to hedge positions held with trading intent. Interest rate risk that can be economically hedged may be transferred to the Markets Treasury team to be managed within Market Risk limits and

in accordance with internal transfer pricing rules. All interest rate risks must be identified, measured, monitored, managed and controlled within metrics and limits. Key metrics to monitor IRRBB are projected net interest income ('NII') and economic value of equity ('EVE') sensitivities (' $\Delta$ ') under varying interest rate scenarios as prescribed by the regulators.

ALCM monitors and controls interest rate risk in the banking book. This includes reviewing and challenging the lines of business prior to the release of new products and proposed behavioural assumptions used. ALCM is also responsible for maintaining and updating the transfer pricing framework, informing the ALCO of the banking book interest rate risk exposure and managing the balance sheet in conjunction with Markets Treasury. EVE and NII sensitivities are monitored against limits and triggers. Group IRRBB as part of Group Treasury, Markets Treasury and ALCO performs oversight over the management of IRRBB. IRRBB is also subject to independent oversight and challenge from Market Risk, Internal Audit and Model governance.

A principal part of the management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income ('NII') under varying interest rate scenarios (i.e. simulation modelling), where all other economic variables are held constant. Sensitivity of net interest income reflects the bank's sensitivity of earnings due to changes in market interest rates. This is assessed over one year and five years and is calculated on a quarterly basis.

A  $\Delta$ EVE represents the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant. EVE represents the present value of the future banking book cash flows that is due to equity providers under a hypothetical managed run-off scenario. This equates to the current book value of equity plus the present value of future NII in this scenario. EVE can be used to assess the economic capital required to support interest rate risk in the banking book and provides a comprehensive view of the potential long-term effects of changes in interest rates. HSBC Bank Malta p.l.c. monitors EVE sensitivities as a percentage of capital resources on a quarterly basis.

Hold-to-collect-and-sell ('HTC&S') stressed value at risk ('VaR') is a quantification of the potential losses to a 99% confidence level of the portfolio of securities held under a held-to-collect-and-sell business model in the Markets Treasury. The portfolio is accounted for at fair value through other comprehensive income. This is quantified based on the worst historic losses with an assumed holding period of 60 days. Hold-to-collect-and-sell stressed VaR uses the same models as those used for trading book capitalisation and covers only the portfolio managed by Markets Treasury under this business model.

The results of annual regulatory stress testing and our internal stress tests are used when assessing our internal capital requirements through the ICAAP for credit, market, operational, pension, non-foreign book foreign exchange risk and interest rate risk in the banking book.

The  $\Delta$ NII is indicative and based on scenarios and assumptions prescribed by the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2022/14). This hypothetical base case projection of our NII (excluding insurance) follows the currency specific Parallel Up and Down EBA shock scenarios (200bps for EUR).

The  $\Delta$ EVE is based on EBA Standard Outlier Test (SOT) +/-200bps and the six BCBS Outlier Test shocks:

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

## Pillar 3 Disclosures at 30 June 2024

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

Key modelling and parametric assumptions used in calculating  $\Delta$ EVE and  $\Delta$ NII include:

- For  $\Delta$ EVE commercial margins and other spread components have been excluded from the interest cash flows calculation and all balance sheet items are discounted at the risk free rate; all CET1 instruments are excluded; liability products are floored at 0%.
- For  $\Delta$ NII a constant balance sheet is assumed; a commercial margin is used; all forecasted market rates are based on implied forward rates from the loaded spot curves at each quarter-end; assumptions applied for managed rate products are used; customer pricing include flooring where there is contractual obligations and customer optionality including prepayment and early redemption risk assumed.

The repricing maturity of non-maturing deposits is assessed using both:

- a historical analysis at product level to confirm the stable part of deposits in respect of past interest rate environment; and

- the business expectations of customer behaviour and product characteristics with respect to stressed scenarios.

Behavioural assumptions are reviewed and challenged at least on an annual basis in line with the bank's policy and procedures.

An EVE value represents the present value of future banking book cashflows that could be distributed to equity providers under a managed run off scenario. EVE is a regulatory metric and limit of sensitivity as prescribed against Total Capital and Standard outlier test.

Interest rate risk in the banking book will give rise to volatility in expected NII due to movements in interest rates. One way to measure interest rate risk in the banking book is to assess this volatility using NII sensitivity analysis.

HSBC Bank Malta p.l.c. is exposed to a change in Eurozone interest rates on banking operations and structural elements of the balance sheet. Out of the set of interest rates scenarios that are run, the two most adverse ones are a decrease of 200 basis points with respect to NII and an increase of 200 basis points with respect to EVE. HSBC Bank Malta p.l.c. would see its Net Interest Income on a 1Y horizon decrease by EUR 47 million for an instantaneous decrease of 200 basis points. As at 30 June 2024 the bank would see a fall of EUR 7.8 million in the EVE in a 200 basis point up scenario.

Table 27: Interest Rate Risk in the Banking Book (EU IRRBB1)

|  |                         | $\Delta$ EVE           |                        | $\Delta$ NII           |                        |
|--|-------------------------|------------------------|------------------------|------------------------|------------------------|
|  |                         | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 | 30 Jun<br>2024<br>€000 | 31 Dec<br>2023<br>€000 |
| Supervisory shock scenarios <sup>1</sup> |                         |                        |                        |                        |                        |
| 1  | Parallel up             | (7,765)                | (8,074)                | 49,693                 | 52,154                 |
| 2  | Parallel down           | 10,713                 | 8,074                  | (47,167)               | (48,998)               |
| 3  | Steeper                 | 495                    | (2,387)                |                        |                        |
| 4  | Flattener               | (1,794)                | 1,139                  |                        |                        |
| 5  | Short rates up          | (4,209)                | (1,234)                |                        |                        |
| 6  | <b>Short rates down</b> | <b>4,856</b>           | <b>1,234</b>           |                        |                        |

<sup>1</sup> NII comparatives for 31 December 2023 have been restated to show the impact on a comparable basis to 30 June 2024, i.e. based on the EBA's +/-2% parallel rate shock scenario.

In accordance with Article 448 CRR, the average and longest repricing maturity assigned to non-maturity deposits from retail and non-financial wholesale counterparties is three years.

# ESG risks

## Qualitative information on environmental risk

### Strategy and Business processes

HSBC Group is on a journey to integrate environmental, social and governance ('ESG') principles throughout its organisation, and important steps have been taken to embed sustainability into corporate strategy, financial planning and the business model.

To support the transition to a net zero global economy, HSBC has set out its ambition to align its financed emissions to the Paris Agreement goal to achieve net zero by 2050. The Paris Agreement aims to limit the rise in global temperatures to well below 2°C, preferably to 1.5°C, above pre-industrial levels. Success will require governments, customers and finance providers to work together. The Group's global footprint means that many of its clients operate in high-emitting sectors and regions that face the greatest challenge in reducing emissions. This means that the Group's transition will be challenging, but is an opportunity to make an impact. The Group recognises that, to achieve its climate ambition, it needs to be transparent on the opportunities, challenges, related risks and progress it makes. To deliver on this ambition, it requires enhanced processes and controls, and new sources of data. The Group continues to invest in climate resources and skills, and to develop its business management process to integrate climate impacts. Until systems, processes, controls and governance are enhanced, certain aspects of the Group's reporting will rely on manual sourcing and categorisation of data. The Group continues to review its approach to disclosures. Reporting will need to evolve to keep pace with market developments.

HSBC Bank Malta p.l.c. shares this ambition to help individuals, governments and businesses achieve their aims of developing a sustainable future for all. Its approach to sustainability is aligned to the Group strategy taking into account local regulatory requirements.

HSBC Bank Malta p.l.c. is one of the 13 founding members of the Malta ESG Alliance. The Alliance has the aim of acting as a platform for Maltese businesses to collaborate and work together in order to lead and drive national ESG goals and ultimately act as catalysts while leading by example.

#### Become a net zero bank

In 2020, HSBC set an ambition to become a net zero bank by 2050. Since then HSBC, including HSBC Bank Malta p.l.c. ('HBMT'), has made progress towards achieving this ambition - including providing and facilitating sustainable finance and investment for its customers.

The local group applies the Group's science-based sustainability risk policies to define its appetite for business in specific sectors and encourage customers to meet international standards. In 2021 and 2022, the Group committed to phase out the financing of coal-fired power and thermal coal mining by 2030 in the EU and in the Organisation for Economic Cooperation and Development ('OECD') markets, and by 2040 in all other markets (Coal Policy), and to stop providing new finance or advisory services for new oil and gas fields (the Energy Policy).

Policies are important mechanisms to help phase out financed emissions while supporting customers in their own transition plans. These policies are socialised through different channels among key stakeholders to ensure their effective implementation.

#### Support customers on their transition to net zero

HSBC Bank Malta p.l.c, in line with the Group, aims to help its customers transition to net zero and a sustainable future.

#### Wholesale strategy

- Understand the impact of climate change on customers: HSBC Bank Malta p.l.c. is working with customers to capture holistic information on their exposure to the transition to net zero emissions, and the risks and opportunities in five key areas (emissions, reduction targets, plans, transition risks, physical

risks). Higher risk customers are assessed through a Transition Engagement Questionnaire.

- Build ESG capabilities – Support clients with a wide suite of products including Green and Sustainability Linked Loans, all of which meet the required standards and practices.
- Key Metric Indicators ('KMIs') and Key Performance Indicators ('KPIs') are in place to monitor climate risk and the performance of the strategy.

#### Retail strategy

The overall ambition in retail banking is to be the partner for our customers' transition to a sustainable lifestyle and helping clients manage investments for positive long-term environmental and social impact.

#### Two key initiatives in lending and investment:

- adapt the credit policy and offerings to meet client needs. In Malta, the Bank focuses on supporting a sustainable lending activity and avoiding greenwashing risk. Its product proposition supports sustainable energy and mobility and is progressively extended to include financing of investment in sustainable energy and sustainable consumption. HSBC Malta continues to replace existing credit cards with recycled PVC credit cards and deploy initiatives aimed at reducing carbon footprint.
- develop wealth management solutions: The core strategy is to continue to grow the share of sustainable funds available to individual clients, including climate-related ESG funds, to reduce investment exposure to high GHG sectors and to phase out investments in certain sectors. The investment process in sustainable and lower-carbon funds identifies and classifies the most attractive shares to reduce exposure to carbon-intensive activities and thus carbon footprint. ESG criteria are embedded in the product selection and decision-making processes in collaboration with the asset managers, alongside the standard financial criteria, which allows to deliver a range of products for different individual investors risk profiles. In addition, ESG preferences of clients are captured in the wealth advice journey which allows to bring the best possible response in terms of asset allocations and products, based on the product range available.

#### Objectives, targets and limits to assess and address climate and environmental risk and performance assessment

In October 2020 HSBC announced its ambition to become a net zero bank by 2050. In 2021, the transition to net zero was included as one of the four key pillars of the bank's corporate strategy.

HSBC Bank Malta p.l.c. has set granular quantitative climate Key Risk Indicators based on risk sensitive data in the Risk Appetite Framework and appropriate limits in place.

HSBC Bank Malta p.l.c.'s climate change stress testing and scenario analysis are also used to provide insights on the long-term effects of transition and physical risks across retail and wholesale banking portfolios.

HSBC Bank Malta p.l.c. in conjunction with HSBC Continental Europe has developed an approach to allocate economic capital to climate risk in the ICAAP. This considers stress testing results.

### **Policies and procedures relating to direct and indirect engagement with new or existing counterparties on their strategies to mitigate and reduce environmental risks.**

The HSBC Group recognises that businesses can have an impact on the environment and has developed, implemented and refined its approach to working with its business customers to understand and manage these issues.

At an HSBC Group level, the sectors identified as priorities, and for which an internal sustainability risk policy has been developed, are Agricultural Commodities, Chemicals, Energy, Forestry, Mining and Metals industries, Thermal Coal Phase Out, UNESCO World Heritage sites and Ramsar Wetlands.

In 2003, HSBC Holdings became a signatory to the Equator Principles, which form a voluntary framework to be used by financial institutions in assessing and managing the social and environmental impact of infrastructure projects.

In January 2024, the Group announced its revised energy policy which is used to engage with customers in this sector to help them transition to cleaner, safer and cheaper energy alternatives.

The HSBC Group sustainability risk policies restrict financing activities which have a negative impact on nature. Whilst a number of Group sectoral policies have such restrictions, HSBC Forestry and Agricultural Commodities policies focus specifically on a key impact: deforestation.

Relationship managers ('RMs') are the primary point of contact for the local group customers, with the responsibilities to monitor the customers' compliance with applicable policies. A network of Sustainability Risk Managers (based in the HSBC Group) provides expertise, support, and guidance to the Businesses and to Risk (credit approvers).

In addition, a transition engagement questionnaire process enables RMs to engage with clients on their climate and environmental strategy.

### **Governance**

The governance described below is not limited to environmental related topics but covers also social and governance.

#### **Responsibilities of the management body**

The Board of Directors of HSBC Bank Malta p.l.c. determines the orientations of HSBC Bank Malta p.l.c.'s business and oversees the implementation thereof, including with respect to ESG and climate-related matters. The Board of Directors oversees and monitors that HSBC Bank Malta p.l.c.'s risk strategy, with its risk appetite and risk management framework, is implemented consistently, including for ESG risks.

The Risk Committee, set up by the HSBC Bank Malta p.l.c. Board, is accountable to the Board and oversees and advises the Board on risk-related matters impacting HSBC Bank Malta p.l.c. including climate-related and environmental risks. The Audit Committee, also set up by HSBC Bank Malta p.l.c., is accountable to the Board, has responsibilities that include internal controls over, inter alia, reports as required by applicable laws and regulations. This includes all ESG-related regulatory reports.

Board members routinely receive ESG-related training as part of their annual development and training. The Board of HSBC Bank Malta p.l.c., its Risk Committee and its Audit Committee regularly receive updates on ESG-related matters.

The Chief Executive Officer, supported by the Executive Committee, works on HSBC Bank Malta p.l.c.'s ESG strategy and its operational plan for sustainable finance, while receiving regular updates from the members of the Executive Committee on ESG-related matters.

### **Integration of environmental factors, organisational structure both within business lines and internal control functions**

The local group approach to climate and environmental risk management is aligned to the group-wide risk management framework and three lines of defence model, which sets out how HSBC Bank Malta p.l.c. defines, identifies, assesses, manages, and reports its risks. Climate risk in HSBC is considered as a cross cutting risk as per the Group Risk Management Framework, which defines the way HSBC identifies, assesses and manages its risks.

This approach ensures the Board and senior management have visibility and oversight of the key environmental and climate risks.

#### **Role of committees and lines of reporting**

The Board and its committees receive regular updates on the climate-related and environmental risks in the overall business strategy and risk management framework.

#### **The Climate & ESG Risk Steering Committee**

The main local management committee for Climate & ESG risks was re-established in March 2024 as a committee that is co-chaired by the Chief Risk Officer and Chief Financial Officer. The change was made to incorporate oversight of HSBC Bank Malta p.l.c.'s response to the Corporate Sustainability Reporting Directive ('CSRD'), in addition to climate and nature risk oversight responsibilities.

The committee ensures a regular review of climate-related and environment risks across HSBC Bank Malta p.l.c. through the three lines of defence enabling an assessment of the risks involved in the HSBC Bank Malta p.l.c. perimeter and how they are controlled and monitored, giving clear, explicit and dedicated focus to current and forward-looking aspects of risks. This committee has an escalation path to the HSBC Bank Malta p.l.c. Risk Management Meeting.

#### **Climate Action Network ('CAN')**

The bank also supports the Climate Action Network ('CAN'). This is a network of bank employees from across different business lines and functions that are committed to drive sustainable projects inside and outside the bank. These projects range from environmental to future skills topics. Initiatives are led ably by our people who use a central platform where they share their achievements and successes of their projects.

#### **Risk Committee Terms of Reference**

On the non-executive side, the Risk Committee's Terms of Reference was updated in 2022 to specifically mention the climate and environmental risks among risks related matters that are overseen by this committee.

#### **Alignment of remuneration policy**

A number of climate-related metrics are used in HSBC Bank Malta p.l.c. within the annual incentive scorecards of HSBC Bank Malta p.l.c. executives. The completion of these weighted climate-related goals forms part of the annual performance assessment and the associated performance rating basis of the variable remuneration. The goals are linked to the HSBC Group's climate ambitions.



## Summary of the ESG Governance Structure.

The below table shows how ESG-related risk Governance is embedded within HSBC Bank Malta p.l.c.'s general corporate governance framework.

|   |   |   |   |
|---|---|---|---|
|   | The Board sets the strategic direction, including on ESG (including climate and nature), upon management's recommendation, and oversees its execution.  |   |   |
| <b>Board</b>  |   | The Risk Committee advises and supports the Board for the oversight of risk related matters and enterprise risks, including Nature-related risk.        | The Audit Committee advises and supports the Board regarding matters relating to financial reporting and the effectiveness of internal financial control systems. |
| <b>CEO</b>  | The Chief Executive Officer is responsible for the management of the business, as well as the setting and implementation of the HBMT Strategy as part of HBCE, including on ESG.                                |   |   |
| <b>Executive</b>  | The Executive Committee supports the CEO in the development and implementation of our ESG Strategy.   | The Risk Management Meeting supports the CRO on enterprise-wide management of all risks, including key policies and frameworks for Nature-related risk. |   |
| <b>Sustainability/<br/>Climate<br/>Specific<br/>Forum</b> | The Climate and ESG Risk Steering Committee oversees all risk activities relating to Climate and Nature related risk management, including physical and transition risks as well as the implementation of CSRD. |   |   |

## Risk management

### Integration of short-, medium- and long-term effects of environmental factors and risks in the risk framework including definitions, methodologies, and international standards

HSBC Bank Malta p.l.c. manages climate and nature-related risks across its lines of businesses and incorporates environmental considerations within its traditional risk types in line with the HSBC group-wide risk management framework. The climate and nature related risk approaches aim to effectively manage the material risks that could potentially impact the bank's operations, financial performance, financial stability and reputation. It is informed by the evolving expectations of the regulatory banking environment.

Climate risk is managed across all HSBC businesses and climate considerations have been integrated into the full bank risk taxonomy in line with HSBC Group-wide risk management framework (via the policies and controls for the existing risks, where appropriate) and the three lines of defence model.

Greenwashing is considered to be an important risk that is likely to increase over time, as HSBC looks to develop capabilities and products to achieve its net zero commitments, and work with its clients to help them transition to a low-carbon economy.

Stress testing and scenario analysis support the local group strategy by assessing its position under a range of climate scenarios. It helps to build the bank's awareness of the potential impact of climate change, plan for the future and meet growing regulatory requirements.

Stress testing provides management with key insights into the impact of severely adverse events on HSBC.

HSBC Bank Malta p.l.c. climate risk appetite supports the oversight and management of the financial and non-financial risks from climate change and supports the business to deliver its climate ambition in a safe and sustainable way.

This approach gives the Board and senior management visibility and oversight of the climate risks impacting HSBC Bank Malta p.l.c. and helps in the identification of opportunities to deliver sustainable growth in support of the bank's climate ambition.

### Climate scenario analysis and stress tests

Climate scenario analysis is used as a forward-looking tool to assess the potential impacts of climate risk on HSBC operations, credit portfolio, and capital.

HSBC scenario analysis draws on a wide range of external science based scenarios, including from the International Energy Agency ('IEA') and the Network for Greening the Financial System ('NGFS'). The analysis simulates potential impacts on customers' financials and collateral and provides insight on the range of long-term effects climate risks can have on HSBC Bank Malta p.l.c.'s wholesale portfolio. Sector-specific scenario analysis is run to assess the impact of climate risks under a range of future scenarios.

- Net zero scenario, which seeks to limit global warming to 1.5°C above pre-industrial levels by 2100 in line with the Paris Agreement. This scenario is equivalent to a net zero by 2050 ambition.
- Current commitments scenario, which assumes that climate actions are limited to the existing governmental commitments leading to an increase of 2.4°C in global warming by 2100.
- Downside transition risk scenario, which assumes that climate action is delayed until 2030 but still limits global warming to 1.5°C by 2100.

The potential impacts were measured by reviewing the modelled effect on HSBC's Expected Credit Losses ('ECL') for HSBC Bank Malta p.l.c. corporate customers and comparing these to a counterfactual scenario without climate change.

This climate scenario analysis exercise helps to identify and understand the materiality of a range of climate risks to different segments of HSBC Bank Malta p.l.c. loan portfolio. However, the use of these models in the industry is still in its infancy and risk capture is partial and complex due to inherent modelling and data challenges.

The intention is to continue enhancing HSBC's climate scenario analysis capabilities.

### Description of the link between environmental risks and traditional banking risks

In 2023, HSBC Bank Malta p.l.c. ran a qualitative entity level assessment of how climate and environmental risks may impact risk types within the HSBC taxonomy over short (12 months), medium (5 years) and long terms (10 years). The most material risks identified are driven by regulatory and/or reputational impacts in the following risk areas: Wholesale Credit Risk, Retail Credit Risk, Strategic Risk/Reputational Risk; Regulatory compliance/Breach of Regulatory Duty to Clients and Other Counterparties; Resilience risk/Third Party Risk and Financial Reporting Risk.

All these activities ensure nature related issues are embedded into the HSBC Bank Malta p.l.c. transition plan and the definition of the risk management framework.

The management of environmental risk is aligned to HSBC Continental Europe's Environmental Risk Framework, developed in line with Group Risk Management Framework.

### Activities, commitments and exposures contributing to mitigate environmental risks

The HSBC Group is supporting the transition of industries and markets to a net zero future, moving to net zero at its own level as HSBC helps its customers do so too.

Achieving net zero goes hand in hand with halting and reversing nature loss. Nature loss, which refers to the decline of natural capital, ecosystem services and biodiversity, is one of the greatest systemic risks to the global economy and the health of people and the planet.

In taking steps to halt nature loss, the HSBC Group will continue to make progress with the investment and financing of biodiversity and nature-based solutions through client products and services and partnerships.

## Climate and nature related risks identification and assessment

### Implementation of tools and processes for identification, measurement and management of climate and environmental risks.

The HSBC Group recognises that businesses can have an impact on the environment and has developed, implemented and refined its approach to working with its business customers to understand and manage these issues. Indeed, HSBC seeks to ensure that the financial services it provide to its customers to support economic development do not result in an unacceptable impact on people or the environment.

Climate risk is managed in HSBC Bank Malta p.l.c. banking portfolios through its risk appetite and policies for financial and non-financial risks. For wholesale customers, a corporate questionnaire is used with selected clients as part of HSBC's transition risk framework to understand the customer's climate strategies and risk. For the retail portfolio, mortgage exposures prone to climate risk are being monitored. The local group's climate change stress testing and scenario analysis are also used to provide insights on the long-term effects of transition and physical risks across retail and wholesale banking portfolios.

Climate stress testing and scenario analysis are used to provide insights on the medium and long term effects of transition and physical risks across retail and wholesale banking portfolios. Climate scenario analysis is used to enrich HSBC Bank Malta p.l.c.'s understanding of the risks and opportunities, drivers, dependencies, and challenges the local group faces in future climate pathways.

HSBC Bank Malta p.l.c. performs climate risk materiality assessment across financial and non-financial risks through various scenarios, providing the bank with a holistic view of climate impacts across the HSBC risk taxonomy. In 2024, HSBC Bank Malta p.l.c. risk stewards have commenced with materiality assessments for environmental risks driven by degradation of nature, principally across financial risks. The risks included are Wholesale Credit Risk, Liquidity Risk and Retail Credit Risk.

Climate and nature scenarios have been developed considering physical risk, transition risk, net-zero alignment risk and greenwashing risk drivers in accordance with the Group climate risk scenarios. This reflects the bank's approach to include environmental considerations into its risk management framework.

### Results and outcome of the risk tools implemented and the estimated impact of environmental risk on capital and liquidity risk profile.

Climate and nature risk drivers may impact liquidity risk directly, through the bank's ability to raise funds or liquidate assets, or indirectly through customers' demands for liquidity.

HSBC Bank Malta p.l.c. liquidity risk profile has been analysed with respect to nature and climate risks as part of the Internal Liquidity Adequacy Assessment Process ('ILAAP') and ICAAP completed in March 2024.

The analysis used an internal scoring model to derive a risk ranking by industry based on HSBC Continental Europe's wholesale customers' profiles. The model explores how climate-related financial risks can arise. By exploring several scenarios, it illustrates how climate and nature risk drivers may affect the bank's financial risks via micro and macroeconomic transmission channels.

For liquidity risk, analysis shows that overall impact from climate and nature risks is limited over a liquidity timeframe thanks to the overall well diversified exposures across industry.

For capital risk assessments, HSBC Bank Malta p.l.c. integrated climate and ESG risks in the risk inventory for ICAAP.

The impact of climate on credit risk economic capital has been assessed. The impact of climate risk is currently not considered material and economic capital allocated for HMT is minimal.

### Data availability, quality and accuracy, and efforts to improve these aspects

The local group has a holistic approach to data governance encompassing all risk types as well as business lines and functions. This is set out within the Group Data Management Policy and Controls which covers Environmental Risk data. The HSBC Group's data management commitments are captured within its Data Management Procedures and also align to Basel Committee on Banking Supervision "Principles for Effective Risk Data Aggregation and Risk Reporting ('BCBS 239')" requirements.

The Group Data Management Procedure seeks to embed effective data management in business activities and processes by articulating the activities that must be incorporated across the Group (including HSBC Bank Malta p.l.c.). The Procedure applies to all users and providers of data in the HSBC Group and assigns responsibility to all staff for managing the quality of data in the processes and systems that they own. Complementing the Data Management Procedure is the BCBS 239 Compliance Framework. This defines the minimum standards to be met when aggregating and reporting environmental risk data. The documents have been designed to reflect and implement the BCBS 239 principles, and adherence to the standards within the Framework is mandatory for all applicable local group areas.

## Qualitative information on social risk

HSBC Bank Malta p.l.c., as a major banking and financial services organisation, faces social risks. Social risks, as defined by the Official Journal of the European Union (Article 1, Amendments to Implementing Regulation (EU) 2021/637, p. 16), are understood as the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of social factors on the institution's counterparties or invested assets. As defined by the European Banking Authority ('EBA'), social factors include human rights violation, labour rights, income inequality, lack of human rights, customer safety and protection, privacy, poverty and non-discrimination. Furthermore, climate change and transition to a low carbon economy have social impacts that include changes to the job market. These include the decrease in the demand for certain jobs and skills, the emergence of new jobs and skills, consumers' changing preferences, shareholders' willingness to swiftly integrate climate, environmental and social changes in their companies.

HSBC Bank Malta p.l.c.'s Board takes overall responsibility for ESG strategy, overseeing executive management in developing the approach, execution and associated reporting. Progress against ESG ambitions is reviewed through Board discussion and review of key topics such as updates on net zero, customer experiences and employee sentiment.

## Human rights

### Strategy and business processes

The local group, as part of the HSBC Group, encourages protection of its employees human rights, in line with HSBC's Human Rights Statement. More broadly fostering an inclusive culture, that enables its people to thrive, is a core element of people's strategy.

The local group requires its employees to treat colleagues with dignity and respect, further embedding an inclusive environment. Employees are made aware of their employment rights and duties through a variety of channels, including employment contracts and policies, procedures in employee handbooks, employee websites and a global Code of Conduct. Employees are trained on a range of human rights related topics including but not limited to diversity and inclusion, bullying and harassment, racism and, data privacy. In addition, employees receive regular training as part of HSBC's broader financial crime control framework, covering anti-money laundering, anti-bribery and corruption and financial sanctions. Each of these areas intersects with human rights risk.

From a customer standpoint, the HSBC Group has developed sustainability risk policies which are also used at HSBC Bank Malta p.l.c. level. The policies also apply to the main financing products offered to customers. Customers are engaged, where appropriate, and supported in adopting more sustainable practices. The sustainability risk policies on forestry, agricultural commodities, metals and mining, and energy specifically refer to human right considerations. They include issues such as land rights, harmful or exploitative child labour or forced labour, rights of local communities, workers' rights and the health and safety of communities.

Regarding suppliers, the code of conduct, revised in 2023, sets out HSBC's commitments to the environment, diversity and human rights, and outlines the minimum commitments expected by suppliers on these issues. Commitment to the code is formalised with clauses in supplier contracts, which support the right to audit and act if a breach is discovered.

### Policies and risk management

HSBC Bank Malta p.l.c. has defined employment practices and relations policies set in the Human Resources ('HR') procedure guideline within a Functional Instruction Manual ('FIM'). This manual aims to ensure that HSBC Bank Malta p.l.c. as an employer takes all appropriate steps to meet employment laws, regulatory commitments and obligations to the workforce. These include and are not limited to human rights violation, labour rights, income inequality, lack of human rights, privacy, poverty and non-discrimination matters.

Failure to comply with the policy could result in financial loss, legal or regulatory action, reputational damage or impacts on employees. In addition to employee impacts, failure to comply with the requirements in this policy could indirectly lead to negative impacts on the outcomes for customers.

## Employee matters

### Strategy and business processes

The HSBC Group promotes an inclusive organisation that values difference, takes responsibility and seeks different perspectives for the overall benefit of HSBC's stakeholders. HSBC Bank Malta p.l.c. remains committed to be a leading employer and to unlock the full potential of its people in support of its customers and strategy.

HSBC Bank Malta p.l.c. promotes a dynamic, inclusive connected culture that enables its people to thrive and be treated with dignity and respect. HSBC Bank Malta p.l.c. is also committed to foster a supportive environment focused on mental health and well-being, encouraging its employees to adopt alternative and more flexible ways of working that suit their needs.

HSBC Bank Malta p.l.c. encourages people to speak up, including if observing unlawful or unethical behaviour. A range of speak up channels are offered to listen to concerns of employees, including a whistleblowing platform, "HSBC Confidential". This platform allows employees to raise any concerns in confidence and, where preferred, anonymously. HSBC Confidential can be accessed in various ways, including telephone outlines, online portals and email.

Employee' wellbeing remains a top priority. Tools and training are available to support mental, physical and financial health. Helping employees to be healthy and happy is a key enabler of HSBC Bank Malta p.l.c.'s strategy. Wellbeing questions are included in the annual Snapshot survey to get feedback from employees and continue to improve the approach on this topic.

### Governance

Our whistleblowing channel, HSBC Confidential is open to all colleagues to raise concerns in line with local laws. All whistleblowing reports received are investigated in a detailed and independent manner and remedial action is taken where appropriate.

HSBC Bank Malta p.l.c.'s remuneration policy, being neutral and inclusive, is designed to motivate and retain the best employees and to make sure each and every employee is treated fairly. The bank's Remuneration and Nomination Committee (the 'Committee' or 'RemNom') within its remuneration oversight remit, is responsible for overseeing the implementation and operation of the bank's remuneration framework, satisfying itself that the remuneration framework is aligned with local law, rules or regulations, as well as with the risk appetite, business strategy culture and values, and long-term interests of the bank. The Committee also seeks to satisfy itself that the remuneration framework is appropriate to attract, retain and motivate individuals of the quality required to support the success of the bank. It ensures that the remuneration policy is consistent with and promotes sound and effective risk management.

The local group is committed to managing change while maintaining a regular dialogue with bodies representing employees, supporting managers, redeploying impacted colleagues when possible, and proposing, where appropriate, adapted financial and supporting measures.

### Policies and Risk Management

Global principles overlay all Group policies and procedures, connecting the organisation's purpose, values, strategy and approach to risk management. They guide the local group in the decisions it takes and how it operates. The Risk management framework is underpinned by the group's values and governs the HSBC Group's overall approach to managing risk.

The Functional Instruction Manual, which describes the employment practices and employee relations policy set in Human Resources procedure guideline, ensures that the local group effectively manages cases where employees demonstrate poor behaviours towards each other (Personal Conduct cases). Any personal Conduct Cases are taken into account in the performance review for HSBC Bank Malta p.l.c.'s employees.

Compliance is required with all applicable anti-bribery and corruption laws in all markets and jurisdictions in which the local group operates. A global anti-bribery and corruption policy exists, which requires compliance with the spirit of laws and regulations to demonstrate commitment to ethical behaviours and conduct as part of environmental, social and corporate governance.

### Customer matters

#### Strategy and business processes

The conduct approach helps to focus on the impact HSBC Bank Malta p.l.c. has on its customers and financial markets. It concentrates on five clear outcomes:

- understanding customers' needs;
- providing products and services that offer a fair exchange of value;
- serving customers' ongoing needs, and putting things right in case of mistake;
- acting with integrity in the local financial markets HSBC Bank Malta p.l.c. operates in; and
- operating with resilience and security to avoid harm to customers and markets.

The key factors in creating the right environment to enable the Customer and Market Outcomes to be achieved are:

- culture and behaviour;
- strategy and decision-making; and
- governance and reporting.

The conduct approach is embedded into the way the local group develops, distributes, structures and delivers products and services. The approach to product design and development – including how products are advertised – is set out in HSBC Bank Malta p.l.c. policies and provides a clear basis from which strategic product and service decisions can be made. Global businesses each take the following approach:

- carrying out relevant testing during the design and development of a product to establish whether there is an identifiable need in the market;
- considering the complexity of products and the possible financial risks to customers when determining the target market;
- offering a carefully selected range of products that are managed as product offerings, thus helping ensure that they continue to meet customers' needs and deliver a fair value for money;
- Separating Relationship Managers' variable pay from the volume of customers' sales;
- reviewing products to help ensure they remain relevant and perform in line with expectations;
- where products do not meet customers' needs or no longer meet high standards, improving them or withdrawing them from sale;
- wherever possible, acting on feedback from customers to provide better and more accessible products and services; and
- considering impact on the integrity of markets when introducing new products.

#### Governance

Oversight of product design and sales is provided by governance committees chaired and attended by senior executives who are accountable for ensuring that risks are managed appropriately, and within appetite, to ensure fair customer outcomes.

#### Policies and risk management

Customers' interests are at the heart of the local group's business, and policies and procedures are in place that set the standards required to protect them. These include:

- providing information on products and services that is clear, fair and not misleading;
- enabling customers to understand the key features, the risks, exclusions and limitations for all products and services including ESG-related products;
- enabling customers to make informed decisions before purchasing a product or service; and
- checking that customers are offered appropriate products and, where relevant, receive the right advice.

For example, in WPB, customers' financial needs and personal circumstances are considered to offer suitable product recommendations. This is achieved through measures such as:

- a globally consistent risk rating methodology for investment products, which is customised for local regulatory requirements; and
- a thorough customer risk profiling methodology to assess customers' financial objectives, attitudes towards risk, financial ability to bear investment risk, and knowledge and experience.

In addition, sales quality and mystery shopping reviews assess whether customers receive a fair outcome.

In CMB, focused sales outcome testing is operated to ensure that product features and pricing are correctly explained.

In Global Markets' ('GM') business, sample based testing on sales of products are undertaken to ensure that product features and pricing have been correctly explained and sales processes have been adhered to. Feedback is collated centrally and acted upon in a timely manner.

The net promoter score ('NPS') system is used to provide a consistent measure of the performance. NPS is measured by subtracting the percentage of Detractors from the percentage of Promoters. Customer feedback is managed when things go wrong and actions against key customer complaints are reported.

Tracking, recording and complaints management aim to be open and consistent. A consistent set of principles enables HSBC Bank Malta p.l.c. to remain customer focused throughout the complaints process.

### Community and society

The Group has a long-standing commitment to support the communities in which it operates through charitable partnerships and volunteering opportunities. The HSBC Group aims to provide people with the skills and knowledge needed to thrive in the post pandemic environment, and through the transition to a sustainable future.

Through the HSBC Malta Foundation, the local group seeks to work with numerous stakeholders in the community with the aim of creating a sustainable future. Every year, the HSBC Malta Foundation earmarks part of its funding for causes that are important to our community. In 2024, the HSBC Malta Foundation continued to support a number of projects including the King's (ex Prince's) Trust International Achieve Programme, the JAYE (Young Enterprise) Malta Foundation, The Malta Chamber of Commerce with regards a Human Capital Research Project, the Malta Community Chest Fund Foundation and Fondazzjoni Patrimonju Malti amongst others.

The HSBC Malta Foundation continued to work with ĠEMMA within the Ministry for Social Justice and Solidarity and The Family and Children's Rights to deliver financial literacy sessions to various audiences including elderly people living in the community. The sessions focus on helping the various audiences to learn how to make good financial and lifestyle choices. The HSBC Malta Foundation has a long track record of supporting financial literacy initiatives. This is part of our commitment to helping young people acquire the skills they need to live a fulfilling and successful life. Currently the HSBC Malta Foundation is sponsoring two major transformative projects in line with its strategic priorities. The first project is linked to Future Skills which is aimed at looking into the skills required in the future of work. This three-year research project aims to identify the skills needed for the future of work in Malta and to embed these skills in the national curriculum.

The second project is being carried out with The University of Malta ('UM') – it's another research initiative aimed at strengthening the sustainability and growth of the freight and logistics sector in Malta. In collaboration with the Research, Innovation & Development Trust ('RIDT') and funded by the HSBC Malta Foundation, this project marks a significant step forward in addressing the challenges and opportunities in this vital industry of logistics and transport. Situated strategically in the Mediterranean Sea, the Maltese islands have played a pivotal role in facilitating the expansion of local and international freight and logistics operations. Despite this, a noticeable gap exists in research and data availability, hindering further progress and optimisation within the sector. Recognising the urgency and importance of addressing these gaps, UM, RIDT, and

the HSBC Malta Foundation have united to embark on a comprehensive research project. With a donation of €150,000 from the HSBC Malta Foundation, the project aims to explore the sustainability of freight transport while emphasising its critical role in the economic development of the islands.

The “Sustainable Freight Transport” multi-year initiative will delve into various facets of the sector, including Malta's potential as a regional transshipment hub for high-end goods, local freight sector mapping, and the formulation of actionable recommendations for sustainable sectoral development.

This year we also concluded another major transformative project in line with our climate ambition and net zero strategy - the project entitled 'Maximising energy efficiency through building renovation: HSBC Case Study'. Through this foundational study, HSBC paved the way for more advanced research and policymaking and is leading the transition towards more sustainable Maltese buildings. This project sets a precedent locally, where data on utility usage and building efficiency has been scarce compared to other European countries

## Reputational risk

The Group Reputational Risk Committee oversees global executive support for identification, management and ongoing monitoring of reputational risks, including those related to ESG matters. The responsibility is held by the Group Chief Risk and Compliance Officer.

At HSBC Bank Malta p.l.c level, Reputational Risk and Client Selection Committees ('RRCS') are regular committees, established to provide recommendations and advice on clients and non-clients (e.g. third parties) with a focus on wider reputational risks for both Commercial Banking and Retail and Wealth. Cases with significant impact are escalated to the regional/Global equivalent of these committees as required.

Within the Global Risk and Compliance function, reputational and sustainability risk specialists are responsible for reviewing, implementing and managing sustainability risk policies. Local risk managers continued to be supported by regional reputational risk managers across the Group who have taken on additional oversight responsibilities for sustainability risk.

## Conflict of interest

HSBC Bank Malta p.l.c. lines of business and functions have in place procedures, adapted from the Conflicts of Interest's Policy (including Personal Account Dealing, Personal Connection Conflicts and Outside Activities) and controls to identify, and prevent or manage Conflicts of Interests. HSBC Bank Malta p.l.c. management body is subjected to similar rules enclosed in the Board of Directors' Internal rules.

The Conflicts covered by these procedures can be potential or actual, and may arise between:

- One Client and another (Client versus Client).
- HSBC Bank Malta p.l.c. and a Client (HSBC Bank Malta p.l.c. versus Client).
- An employee and a Client (employee versus client)

According to the internal Conflicts of Interests policy, Businesses and Functions in HSBC Bank Malta p.l.c. (including its subsidiaries), must:

- Identify all types of potential Conflicts that could reasonably arise in the context of their activities.
- Maintain a Register of all identified potential conflicts: these conflicts include both individual business conflicts as well as those arising across businesses or legal entities. A Group tool is implemented to facilitate the inventory of all types of conflicts.
- Prevent or manage conflicts on an ongoing basis.
- Disclose conflicts where appropriate.
- Evidence all occurrences of conflicts that cannot be managed.

Any material risks and issues related to conflicts of interests are escalated and managed by the risk management forums by business line and functions within their terms of reference.

As regulatory and public interest in ESG matters increases, it will become increasingly common for conflicts to arise between HSBC's stated climate strategy and our clients, workers, activities and third-party considerations. Risk Owners must give careful consideration to managing Climate and ESG related conflicts in order to ensure any Climate and ESG related conflicts are documented and reported upon. Furthermore, Conflicts of Interest has been highlighted as a prioritised Regulatory Compliance Risk when considering Climate, as such Climate and ESG considerations should be undertaken throughout and documented where relevant and appropriate.

In 2024, a refresh of policy has been done following the annual review to align with the core MiFID requirements. The ESG topic is covered in the policy alleviating any conflicts.

## HSBC Bank Malta p.l.c. risk management of the governance performance of its counterparties

Two key components underpin HSBC's values and integrity: i) the 'code of conduct' and ii) the "Financial Crime Policy". The standards are applicable across all global businesses and functions across HSBC and aim to ensure adherence to applicable laws and regulations where the Group operate.

The procedures that underpin these standards are intended to protect customers, shareholders, staff, and the communities in which HSBC operates, as well as the integrity of the financial system on which it relies.

## Third party risk and Code of Conduct

HSBC Bank Malta p.l.c. is committed to the fair treatment of businesses that supply it with goods and services and expects them to operate responsibly in line with HSBC's values.

During the selection and tender process, third party suppliers are asked to complete a questionnaire which asks questions about their Carbon Emissions Reduction policy, whether climate goals are integrated into their strategy, and whether there is a dedicated diversity, equality and inclusion team in their workplace.

HSBC Bank Malta p.l.c.'s contracts with third-parties include clauses covering conflicts of interest, duty of care, sustainable development and responsibility. They also include clauses requiring the third party to notify the bank of any event that may affect the schedule, the level of quality expected for the services, the commitments of the parties, their financial situation and ability to perform the services efficiently to the agreed service levels and in accordance with applicable law and regulation. Once an event has been identified, notified and investigated, a rectification plan and all necessary measures to minimise the impact are put in place.

HSBC Bank Malta p.l.c.'s internal policy on event management require the escalation of all incidents of critical concern (including those related to ESG and third-party suppliers) to appropriate senior management stakeholders without delay. Operational incidents and near-misses are recorded in the bank's risk management tool (subject to de minimis thresholds for some incident types) and are subject to the relevant risk governance, including root cause analysis where appropriate.

HSBC is encouraging participation of diverse suppliers in procurement activities. HSBC Group's supplier code of conduct sets out the Group's commitments to the environment, diversity and human rights, and outlines the minimum commitments expected of supplier on these issues. Commitment to this code of conduct is formalised with clauses in supplier contracts, which support the right to audit and act if a breach is discovered.

### Financial crime risk

Financial crime includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing. HSBC Bank Malta p.l.c. aligns to the Group and has a financial crime risk management framework that is applicable across all global businesses. The financial crime risk framework, which is overseen by the Group Board, is supported by financial crime policies that are designed to enable adherence to applicable laws and regulations.

Annual mandatory training is provided to all employees, with additional targeted training tailored to certain individuals. Regular risk assessments are carried out, to identify where a response is needed to evolving financial crime threats, as well as monitoring and testing the financial crime risk management programme.

The HSBC Group global anti-bribery and corruption policy requires that all activity must be: conducted without intent to bribe or corrupt; reasonable and transparent; considered to not be lavish nor disproportionate to the professional relationship; appropriately documented with business rationale; and authorised at an appropriate level of seniority. The global anti-bribery and corruption policy requires that the risk of customers and third parties committing bribery or corruption is identified and mitigated. Among other controls, customer due diligence and transaction monitoring controls are used to help mitigate financial crime risk including bribery and corruption. Anti-bribery and corruption risk assessments are performed on third parties that expose HSBC to this risk.

### Scope of ESG reporting

The information reported in below tables relates to the principal operating entities within HSBC Bank Malta p.l.c.'s prudential scope of consolidation at 30 June 2024. The subsidiary engaged in insurance activities is excluded from the prudential consolidation. Within this scope, due to operational limitations, the bank entity has been selected on the basis of its relative exposure to achieve overall material disclosure coverage at local group level. Consequently, the exposures of HSBC Bank Malta p.l.c.'s asset management subsidiary is not included in the tables below. These tables provide information on non-trading book exposures; assets held for trading are excluded.

### Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

In accordance with Article 449a of CRR, HSBC Bank Malta p.l.c. has disclosed those exposures which are more exposed to risks from the transition to a low-carbon and climate resilient economy as specified in Recital 6 of the Commission Delegated Regulation (EU) 2020/1818; and a subtotal for exposures to "other sectors" not mentioned therein.

The table sets out information on the bank's exposures to non-financial corporates operating in carbon-related sectors, and the quality of those exposures, including non-performing status, stage 2 classification, and related provisions, as well as maturity buckets. Counterparty Nomenclature of Economic Activities NACE sector allocation is based on the nature of the immediate counterparty.

### Identification of companies excluded from Paris aligned benchmark

HSBC Bank Malta p.l.c. is required to report the gross carrying amount of exposures to counterparties that are excluded from the EU Paris-aligned Benchmarks as specified in Article 12.1, points (d) to (g), and Article 12.2 of Commission Delegated Regulation (EU) 2020/1818.

Counterparties are excluded based upon the criteria listed in Articles 12.1 and 12.2 of the Climate Benchmark Standards Regulation. The relevant articles and approach are set out below:

#### Approach to article 12.1

#12.1 Administrators of EU Paris-aligned Benchmarks shall exclude all of the following companies from those benchmarks:

- (a)-(c) companies involved in any activities related to controversial weapons; companies involved in the cultivation and production of tobacco; companies that benchmark administrators find in violation of the United Nations Global Compact ('UNGC') principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- (d) companies that derive 1 per cent or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- (e) companies that derive 10 per cent or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- (f) companies that derive 50 per cent or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and
- (g) companies that derive 50 per cent or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh.

Criteria (a) – (c) are out of scope and companies in these sectors are excluded in our disclosure.

To identify companies under criteria (d) to (f), an external data source, Urgewald, has been used. Urgewald is a non-profit environmental and human rights organisation, which tracks and reports on corporates engaging in Coal and Oil & Gas. Counterparties have been reported against the two following lists: Global Coal Exit List ('GCEL'); and Global Oil & Gas Exit List ('GOGEL').

A two-step approach has been used to identify companies under criterion (g): i) a sector analysis to identify companies allocated to the electricity generation sector based on NACE code, and; ii) companies which declare their activities as fully renewable were removed from the list (based on publicly available third-party data). The remaining population is reported in the relevant column of the table.

#### Approach to article 12.2

#12.2 Administrators of EU Paris-aligned Benchmarks shall exclude from those benchmarks any companies that are found or estimated by them or by external data providers to significantly harm one or more of the environmental objectives referred to in Article 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council (8), in accordance with the rules on estimations laid down in Article 13(2) of this Regulation.

Reporting of companies under #12.2 is based on counterparty information that identifies in its voluntary disclosures under the EU Taxonomy Regulation that the Do No Significant Harm ('DNSH') criteria was not met.

Data limitation: Companies are not required to disclose the assessments about the technical screening criteria, which includes DNSH, that the taxonomy-eligible economic activities fail to meet but may do so voluntarily. The bank places reliance on the extent to which its counterparties voluntarily disclose the compliance assessment of the DNSH criteria. On this basis the disclosure includes a limited population based on the availability of counterparty information.

Identification of clients excluded from the EU Paris-Benchmark is done on a best-efforts basis either based on available third-party data or relevant sector classification. The coverage of available information on counterparty exposures is expected to improve over time and could result in further counterparties being identified as excluded.

Exposure to companies excluded from Paris-aligned Benchmarks stands at EUR 96m (compared to EUR 120m at 31 December 2023).

## Identification of environmentally sustainable exposures (CCM)

HSBC Bank Malta p.l.c. is required to report the taxonomy-aligned exposures that are in accordance with EU Taxonomy Regulation 2020/852 and aligned with Mitigating actions: Assets for the calculation of GAR (Template 7) for non-financial corporations.

## GHG financed emissions

### Background

The HSBC Group announced in October 2020 its ambition to become a net zero bank, including an aim to align its financed emissions to net zero by 2050 or sooner.

Its analysis of financed emissions comprises on-balance sheet 'financed emissions' which include emissions related to on-balance sheet lending, such as project finance and direct lending. The analysis covers financing from Global Banking and Commercial Banking.

Financed emissions link the financing provided to customers with their activities in the real economy to help provide an indication of the greenhouse gas emissions associated with those activities. They form part of the HSBC Group's scope 3 emissions, which include emissions associated with the use of a company's products and services.

In the approach to assessing the financed emissions, the key methodological decisions were shaped in line with industry practices and standards. HSBC Group recognises these are still developing.

In 2024, the Group will continue to review the approach for regional regulatory reporting.

### Coverage of the analysis - HSBC Group

In 2021, the Group started measuring financed emissions for oil and gas, and power and utilities. In 2022, it has also started to measure financed emissions targets for four additional sectors: cement; iron, steel and aluminium; aviation; and automotive.

For each sector, the analysis focuses on the parts of the value chain where HSBC believes the majority of emissions are produced to help reduce double counting of emissions. By estimating emissions and setting targets for customers that directly account for, or indirectly influence the majority of emissions in each industry, HSBC focuses its engagement and resources where the bank believes the potential for change is highest. For each sector, the reported emissions now typically include all the major greenhouse gases including carbon dioxide, methane, nitrous oxide among others. These are reported as tonnes of CO2 equivalent, in line with the Net Zero Banking Alliance ('NZBA') guidelines.

The below shows the scope of the HSBC Group's financed emissions analysis for the six in-scope sectors, including upstream, midstream and downstream activities within each sector. The highlighted sections in the below table under the value chain in scope are included in the analysis. The allocation of companies to different parts of the value chain is highly dependent on expert judgement and data availability on company revenue streams. As data quality improves, HSBC expects this will be further refined.

| Sector                    | Scope of emissions                     | Value chain in scope                      |   |                            |  |
|---------------------------|--|---|---|----------------------------|--|
|                           |  | Upstream (e.g. extraction)                | Midstream (e.g. transport)                        | Downstream (e.g. fuel use) | Integrated/diversified                           |
| Oil and gas               | 1,2 and 3                              | Upstream (e.g. extraction)                | Midstream (e.g. transport)                        | Downstream (e.g. fuel use) | Integrated/diversified                           |
| Power and utilities       | 1 and 2                                | Upstream (e.g. generation)                | Midstream (e.g. transmission and distribution)    |                            | Downstream (e.g. retail)                         |
| Cement                    | 1 and 2                                | Upstream (e.g. raw materials, extraction) | Midstream (e.g. clinker and cement manufacturing) |                            | Downstream (e.g. construction)                   |
| Iron, steel and aluminium | 1 and 2                                | Upstream (e.g. raw materials, extraction) | Midstream (e.g. ore to steel)                     |                            | Downstream (e.g. construction)                   |
| Aviation                  | 1 for airlines, 3 for aircraft lessors | Upstream (e.g. parts manufacturers)       | Midstream (e.g. aircraft manufacturing)           |                            | Downstream (e.g. airlines and aircraft lessors ) |
| Automotive                | 1,2 and 3                              | Upstream (e.g. suppliers)                 | Midstream (e.g. motor vehicle manufacture)        |                            | Downstream (e.g. retail)                         |

To calculate annual on-balance sheet financed emissions as at 30 June 2024, the Group used drawn balances as at 31 December 2022 related to wholesale credit and lending, which include business loans and project finance. It only included products for which the typical original term is 12 months or longer, having considered the Partnership for Carbon Accounting Financials ('PCAF') guidance and consulted with subject matter experts from the business.

The Group methodology is based upon the Global GHG Accounting and Reporting Standard for Financial Emissions, developed by the PCAF; which provides detailed methodological guidance to measure and disclose financed emissions.

PCAF provides guidance on estimating emissions using different data sources. Emissions can be estimated using data on production, revenue, or outstanding loan amounts in combination with emission factors specific to that data. The Group endeavours to use the best available dataset according to PCAF but at this stage, it has prioritised the use of vendor data to help ensure data consistency. Recommendations are provided to financial institutions to score and disclose data quality, and to seek to improve data quality over time.

For further details on the Financed emissions approach including the data sources, recalculation policy, data and methodology limitations

and sectoral approach (including an update on shipping and real estate) please refer to:

- The ESG review in the HSBC Group Annual report and Accounts available on the HSBC Group website: <https://www.hsbc.com/who-we-are/esg-and-responsible-business>.
- The Financed Emissions and Thermal Coal Exposures Methodology, see: <https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre>.

### HSBC Bank Malta p.l.c. Financed Emissions

HSBC Bank Malta p.l.c. discloses GHG financed emissions in line with the Group's approach, which focuses on the parts of the value chain where HSBC believes the majority of emissions are produced to help reduce double counting of emissions.

For each counterparty, the bank approximated absolute financed emissions using the loans and advances recorded in HSBC Bank Malta p.l.c. as a proportion of the HSBC Group total multiplied by the financed emissions for the HSBC Group.

### Plans to enhance methods to estimate counterparties' emission

The methodologies and data used to assess financed emissions and set targets continue to evolve alongside changes to industry guidance, market practice and regulation. The Group plans to refine the analysis using appropriate data sources and current methodologies available for the sectors it analyses.

The Group understands the need to provide early transparency on climate disclosures but this needs to be balanced with the recognition that the existing data and reporting processes require significant enhancements.

The majority of clients do not yet report the full scope of greenhouse gas emissions included in the analysis, in particular scope 3 emissions. In the absence of client-reported emissions, HSBC estimated emissions using proxies based on company production and revenue figures. Although the Group sought to minimize the use of non-company-specific data, it applied industry averages in the analysis where company-specific data was unavailable through the vendor datasets. As data improves, estimates will be replaced with reported figures.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to ESG-related issues and the effectiveness of any such response, HSBC may have to re-evaluate its progress towards its ESG ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to ESG (including climate) analysis and may be required to amend, update and recalculate its ESG disclosures and assessments in the future, as market practice and data quality and availability develop.

### Data and methodology limitations

The Group's financed emissions estimate and methodological choices are shaped by the availability of data for the sectors it analyses.

- The Group's approach focuses on what HSBC believes to be the most material parts of the sector value chains, and it seeks to minimise double counting between the transactions within the portfolio. Double counting occurs when GHG emissions are counted more than once in financed emissions analysis and cannot be avoided. HSBC remains committed to transparency around its methodology and scope of analysis.

- NACE codes and internal wholesale industry classifications are assigned to help determine the nature of a customer's main activity. The scope of clients analysed is determined based on sector classifications assigned using expert judgement from global relationship managers based on their relationship and knowledge of the customer's activity, with supporting data from NACE codes assigned at the issuer level consistent with third party vendor datasets.
- NACE codes are assigned to a counterparty at the counterparty group level by calculating the NACE with the highest and second-highest approved lending limits. The calculation and methodology of financed emissions calculation are dependent upon the availability of data. For the calculation of financed emissions where the allocation of the emissions data is required at the subsidiary level - however, data may only be available at the consolidated level of a counterparty and not at the legal entity level of a counterparty - HSBC has used the counterparty Group level information. Sectors for balance sheet reporting are assigned at an individual obligor level and may therefore differ between the counterparty Group sectors used for financed emission reporting.
- Due to the time lag for emissions data from our counterparties the financed emissions are based on both balance sheet and emission figures from 2022 year – end. This differs to year used for gross carrying amount shown in the table.
- Emissions intensity of financing activities is assumed to be the same across regions and, HSBC Bank Malta p.l.c.'s financed emissions are apportioned at the same ratio as HSBC Bank Malta p.l.c.'s portion of loan balances used in the HSBC Group's calculations. This may result in different estimation of financed emissions attributable to HSBC Bank Malta p.l.c. to one where methodology and available data were available to perform a more granular calculation.
- The financed emission calculation only covers loan and advances to customers which reflects the most material part of the financing activity.



Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity

|                      | a   | b   | c      | d                           | e                                  | f      | g                           | h                                  | i                                    | j  | k                | l  | m                           | n   | o                                 | p |     |
|----------------------|---|---|--------|-----------------------------|------------------------------------|--------|-----------------------------|------------------------------------|--------------------------------------|--|------------------|--|-----------------------------|---|-----------------------------------|---|-----|
|                      | Gross carrying amount (€000)  |   |        |                             |                                    |        |                             |                                    |                                      |  |                  | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                             | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |                                   |   |     |
| 30 Jun 2024          | of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818 | of which: environmentally sustainable (CCM) |        | of which: stage 2 exposures | of which: non-performing exposures |        | of which: Stage 2 exposures | of which: non-performing exposures | of which: Scope 3 financed emissions | percentage of GHG emissions (column i) derived from company specific reporting (%) | ≤ 5 years (€000) | > 5 year ≤ 10 years (€000)   | > 10 year ≤ 20 years (€000) | > 20 years (€000)   | Average weighted maturity (years) |   |     |
| Sector/<br>Subsector |   |   |        |                             |                                    |        |                             |                                    |                                      |  |                  |  |                             |   |                                   |   |     |
| 1                    | Exposures towards sectors that highly contribute to climate change <sup>1</sup>   | 478,608                                     | 96,442 | –                           | 81,939                             | 24,763 | (15,327)                    | (5,338)                            | (6,490)                              | 19,056   | 2,433            | 2  | 349,652                     | 107,719   | 21,237                            | – | 2.7 |
| 2                    | A – Agriculture, forestry and fishing   | 151   | –      | –                           | –                                  | 21     | (23)                        | –                                  | (21)                                 | –  | –                | 151  | –                           | –   | –                                 | – | 0.3 |
| 3                    | B – Mining and quarrying  | –   | –      | –                           | –                                  | –      | –                           | –                                  | –                                    | –  | –                | –  | –                           | –   | –                                 | – | –   |
| 4                    | B.05 – Mining of coal and lignite   | –   | –      | –                           | –                                  | –      | –                           | –                                  | –                                    | –  | –                | –  | –                           | –   | –                                 | – | –   |
| 5                    | B.06 – Extraction of crude petroleum and natural gas  | –   | –      | –                           | –                                  | –      | –                           | –                                  | –                                    | –  | –                | –  | –                           | –   | –                                 | – | –   |
| 6                    | B.07 – Mining of metal ores   | –   | –      | –                           | –                                  | –      | –                           | –                                  | –                                    | –  | –                | –  | –                           | –   | –                                 | – | –   |
| 7                    | B.08 – Other mining and quarrying   | –   | –      | –                           | –                                  | –      | –                           | –                                  | –                                    | –  | –                | –  | –                           | –   | –                                 | – | –   |
| 8                    | B.09 – Mining support service activities  | –   | –      | –                           | –                                  | –      | –                           | –                                  | –                                    | –  | –                | –  | –                           | –   | –                                 | – | –   |
| 9                    | C – Manufacturing   | 62,678                                      | –      | –                           | 7,956                              | 3,911  | (1,918)                     | (779)                              | (542)                                | 3,707  | 2,433            | 64   | 54,058                      | 1,216   | 7,404                             | – | 2.6 |
| 10                   | C.10 – Manufacture of food products   | 12,388                                      | –      | –                           | 162                                | –      | (151)                       | (3)                                | –                                    | –  | –                | 9,619  | 392                         | 2,377   | –                                 | – | 3.2 |

## Pillar 3 Disclosures at 30 June 2024

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|   | a   | b   | c                           | d  | e                           | f                                  | g   | h                                  | i                                    | j  | k                | l                          | m                           | n                 | o                                 | p   |
|---|---|---|-----------------------------|--|-----------------------------|------------------------------------|---|------------------------------------|--------------------------------------|--|------------------|----------------------------|-----------------------------|-------------------|-----------------------------------|-----|
|   | Gross carrying amount (€000)  |   |                             | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                             |                                    | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |                                    |                                      |  |                  |                            |                             |                   |                                   |     |
| 30 Jun 2024   | of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818 | of which: environmentally sustainable (CCM) | of which: stage 2 exposures | of which: non-performing exposures   | of which: Stage 2 exposures | of which: non-performing exposures | of which: Stage 2 exposures   | of which: non-performing exposures | of which: Scope 3 financed emissions | percentage of GHG emissions (column i) derived from company specific reporting (%) | ≤ 5 years (€000) | > 5 year ≤ 10 years (€000) | > 10 year ≤ 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |     |
| Sector/<br>Subsector  |   |   |                             |  |                             |                                    |   |                                    |                                      |  |                  |                            |                             |                   |                                   |     |
| 11 C.11 – Manufacture of beverages  | 10,126  | –   | –                           | –  | –                           | (24)                               | –   | –                                  | –                                    | –  | 10,126           | –                          | –                           | –                 | –                                 | 0.3 |
| 12 C.12 – Manufacture of tobacco products   | –   | –   | –                           | –  | –                           | –                                  | –   | –                                  | –                                    | –  | –                | –                          | –                           | –                 | –                                 | –   |
| 13 C.13 – Manufacture of textiles   | 6,012   | –   | –                           | –  | –                           | (38)                               | –   | –                                  | –                                    | –  | 6,012            | –                          | –                           | –                 | –                                 | 3.0 |
| 14 C.14 – Manufacture of wearing apparel  | –   | –   | –                           | –  | –                           | –                                  | –   | –                                  | –                                    | –  | –                | –                          | –                           | –                 | –                                 | –   |
| 15 C.15 – Manufacture of leather and related products   | –   | –   | –                           | –  | –                           | –                                  | –   | –                                  | –                                    | –  | –                | –                          | –                           | –                 | –                                 | –   |
| 16 C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials | 42  | –   | –                           | –  | –                           | (1)                                | –   | –                                  | –                                    | –  | 18               | 24                         | –                           | –                 | –                                 | 3.9 |
| 17 C.17 – Manufacture of pulp, paper and paperboard   | 41  | –   | –                           | –  | 41                          | (8)                                | –   | (8)                                | –                                    | –  | 41               | –                          | –                           | –                 | –                                 | –   |

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|                      | a  | b     | c | d | e     | f   | g     | h    | i    | j     | k | l  | m                                  | n   | o                                  | p   |  |  |                  |                            |                             |                   |                                   |
|----------------------|--|-------|---|---|-------|-----|-------|------|------|-------|---|--|------------------------------------|---|------------------------------------|---|--|--|------------------|----------------------------|-----------------------------|-------------------|-----------------------------------|
|                      | Gross carrying amount (€000)   |       |   |   |       |     |       |      |      |       |   | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |                                    |   |  |  |                  |                            |                             |                   |                                   |
|                      | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> |       |   |   |       |     |       |      |      |       |   | <i>of which: environmentally sustainable (CCM)</i>   | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i>   | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which Scope 3 financed emissions</i> | percentage of GHG emissions (column i) derived from company specific reporting (%) | ≤ 5 years (€000) | > 5 year ≤ 10 years (€000) | > 10 year ≤ 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |
| 30 Jun 2024          |  |       |   |   |       |     |       |      |      |       |   |  |                                    |   |                                    |   |  |  |                  |                            |                             |                   |                                   |
| Sector/<br>Subsector |  |       |   |   |       |     |       |      |      |       |   |  |                                    |   |                                    |   |  |  |                  |                            |                             |                   |                                   |
| 18                   | C.18 – Printing and service activities related to printing   | 1,000 | – | – | 189   | 780 | (35)  | (4)  | (23) |       |   | 1,000  | –                                  | –   | –                                  | –   | 1.2  |  |                  |                            |                             |                   |                                   |
| 19                   | C.19 – Manufacture of coke oven products   | –     | – | – | –     | –   | –     | –    | –    |       |   | –  | –                                  | –   | –                                  | –   | –  |  |                  |                            |                             |                   |                                   |
| 20                   | C.20 – Production of chemicals   | 205   | – | – | 3     | –   | (5)   | (1)  | –    |       |   | 205  | –                                  | –   | –                                  | –   | 2.7  |  |                  |                            |                             |                   |                                   |
| 21                   | C.21 – Manufacture of pharmaceutical preparations  | –     | – | – | –     | –   | –     | –    | –    |       |   | –  | –                                  | –   | –                                  | –   | –  |  |                  |                            |                             |                   |                                   |
| 22                   | C.22 – Manufacture of rubber products  | 2,393 | – | – | –     | –   | (10)  | –    | –    |       |   | 2,393  | –                                  | –   | –                                  | –   | 0.1  |  |                  |                            |                             |                   |                                   |
| 23                   | C.23 – Manufacture of other non-metallic mineral products  | 8,581 | – | – | 515   | 39  | (115) | (11) | –    |       |   | 7,241  | 354                                | 986   | –                                  | –   | 2.5  |  |                  |                            |                             |                   |                                   |
| 24                   | C.24 – Manufacture of basic metals   | 4,030 | – | – | 1,820 | –   | (56)  | (31) | –    | 1,274 |   | –  | 3,584                              | 446   | –                                  | –   | 1.2  |  |                  |                            |                             |                   |                                   |

## Pillar 3 Disclosures at 30 June 2024

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|                      | a  | b  | c                                  | d  | e                                  | f   | g                                  | h   | i  | j  | k                | l                          | m                           | n                 | o                                 | p   |
|----------------------|--|--|------------------------------------|--|------------------------------------|---|------------------------------------|---|--|--|------------------|----------------------------|-----------------------------|-------------------|-----------------------------------|-----|
|                      | Gross carrying amount (€000)   |  |                                    | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    |   |                                    | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |  |  |                  |                            |                             |                   |                                   |     |
| 30 Jun 2024          | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> | <i>of which: environmentally sustainable (CCM)</i> | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i>  | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i>   | <i>of which Scope 3 financed emissions</i> | percentage of GHG emissions (column i) derived from company specific reporting (%) | ≤ 5 years (€000) | > 5 year ≤ 10 years (€000) | > 10 year ≤ 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |     |
| Sector/<br>Subsector |  |  |                                    |  |                                    |   |                                    |   |  |  |                  |                            |                             |                   |                                   |     |
| 25                   | C.25 – Manufacture of fabricated metal products, except machinery and equipment  | 3,658  | –                                  | –  | 391                                | 3,048                                     | (518)                              | (8)   | (510)                                      |  | 3,658            | –                          | –                           | –                 | –                                 | 0.4 |
| 26                   | C.26 – Manufacture of computer, electronic and optical products  | –  | –                                  | –  | –                                  | –   | –                                  | –   | –  |  | –                | –                          | –                           | –                 | –                                 | –   |
| 27                   | C.27 – Manufacture of electrical equipment   | 3  | –                                  | –  | –                                  | –   | –                                  | –   | –  |  | 3                | –                          | –                           | –                 | –                                 | –   |
| 28                   | C.28 – Manufacture of machinery and equipment n.e.c.   | 11,052   | –                                  | –  | 4,781                              | –   | (906)                              | (718)   | –  |  | 8,546            | –                          | 2,506                       | –                 | –                                 | 4.9 |
| 29                   | C.29 – Manufacture of motor vehicles, trailers and semi-trailers   | 12   | –                                  | –  | –                                  | –   | (1)                                | –   | 2,433                                      | 2,433  | 100              | 12                         | –                           | –                 | –                                 | –   |
| 30                   | C.30 – Manufacture of other transport equipment  | –  | –                                  | –  | –                                  | –   | –                                  | –   | –  |  | –                | –                          | –                           | –                 | –                                 | –   |

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|                      | a  | b  | c             | d  | e                                  | f   | g                                  | h   | i   | j  | k                | l                          | m                           | n                 | o                                 | p          |
|----------------------|--|--|---------------|--|------------------------------------|---|------------------------------------|---|---|--|------------------|----------------------------|-----------------------------|-------------------|-----------------------------------|------------|
|                      | Gross carrying amount (€000)   |  |               | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    |   |                                    | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |   |  |                  |                            |                             |                   |                                   |            |
|                      | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> | <i>of which: environmentally sustainable (CCM)</i> |               |  | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i>   | <i>of which: Scope 3 financed emissions</i> | percentage of GHG emissions (column i) derived from company specific reporting (%) | ≤ 5 years (€000) | > 5 year ≤ 10 years (€000) | > 10 year ≤ 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |            |
| 30 Jun 2024          |  |  |               |  |                                    |   |                                    |   |   |  |                  |                            |                             |                   |                                   |            |
| Sector/<br>Subsector |  |  |               |  |                                    |   |                                    |   |   |  |                  |                            |                             |                   |                                   |            |
| 31                   | C.31 – Manufacture of furniture  | 2,457  | –             | –  | 63                                 | –   | (40)                               | (2)   | –   | –  | 922              | –                          | 1,535                       | –                 | –                                 | 6.8        |
| 32                   | C.32 – Other manufacturing   | 53   | –             | –  | 32                                 | –   | (1)                                | (1)   | –   | –  | 53               | –                          | –                           | –                 | –                                 | 0.4        |
| 33                   | C.33 – Repair and installation of machinery and equipment  | 625  | –             | –  | –                                  | 3   | (9)                                | –   | (1)   | –  | 625              | –                          | –                           | –                 | –                                 | 2.1        |
| 34                   | <b>D – Electricity, gas, steam and air conditioning supply</b>   | <b>98,309</b>                                      | <b>96,442</b> | <b>–</b>   | <b>1,867</b>                       | <b>–</b>                                  | <b>(1,072)</b>                     | <b>(789)</b>  | <b>–</b>                                    | <b>15,349</b>  | <b>–</b>         | <b>56,316</b>              | <b>40,126</b>               | <b>1,867</b>      | <b>–</b>                          | <b>4.3</b> |
| 35                   | D35.1 – Electric power generation, transmission and distribution   | 62,032   | 60,165        | –  | 1,867                              | –   | (1,071)                            | (789)   | –   | 15,349   | –                | 20,039                     | 40,126                      | 1,867             | –                                 | 6.7        |
| 36                   | D35.11 – Production of electricity   | 62,032   | 60,165        | –  | 1,867                              | –   | (1,071)                            | (789)   | –   | 15,349   | –                | 20,039                     | 40,126                      | 1,867             | –                                 | 6.7        |
| 37                   | D35.2 – Manufacture of gas; distribution of gaseous fuels through mains  | 36,277   | 36,277        | –  | –                                  | –   | (1)                                | –   | –   | –  | 36,277           | –                          | –                           | –                 | –                                 | –          |
| 38                   | D35.3 – Steam and air conditioning supply  | –  | –             | –  | –                                  | –   | –                                  | –   | –   | –  | –                | –                          | –                           | –                 | –                                 | –          |

## Pillar 3 Disclosures at 30 June 2024

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|  | a  | b | c | d  | e     | f                                  | g     | h   | i  | j                                  | k                | l   | m                           | n   | o | p  |  |
|--|--|---|---|--|-------|------------------------------------|-------|---|--|------------------------------------|------------------|---|-----------------------------|---|---|--|--|
|  | Gross carrying amount (€000)   |   |   | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |       |                                    |       | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |  |                                    |                  |   |                             |   |   |  |  |
|  | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> |   |   | <i>of which: environmentally sustainable (CCM)</i>   |       | <i>of which: stage 2 exposures</i> |       | <i>of which: non-performing exposures</i>   |  | <i>of which: Stage 2 exposures</i> |                  | <i>of which: non-performing exposures</i> |                             | <i>of which: Scope 3 financed emissions</i> |   | <i>Average weighted maturity (years)</i> |  |
|  |  |   |   |  |       |                                    |       |   | percentage of GHG emissions (column i) derived from company specific reporting (%) |                                    |                  |   |                             |   |   |  |  |
|  |  |   |   |  |       |                                    |       |   |  |                                    | ≤ 5 years (€000) | > 5 year ≤ 10 years (€000)                | > 10 year ≤ 20 years (€000) | > 20 years (€000)                           |   |  |  |
| 30 Jun 2024  |  |   |   |  |       |                                    |       |   |  |                                    |                  |   |                             |   |   |  |  |
| <b>Sector/<br/>Subsector</b>   |  |   |   |  |       |                                    |       |   |  |                                    |                  |   |                             |   |   |  |  |
| 39 <b>E – Water supply; sewerage, waste management and remediation activities</b>  | 34   | – | – | –  | –     | –                                  | –     | –   |  |                                    | 34               | –   | –                           | –   | – | –  |  |
| 40 <b>F – Construction</b>   | 24,520   | – | – | 975  | 5,046 | (2,002)                            | (29)  | (1,748)   |  |                                    | 23,102           | 1,393                                     | 25                          | –   | – | 0.9                                      |  |
| 41 F.41 – Construction of buildings  | 7,026  | – | – | –  | 3,444 | (806)                              | –     | (729)   |  |                                    | 6,251            | 775                                       | –                           | –   | – | 1.5                                      |  |
| 42 F.42 – Civil engineering  | 10,495   | – | – | 81   | 279   | (291)                              | (9)   | (220)   |  |                                    | 10,470           | –   | 25                          | –   | – | 0.4                                      |  |
| 43 F.43 – Specialised construction activities                                      | 6,999  | – | – | 894  | 1,323 | (905)                              | (20)  | (799)   |  |                                    | 6,381            | 618                                       | –                           | –   | – | 1.1                                      |  |
| 44 <b>G – Wholesale and retail trade; repair of motor vehicles and motorcycles</b> | 152,545  | – | – | 27,432   | 4,558 | (3,859)                            | (790) | (2,209)   |  |                                    | 144,594          | 4,103                                     | 3,848                       | –   | – | 0.8                                      |  |
| 45 <b>H – Transportation and storage</b>   | 5,579  | – | – | 1,868  | –     | (266)                              | (173) | –   |  |                                    | 5,579            | –   | –                           | –   | – | 0.7                                      |  |
| 46 H.49 – Land transport and transport via pipelines                               | 81   | – | – | 7  | –     | (2)                                | (1)   | –   |  |                                    | 81               | –   | –                           | –   | – | 1.1                                      |  |
| 47 H.50 – Water transport  | 20   | – | – | –  | –     | –                                  | –     | –   |  |                                    | 20               | –   | –                           | –   | – | –  |  |
| 48 H.51 – Air transport  | 18   | – | – | 15   | –     | (10)                               | (10)  | –   |  |                                    | 18               | –   | –                           | –   | – | –  |  |

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|   | a  | b  | c                                  | d  | e                                  | f   | g   | h   | i   | j  | k                | l                          | m                           | n                 | o                                 | p   |
|---|--|--|------------------------------------|--|------------------------------------|---|---|---|---|--|------------------|----------------------------|-----------------------------|-------------------|-----------------------------------|-----|
|   | Gross carrying amount (€000)   |  |                                    | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    |   | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |   |   |  |                  |                            |                             |                   |                                   |     |
|   | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> | <i>of which: environmentally sustainable (CCM)</i> | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i>  | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i>  | <i>of which: non-performing exposures</i> | <i>of which: Scope 3 financed emissions</i> | percentage of GHG emissions (column i) derived from company specific reporting (%) | ≤ 5 years (€000) | > 5 year ≤ 10 years (€000) | > 10 year ≤ 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |     |
| 30 Jun 2024   |  |  |                                    |  |                                    |   |   |   |   |  |                  |                            |                             |                   |                                   |     |
| Sector/<br>Subsector  |  |  |                                    |  |                                    |   |   |   |   |  |                  |                            |                             |                   |                                   |     |
| 49 H.52 – Warehousing and support activities for transportation                                     | 5,460  | –  | –                                  | 1,846  | –                                  | (254)                                     | (162)   | –   | –   | –  | 5,460            | –                          | –                           | –                 | –                                 | 0.7 |
| 50 H.53 – Postal and courier activities   | –  | –  | –                                  | –  | –                                  | –   | –   | –   | –   | –  | –                | –                          | –                           | –                 | –                                 | –   |
| 51 I – Accommodation and food service activities  | 51,752   | –  | –                                  | 32,885   | 3,677                              | (3,251)                                   | (1,624)   | (1,100)                                   | –   | –  | 35,087           | 13,968                     | 2,697                       | –                 | –                                 | 3.7 |
| 52 L – Real estate activities   | 83,040   | –  | –                                  | 8,956  | 7,550                              | (2,936)                                   | (1,154)   | (870)                                     | –   | –  | 30,731           | 46,913                     | 5,396                       | –                 | –                                 | 4.8 |
| 53 Exposures towards sectors other than those that highly contribute to climate change <sup>1</sup> | 226,188  | –  | –                                  | 40,635   | 6,723                              | (5,917)                                   | (1,197)   | (3,055)                                   | –   | –  | 156,272          | 59,203                     | 10,713                      | –                 | –                                 | 3.6 |
| 54 K – Financial and insurance activities   | 44,586   | –  | –                                  | 12,901   | 511                                | (475)                                     | (137)   | –   | –   | –  | 22,014           | 15,708                     | 6,864                       | –                 | –                                 | 5.1 |
| 55 Exposures to other sectors (NACE codes J, M-U)   | 181,602  | –  | –                                  | 27,734   | 6,212                              | (5,442)                                   | (1,060)   | (3,055)                                   | –   | –  | 134,258          | 43,495                     | 3,849                       | –                 | –                                 | 3.2 |
| 56 TOTAL  | 704,796  | 96,442   | –                                  | 122,574  | 31,486                             | (21,244)                                  | (6,535)   | (9,545)                                   | 19,056                                      | 2,433  | 2 505,924        | 166,922                    | 31,950                      | –                 | –                                 | 3.0 |

## Pillar 3 Disclosures at 30 June 2024

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|   | a  | b       | c | d  | e                                  | f   | g                                  | h   | i   | j  | k                 | l                           | m                            | n                 | o                                 | p |
|---|--|---------|---|--|------------------------------------|---|------------------------------------|---|---|--|-------------------|-----------------------------|------------------------------|-------------------|-----------------------------------|---|
|   | Gross carrying amount (€000)   |         |   | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    |   |                                    |   | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |  |                   |                             |                              |                   |                                   |   |
|   | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> |         |   | <i>of which: environmentally sustainable (CCM)</i>   | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 3 financed emissions</i>   | GHG percentage of GHG emissions (column i) derived from company specific reporting (%) | <= 5 years (€000) | > 5 year <= 10 years (€000) | > 10 year <= 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |   |
| 31 Dec 2023   | 2020/1818  |         |   |  |                                    |   |                                    |   |   |  |                   |                             |                              |                   |                                   |   |
| Sector/<br>Subsector  |  |         |   |  |                                    |   |                                    |   |   |  |                   |                             |                              |                   |                                   |   |
| 1 Exposures towards sectors that highly contribute to climate change <sup>1</sup> | 496,926  | 120,281 | — | 45,598   | 41,028                             | (15,900)                                  | (3,565)                            | (8,426)                                   |   |  | 376,093           | 61,375                      | 59,458                       | —                 | 2.9                               |   |
| 2 A – Agriculture, forestry and fishing   | 200  | —       | — | 9  | 25                                 | (28)                                      | —                                  | (25)                                      |   |  | 200               | —                           | —                            | —                 | 0.4                               |   |
| 3 B – Mining and quarrying  | —  | —       | — | —  | —                                  | —   | —                                  | —   |   |  | —                 | —                           | —                            | —                 | —                                 |   |
| 4 B.05 – Mining of coal and lignite   | —  | —       | — | —  | —                                  | —   | —                                  | —   |   |  | —                 | —                           | —                            | —                 | —                                 |   |
| 5 B.06 – Extraction of crude petroleum and natural gas                            | —  | —       | — | —  | —                                  | —   | —                                  | —   |   |  | —                 | —                           | —                            | —                 | —                                 |   |
| 6 B.07 – Mining of metal ores   | —  | —       | — | —  | —                                  | —   | —                                  | —   |   |  | —                 | —                           | —                            | —                 | —                                 |   |
| 7 B.08 – Other mining and quarrying   | —  | —       | — | —  | —                                  | —   | —                                  | —   |   |  | —                 | —                           | —                            | —                 | —                                 |   |
| 8 B.09 – Mining support service activities  | —  | —       | — | —  | —                                  | —   | —                                  | —   |   |  | —                 | —                           | —                            | —                 | —                                 |   |
| 9 C – Manufacturing   | 107,853  | 55,823  | — | 8,225  | 3,213                              | (1,902)                                   | (880)                              | (648)                                     |   |  | 100,200           | 465                         | 7,188                        | —                 | 1.7                               |   |
| 10 C.10 – Manufacture of food products  | 11,311   | —       | — | 208  | 2                                  | (137)                                     | (7)                                | —   |   |  | 8,580             | 288                         | 2,443                        | —                 | 3.8                               |   |
| 11 C.11 – Manufacture of beverages  | 3,791  | —       | — | 1  | —                                  | (36)                                      | —                                  | —   |   |  | 3,791             | —                           | —                            | —                 | 1.5                               |   |



Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|   | a  | b  | c                                  | d  | e                                  | f   | g   | h   | i  | j  | k                 | l                           | m                            | n                 | o                                 | p   |
|---|--|--|------------------------------------|--|------------------------------------|---|---|---|--|--|-------------------|-----------------------------|------------------------------|-------------------|-----------------------------------|-----|
|   | Gross carrying amount (€000)   |  |                                    | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    |   | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |   |  |  |                   |                             |                              |                   |                                   |     |
| 31 Dec 2023   | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> | <i>of which: environmentally sustainable (CCM)</i> | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i>  | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i>  | <i>of which: non-performing exposures</i> | <i>of which Scope 3 financed emissions</i> | GHG percentage of GHG emissions (column i) derived from company specific reporting (%) | <= 5 years (€000) | > 5 year <= 10 years (€000) | > 10 year <= 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |     |
| Sector/<br>Subsector  |  |  |                                    |  |                                    |   |   |   |  |  |                   |                             |                              |                   |                                   |     |
| 12 C.12 – Manufacture of tobacco products   | —  | —  | —                                  | —  | —                                  | —   | —   | —   | —  | —  | —                 | —                           | —                            | —                 | —                                 | —   |
| 13 C.13 – Manufacture of textiles   | 7,012  | —  | —                                  | —  | —                                  | (58)                                      | —   | —   | —  | —  | 7,012             | —                           | —                            | —                 | —                                 | 3.5 |
| 14 C.14 – Manufacture of wearing apparel  | —  | —  | —                                  | —  | —                                  | —   | —   | —   | —  | —  | —                 | —                           | —                            | —                 | —                                 | —   |
| 15 C.15 – Manufacture of leather and related products   | —  | —  | —                                  | —  | —                                  | —   | —   | —   | —  | —  | —                 | —                           | —                            | —                 | —                                 | —   |
| 16 C.16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials | 18   | —  | —                                  | —  | —                                  | —   | —   | —   | —  | —  | 18                | —                           | —                            | —                 | —                                 | —   |
| 17 C.17 – Manufacture of pulp, paper and paperboard   | 40   | —  | —                                  | —  | 40                                 | (8)                                       | —   | (8)                                       | —  | —  | 40                | —                           | —                            | —                 | —                                 | —   |
| 18 C.18 – Printing and service activities related to printing   | 2,135  | —  | —                                  | 1,479  | —                                  | (76)                                      | (71)  | —   | —  | —  | 2,135             | —                           | —                            | —                 | —                                 | 0.9 |
| 19 C.19 – Manufacture of coke oven products   | 55,823   | 55,823   | —                                  | —  | —                                  | (1)                                       | —   | —   | —  | —  | 55,823            | —                           | —                            | —                 | —                                 | 0.3 |
| 20 C.20 – Production of chemicals   | 663  | —  | —                                  | —  | —                                  | (7)                                       | —   | —   | —  | —  | 663               | —                           | —                            | —                 | —                                 | 1.6 |

## Pillar 3 Disclosures at 30 June 2024

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|  | a  | b | c | d  | e                                  | f   | g                                  | h   | i   | j   | k  | l                 | m                           | n                            | o                 | p                                 |
|--|--|---|---|--|------------------------------------|---|------------------------------------|---|---|---|--|-------------------|-----------------------------|------------------------------|-------------------|-----------------------------------|
|  | Gross carrying amount (€000)   |   |   | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    |   |                                    |   | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |   |  |                   |                             |                              |                   |                                   |
|  | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> |   |   | <i>of which: environmentally sustainable (CCM)</i>   | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 3 exposures</i>  | <i>of which: Scope 3 financed emissions</i> | GHG percentage of GHG emissions (column i) derived from company specific reporting (%) | <= 5 years (€000) | > 5 year <= 10 years (€000) | > 10 year <= 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |
| 31 Dec 2023  | 2020/1818  |   |   |  |                                    |   |                                    |   |   |   |  |                   |                             |                              |                   |                                   |
| Sector/<br>Subsector   |  |   |   |  |                                    |   |                                    |   |   |   |  |                   |                             |                              |                   |                                   |
| 21 C.21 – Manufacture of pharmaceutical preparations                               | —  | — | — | —  | —                                  | —   | —                                  | —   | —   | —   | —  | —                 | —                           | —                            | —                 | —                                 |
| 22 C.22 – Manufacture of rubber products   | 860  | — | — | —  | —                                  | (3)                                       | —                                  | —   | —   | —   | 860  | —                 | —                           | —                            | —                 | 0.2                               |
| 23 C.23 – Manufacture of other non-metallic mineral products                       | 8,124  | — | — | 119  | 31                                 | (67)                                      | (2)                                | —   | —   | —   | 7,302  | 177               | 645                         | —                            | —                 | 2.2                               |
| 24 C.24 – Manufacture of basic metals  | 137  | — | — | —  | —                                  | (2)                                       | —                                  | —   | —   | —   | 137  | —                 | —                           | —                            | —                 | —                                 |
| 25 C.25 – Manufacture of fabricated metal products, except machinery and equipment | 3,694  | — | — | 244  | 3,068                              | (657)                                     | (12)                               | (639)                                     | —   | —   | 3,694  | —                 | —                           | —                            | —                 | 0.5                               |
| 26 C.26 – Manufacture of computer, electronic and optical products                 | 1  | — | — | —  | —                                  | —   | —                                  | —   | —   | —   | 1  | —                 | —                           | —                            | —                 | —                                 |
| 27 C.27 – Manufacture of electrical equipment                                      | —  | — | — | —  | —                                  | —   | —                                  | —   | —   | —   | —  | —                 | —                           | —                            | —                 | —                                 |
| 28 C.28 – Manufacture of machinery and equipment n.e.c.                            | 9,922  | — | — | 6,111  | —                                  | (819)                                     | (786)                              | —   | —   | —   | 7,416  | —                 | 2,506                       | —                            | —                 | 5.4                               |

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|                      | a  | b      | c      | d  | e                                  | f   | g                                  | h   | i  | j  | k                 | l                           | m                            | n                 | o                                 | p |
|----------------------|--|--------|--------|--|------------------------------------|---|------------------------------------|---|--|--|-------------------|-----------------------------|------------------------------|-------------------|-----------------------------------|---|
|                      | Gross carrying amount (€000)   |        |        | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    |   |                                    | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |  |  |                   |                             |                              |                   |                                   |   |
|                      | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> |        |        | <i>of which: environmentally sustainable (CCM)</i>   | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i>   | <i>of which Scope 3 financed emissions</i> | GHG percentage of GHG emissions (column i) derived from company specific reporting (%) | <= 5 years (€000) | > 5 year <= 10 years (€000) | > 10 year <= 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |   |
| 31 Dec 2023          |  |        |        |  |                                    |   |                                    |   |  |  |                   |                             |                              |                   |                                   |   |
| Sector/<br>Subsector |  |        |        |  |                                    |   |                                    |   |  |  |                   |                             |                              |                   |                                   |   |
| 29                   | C.29 – Manufacture of motor vehicles, trailers and semi-trailers   | 10     | —      | —  | —                                  | —   | —                                  | —   | —  |  | 10                | —                           | —                            | —                 | —                                 | — |
| 30                   | C.30 – Manufacture of other transport equipment  | —      | —      | —  | —                                  | —   | —                                  | —   | —  |  | —                 | —                           | —                            | —                 | —                                 | — |
| 31                   | C.31 – Manufacture of furniture  | 2,703  | —      | —  | 36                                 | 70  | (21)                               | (1)   | —  |  | 1,109             | —                           | 1,594                        | —                 | 6.9                               |   |
| 32                   | C.32 – Other manufacturing   | 62     | —      | —  | 27                                 | —   | (2)                                | (1)   | —  |  | 62                | —                           | —                            | —                 | 0.5                               |   |
| 33                   | C.33 – Repair and installation of machinery and equipment  | 1,547  | —      | —  | —                                  | 2   | (8)                                | —   | (1)  |  | 1,547             | —                           | —                            | —                 | 1.2                               |   |
| 34                   | D – Electricity, gas, steam and air conditioning supply  | 66,366 | 64,458 | —  | 1,883                              | —   | (344)                              | (81)  | —  |  | 25,874            | —                           | 40,492                       | —                 | 6.5                               |   |
| 35                   | D35.1 – Electric power generation, transmission and distribution   | —      | —      | —  | —                                  | —   | —                                  | —   | —  |  | —                 | —                           | —                            | —                 | —                                 |   |
| 36                   | D35.11 – Production of electricity   | 66,366 | 64,458 | —  | 1,883                              | —   | (344)                              | (81)  | —  |  | 25,874            | —                           | 40,492                       | —                 | 6.5                               |   |
| 37                   | D35.2 – Manufacture of gas; distribution of gaseous fuels through mains  | —      | —      | —  | —                                  | —   | —                                  | —   | —  |  | —                 | —                           | —                            | —                 | —                                 |   |

## Pillar 3 Disclosures at 30 June 2024

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|   | a  | b | c | d  | e   | f                                  | g   | h       | i   | j  | k                 | l                           | m                            | n                 | o                                 | p   |
|---|--|---|---|--|---|------------------------------------|---|---------|---|--|-------------------|-----------------------------|------------------------------|-------------------|-----------------------------------|-----|
|   | Gross carrying amount (€000)   |   |   | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |   |                                    |   |         | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |  |                   |                             |                              |                   |                                   |     |
|   | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> |   |   | <i>of which: stage 2 exposures</i>   | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> |         | <i>of which Scope 3 financed emissions</i>  | GHG percentage of GHG emissions (column i) derived from company specific reporting (%) | <= 5 years (€000) | > 5 year <= 10 years (€000) | > 10 year <= 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |     |
| 31 Dec 2023   | 2020/1818  |   |   |  |   |                                    |   |         |   |  |                   |                             |                              |                   |                                   |     |
| Sector/<br>Subsector  |  |   |   |  |   |                                    |   |         |   |  |                   |                             |                              |                   |                                   |     |
| 38 D35.3 – Steam and air conditioning supply                                | —  | — | — | —  | —   | —                                  | —   | —       | —   | —  | —                 | —                           | —                            | —                 | —                                 | —   |
| 39 E – Water supply; sewerage, waste management and remediation activities  | 16,871   | — | — | —  | —   | (6)                                | —   | —       | —   | —  | 16,871            | —                           | —                            | —                 | —                                 | 2.6 |
| 40 F – Construction   | 22,808   | — | — | 441  | 6,303                                     | (2,171)                            | (34)                                      | (1,940) | —   | —  | 21,324            | 1,458                       | 26                           | —                 | —                                 | 1.4 |
| 41 F.41 – Construction of buildings   | 9,200  | — | — | 358  | 4,728                                     | (946)                              | (25)                                      | (855)   | —   | —  | 8,389             | 811                         | —                            | —                 | —                                 | 1.7 |
| 42 F.42 – Civil engineering   | 6,584  | — | — | 1  | 274                                       | (225)                              | —   | (162)   | —   | —  | 6,558             | —                           | 26                           | —                 | —                                 | 0.9 |
| 43 F.43 – Specialised construction activities                               | 7,024  | — | — | 82   | 1,301                                     | (1,000)                            | (9)                                       | (923)   | —   | —  | 6,377             | 647                         | —                            | —                 | —                                 | 1.4 |
| 44 G – Wholesale and retail trade; repair of motor vehicles and motorcycles | 143,419  | — | — | 21,105   | 5,022                                     | (3,879)                            | (1,087)                                   | (1,903) | —   | —  | 133,104           | 6,998                       | 3,317                        | —                 | —                                 | 1.0 |
| 45 H – Transportation and storage   | 5,697  | — | — | 77   | 2   | (255)                              | (2)                                       | (1)     | —   | —  | 5,697             | —                           | —                            | —                 | —                                 | 0.9 |
| 46 H.49 – Land transport and transport via pipelines                        | 130  | — | — | 30   | —   | (3)                                | (1)                                       | —       | —   | —  | 130               | —                           | —                            | —                 | —                                 | 1.2 |
| 47 H.50 – Water transport   | 10   | — | — | —  | —   | —                                  | —   | —       | —   | —  | 10                | —                           | —                            | —                 | —                                 | —   |
| 48 H.51 – Air transport   | 8  | — | — | —  | —   | —                                  | —   | —       | —   | —  | 8                 | —                           | —                            | —                 | —                                 | —   |

Table 28: Template 1: Banking book- Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (continued)

|   | a  | b       | c | d  | e                                  | f   | g                                  | h   | i   | j  | k                 | l                           | m                            | n                 | o                                 | p   |
|---|--|---------|---|--|------------------------------------|---|------------------------------------|---|---|--|-------------------|-----------------------------|------------------------------|-------------------|-----------------------------------|-----|
|   | Gross carrying amount (€000)   |         |   | Accumulated impairment/negative changes in fair value due to credit risk and provisions (€000) |                                    |   |                                    |   | GHG financed emissions (scope 1, 2 and 3 emissions of the counterparty) (in tons of CO2 equivalent) |  |                   |                             |                              |                   |                                   |     |
|   | <i>of which: exposures to companies excluded from EU Paris-aligned benchmarks under Articles 12(1) (d) to (g) and 12(2) of Regulation (EU) 2020/1818</i> |         |   | <i>of which: environmentally sustainable (CCM)</i>   | <i>of which: stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> | <i>of which Scope 3 financed emissions</i>  | GHG percentage of GHG emissions (column i) derived from company specific reporting (%) | <= 5 years (€000) | > 5 year <= 10 years (€000) | > 10 year <= 20 years (€000) | > 20 years (€000) | Average weighted maturity (years) |     |
| 31 Dec 2023   | 2020/1818  |         |   |  |                                    |   |                                    |   |   |  |                   |                             |                              |                   |                                   |     |
| Sector/<br>Subsector  |  |         |   |  |                                    |   |                                    |   |   |  |                   |                             |                              |                   |                                   |     |
| 49 H.52 – Warehousing and support activities for transportation                                     | 5,546  | —       | — | 47   | 2                                  | (252)                                     | (1)                                | (1)                                       |   |  | 5,546             | —                           | —                            | —                 | —                                 | 0.9 |
| 50 H.53 – Postal and courier activities   | 3  | —       | — | —  | —                                  | —   | —                                  | —   |   |  | 3                 | —                           | —                            | —                 | —                                 | —   |
| 51 I – Accommodation and food service activities  | 51,606   | —       | — | 9,903  | 17,647                             | (4,097)                                   | (406)                              | (3,039)                                   |   |  | 42,695            | 6,042                       | 2,869                        | —                 | —                                 | 3.2 |
| 52 L – Real estate activities   | 82,106   | —       | — | 3,955  | 8,816                              | (3,218)                                   | (1,075)                            | (870)                                     |   |  | 30,128            | 46,412                      | 5,566                        | —                 | —                                 | 5.2 |
| 53 Exposures towards sectors other than those that highly contribute to climate change <sup>1</sup> | 255,543  | —       | — | 8,510  | 13,184                             | (7,656)                                   | (1,506)                            | (3,140)                                   |   |  | 196,467           | 47,734                      | 11,342                       | —                 | —                                 | 3.6 |
| 54 K – Financial and insurance activities   | 52,495   | —       | — | —  | 8,291                              | (1,812)                                   | —                                  | (1,112)                                   |   |  | 41,454            | 3,730                       | 7,311                        | —                 | —                                 | 3.8 |
| 55 Exposures to other sectors (NACE codes J, M - U)   | 203,048  | —       | — | 8,510  | 4,893                              | (5,844)                                   | (1,506)                            | (2,028)                                   |   |  | 155,013           | 44,004                      | 4,031                        | —                 | —                                 | 3.5 |
| 56 TOTAL  | 752,469  | 120,281 | — | 54,108   | 54,212                             | (23,556)                                  | (5,071)                            | (11,566)                                  |   |  | 572,560           | 109,109                     | 70,800                       | —                 | —                                 | 3.1 |

<sup>1</sup> In accordance with the Commission delegated regulation (EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks – Climate Benchmark Standards Regulation – Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

<sup>2</sup> As at 30 June 2024, the bank has refined the sector/subsector classification under “C - Manufacturing” and “D – Electricity, gas, steam and air conditioning supply” due to an improvement to a particular counterparty classification. Comparative information for the year ended 31 December 2023 has not been restated.

## Banking book – climate change transition risk: loans collateralised by immovable property – energy efficiency of collateral

The Template 2: Banking book - Indicators of potential climate change transition risk: loans collateralised by immovable property - energy efficiency of the collateral presents the gross carrying amount<sup>1</sup> of loans collateralised with commercial and residential immovable property and of repossessed real estate collateral. The loans are presented in the template within the EU area based upon where the loan itself is booked, as a proxy for the location of the underlying collateral. The table also includes information on the level of energy efficiency of the underlying collateral measured in kWh/m<sup>2</sup> energy consumption and in terms of the label of the energy performance certificates ('EPC')<sup>2</sup>. In the absence of an EPC label or energy consumption, the energy consumption is estimated. This estimation methodology is set out below.

In Malta, 88% of exposures on loans collateralised by property are related to residential property while 12% of them are related to commercial property. The share of repossessed collaterals is non-significant.

As from Q4 2022, EPCs are being requested from customers on new residential mortgages to enable reporting of the level of energy. EPCs collected as at 30 June 2024 account for less than 5.29% (31 December 2023: 3.35%) of total exposure on loans collateralised by property. The collected EPCs only show the level of energy and do not include a label. In order to keep a conservative approach, where estimation is required, the level of energy has been estimated using a few different methods according to the data availability. The majority is based on a mapping of property types with government statistics. In this context, the information published in the paper 'Long Term Renovation Strategy 2050', issued by Maltese Ministry for the environment-climate change and planning has been leveraged. The average level of energy consumption has been computed for each type of commercial asset (offices, education, restaurants, etc) to map and allocate them to the appropriate bucket of level of energy consumption:

The methodology used for determining energy efficiency is primarily based on estimations and is mainly dependent on external sources (Malta Government Statistics). This approach has limitations, as the existing Maltese energy efficiency statistics are based on a reporting date of 2019 and energy levels may have changed subsequently, for example where refurbishments have been made.

The EBA periodically releases Q&As which clarify the requirements of the regulation. An ongoing review of this additional guidance is undertaken to ensure compliance. As a result of this, the presentation of some columns in the table has been amended. Specifically, the column 'Without EPC label of collateral' now presents the exposure rather than percentage of exposures without EPC label, and the column 'Of which level of energy efficiency estimated' presents the percentage, rather than amount of exposures without EPC label where the energy level has been estimated. This change in presentation has been reflected in the prior period table.

HSBC Bank Malta p.l.c. aims to continue to engage with retail customers, business and corporate customers for the information needed and seeks to refine its methodology to align with the requirements.

- 1 As defined in Part 1 of Annex V of Commission Implementing Regulation (EU) 2021/451.
- 2 As defined in Article 2(12) of 2010/31/EU for EU countries, or in the relevant regulation for those exposures outside the EU. Energy Performance of Buildings Directive 2010/31/EU10 ('EPBD') and the Energy Efficiency Directive 2012/27/EU promote policies that aim to achieve a highly energy efficient and decarbonised building stock by 2050. The EPBD introduced energy performance certificates ('EPC') as instruments for improving the energy performance of buildings.

Table 29: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral

|  | a   | b             | c             | d             | e             | f     | g       |
|--|---|---------------|---------------|---------------|---------------|-------|---------|
|  | Total gross carrying amount   |               |               |               |               |       |         |
|  | Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) |               |               |               |               |       |         |
| 30 Jun 2024  | 0; <= 100   | > 100; <= 200 | > 200; <= 300 | > 300; <= 400 | > 400; <= 500 | > 500 |         |
| Counterparty sector  | €000  | €000          | €000          | €000          | €000          | €000  | €000    |
| 1 <b>Total EU area</b>   | 2,428,694   | 96,750        | 2,075,724     | 7,197         | 11,256        | 416   | 237,351 |
| 2 – of which: Loans collateralised by commercial immovable property  | 301,358   | 34,529        | 20,909        | –             | 10,119        | –     | 235,801 |
| 3 – of which: Loans collateralised by residential immovable property   | 2,124,336   | 61,821        | 2,053,765     | 7,197         | 1,137         | 416   | –       |
| 4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties        | 3,000   | 400           | 1,050         | –             | –             | –     | 1,550   |
| 5 – of which: Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated <sup>1</sup> | 2,428,694   | 96,750        | 2,075,724     | 7,197         | 11,256        | 416   | 237,351 |
| 6 <b>Total non-EU area</b>   | –   | –             | –             | –             | –             | –     | –       |
| 7 – of which: Loans collateralised by commercial immovable property  | –   | –             | –             | –             | –             | –     | –       |
| 8 – of which: Loans collateralised by residential immovable property   | –   | –             | –             | –             | –             | –     | –       |
| 9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties        | –   | –             | –             | –             | –             | –     | –       |
| 10 – of which: Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated             | –   | –             | –             | –             | –             | –     | –       |

Table 29: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral (continued)

|  | h  | i    | j    | k    | l    | m    | n    | o  | p   |
|--|--|------|------|------|------|------|------|--|-----|
|  | Total gross carrying amount                          |      |      |      |      |      |      |  |     |
|  | Level of energy efficiency (EPC label of collateral) |      |      |      |      |      |      | Without EPC label of collateral  |     |
|  |  |      |      |      |      |      |      | of which: energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated |     |
| 30 Jun 2024  | A  | B    | C    | D    | E    | F    | G    |  |     |
| Counterparty sector  | €000   | €000 | €000 | €000 | €000 | €000 | €000 | €000   | %   |
| 1 Total EU area  | –  | –    | –    | –    | –    | –    | –    | 2,428,694  | 100 |
| 2 – of which: Loans collateralised by commercial immovable property  | –  | –    | –    | –    | –    | –    | –    | 301,358  | 100 |
| 3 – of which: Loans collateralised by residential immovable property   | –  | –    | –    | –    | –    | –    | –    | 2,124,336  | 100 |
| 4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties        | –  | –    | –    | –    | –    | –    | –    | 3,000  | 100 |
| 5 – of which: Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated <sup>1</sup> | –  | –    | –    | –    | –    | –    | –    | 2,428,694  | 100 |
| 6 Total non-EU area  | –  | –    | –    | –    | –    | –    | –    | –  | –   |
| 7 – of which: Loans collateralised by commercial immovable property  | –  | –    | –    | –    | –    | –    | –    | –  | –   |
| 8 – of which: Loans collateralised by residential immovable property   | –  | –    | –    | –    | –    | –    | –    | –  | –   |
| 9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties        | –  | –    | –    | –    | –    | –    | –    | –  | –   |
| 10 – of which: Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated             | –  | –    | –    | –    | –    | –    | –    | –  | –   |

1 Include the gross carrying amount of loans collateralised by residential property where an actual EPC was collected (without EPC label) which amounted to €128,278,000 (2023: €83,021,000).

Table 29: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral (continued)

|   | a   | b             | c             | d             | e             | f     | g       |
|---|---|---------------|---------------|---------------|---------------|-------|---------|
|   | Total gross carrying amount   |               |               |               |               |       |         |
|   | Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) |               |               |               |               |       |         |
|   | 0; <= 100   | > 100; <= 200 | > 200; <= 300 | > 300; <= 400 | > 400; <= 500 | > 500 |         |
| 31 Dec 2023   | €000  | €000          | €000          | €000          | €000          | €000  | €000    |
| 1 Total EU area   | 2,477,591   | 61,980        | 2,155,554     | 5,447         | 10,563        | 423   | 243,624 |
| 2 – of which: Loans collateralised by commercial immovable property                                     | 301,074   | 25,490        | 23,360        | –             | 10,150        | –     | 242,074 |
| 3 – of which: Loans collateralised by residential immovable property                                    | 2,173,296   | 36,090        | 2,130,923     | 5,447         | 413           | 423   | –       |
| 4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties | 3,221   | 400           | 1,271         | –             | –             | –     | 1,550   |
| 5 – of which: Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated       | 2,477,591   | 61,980        | 2,155,554     | 5,447         | 10,563        | 423   | 243,624 |
| 6 Total non-EU area   | –   | –             | –             | –             | –             | –     | –       |
| 7 – of which: Loans collateralised by commercial immovable property                                     | –   | –             | –             | –             | –             | –     | –       |
| 8 – of which: Loans collateralised by residential immovable property                                    | –   | –             | –             | –             | –             | –     | –       |
| 9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties | –   | –             | –             | –             | –             | –     | –       |
| 10 – of which: Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated      | –   | –             | –             | –             | –             | –     | –       |

Table 29: Template 2: Banking book – Indicators of potential climate change transition risk: loans collateralised by immovable property – energy efficiency of the collateral (continued)

|   | h  | i    | j    | k    | l    | m    | n    | o         | p  |
|---|--|------|------|------|------|------|------|-----------|--|
|   | Total gross carrying amount                          |      |      |      |      |      |      |           |  |
|   | Level of energy efficiency (EPC label of collateral) |      |      |      |      |      |      |           | Without EPC label of collateral  |
|   |  |      |      |      |      |      |      |           | of which: energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated |
| 31 Dec 2023   | A  | B    | C    | D    | E    | F    | G    |           |  |
| Counterparty sector   | €000   | €000 | €000 | €000 | €000 | €000 | €000 | €000      | %  |
| 1 Total EU area   | —  | —    | —    | —    | —    | —    | —    | 2,477,591 | 100  |
| 2 – of which: Loans collateralised by commercial immovable property                                     | —  | —    | —    | —    | —    | —    | —    | 301,074   | 100  |
| 3 – of which: Loans collateralised by residential immovable property                                    | —  | —    | —    | —    | —    | —    | —    | 2,173,296 | 100  |
| 4 – of which: Collateral obtained by taking possession: residential and commercial immovable properties | —  | —    | —    | —    | —    | —    | —    | 3,221     | 100  |
| 5 – of which: Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated       | —  | —    | —    | —    | —    | —    | —    | 2,477,591 | 100  |
| 6 Total non-EU area   | —  | —    | —    | —    | —    | —    | —    | —         | —  |
| 7 – of which: Loans collateralised by commercial immovable property                                     | —  | —    | —    | —    | —    | —    | —    | —         | —  |
| 8 – of which: Loans collateralised by residential immovable property                                    | —  | —    | —    | —    | —    | —    | —    | —         | —  |
| 9 – of which: Collateral obtained by taking possession: residential and commercial immovable properties | —  | —    | —    | —    | —    | —    | —    | —         | —  |
| 10 – of which: Level of energy efficiency (EP score in kWh/m <sup>2</sup> of collateral) estimated      | —  | —    | —    | —    | —    | —    | —    | —         | —  |

## Banking book - Climate change transition risk: Alignment metrics

### Setting targets

The HSBC Group is using the Net Zero Emissions ('NZE') by 2050 scenario provided by the International Energy Agency ('IEA') as a single-scenario (IEA NZE 2021) reference benchmark to assess its financed emissions. It provides industry specific emissions projections from which HSBC constructs benchmark pathways. These benchmarks help the HSBC Group set targets that align the provision and facilitation of finance with the goals and timelines of the Paris Agreement at a portfolio level globally.

The Group focused its analysis on the sectors that are most material in terms of emissions, and those where HSBC believes engagement and climate action have the greatest potential to effect change.

The Group has published initial financed emission targets for 2030, and plans to review them in five-year increments thereafter.

For financed emissions the Group does not plan to set 2025 targets. It sets targets in line with the Net-Zero Banking Alliance ('NZBA') guidelines by setting 2030 targets. While the NZBA defines 2030 as intermediate, the Group uses different time horizons for climate risk management. For climate, HSBC defines short term as time periods up to 2025; medium term is between 2026 and 2035; and long term is between 2036 and 2050. These time periods align to the Climate Action 100+ disclosure framework.

### Methodology for alignment metrics

The alignment metric is the unit used for target tracking for the respective sector. HSBC has calculated the sector level emission intensity for HSBC Bank Malta p.l.c. using a portfolio weighted approach. The alignment metric proxy has then been used to calculate the distance to the IEA 2030 NZE2050 scenario.

The target-setting approach to date, for on-balance sheet financed emissions and facilitated emissions, has been to utilise the single net zero reference scenario to underpin both energy supply-related sectors (oil and gas and power and utilities) and the group's published targets for demand-side sectors in transport and heavy industry. This scenario does not disaggregate by region and the Group have

adopted a global pathway as the chosen reference scenario for targets related to key sectors.

Absolute financed emissions reduction targets are set for the oil and gas sector. This absolute emissions metric helps preserve a direct link to reduce GHG emissions in the real economy and allows us to assess our alignment with the IEA NZE 2021 scenario. All other sectors have physical intensity-based target. Physical emission intensity metrics describe the attributed quantity of emissions related per unit of production and vary based on sector and specific activity data. The HSBC Group uses this target metric to help enable climate-positive investment in the real economy by directing capital towards green technologies and transition solutions.

Moving forwards the Group intends to consult with external scientific and international bodies to inform how it embeds regional implications and to enable the financed emissions portfolio alignment and target setting approaches to better reflect the business context.

### An evolving approach

HSBC believes methodologies for calculating financed emissions should be transparent and comparable, and should provide science-based insights that focus engagement efforts, inform capital allocation and develop solutions that are both timely and impactful. The bank continues to engage with regulators, standard setters and industry bodies to shape its approach to measuring financed emissions and managing portfolio alignment to net zero. It also works with data providers and its clients to help it gather data from the real economy to improve its analysis.

Scenarios used in the analysis are modelled on assumptions of the available carbon budget and actions that need to be taken to limit the long-term increase in average global temperatures to 1.5°C with limited overshoot. HSBC expects that the scenarios it uses in its analysis will be updated periodically. HSBC plans to refine its own analysis of financed emissions as industry guidance on scenarios, data and methodologies more broadly, evolve in the years ahead.

For further details of the Financed emissions approach including the data sources, recalculation policy, data and methodology limitations



and sectoral approach (including an update on shipping and real estate) please refer to:

- the ESG review in the HSBC Group Annual report and Accounts available on the HSBC Group website: <https://www.hsbc.com/who-we-are/esg-and-responsible-business>.
- The Financed Emissions and Thermal Coal Exposures Methodology, see: <https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre>.

## Data and methodology limitations:

The alignment metrics calculation and methodological choices are shaped by the availability of data for the sectors the bank analyses.

- Sector targets and progress metrics are calculated at the Group level and are set for HSBC's global portfolio. They are managed at the Group level with the recognition that regions and companies will decarbonize at different rates and that there are different strategies to achieve its global targets.
- Due to the financed emissions calculation methodology, intensity based metrics can be highly volatile year-on-year when applied to

smaller portfolios. At a sub-portfolio level, they therefore do not accurately represent progress to a global sector target.

- The Group calculated the sector level emissions intensity metrics using a portfolio-weighted approach. Due to data limitations, HSBC is unable to obtain production data for all of its clients. It therefore calculates an emissions intensity figure using the 75th percentile to meet this data gap.
- Due to the time lag for emissions data from counterparties the alignment metrics are based on both balance sheet and emission figures from 2022 year-end. Third party datasets that feed into the analysis may have up to a two-year lag in reported emission figures, and HSBC is working with data providers to help reduce this. Mapping external datasets to the internal client entities is challenging due to complex company ownership structures.
- The operating environment for climate analysis and portfolio alignment is maturing. HSBC continues to work to improve the data management processes, and is implementing steering mechanisms to align its provision of finance with the goals and timelines of the Paris Agreement.

Table 30: Template 3: Banking book – Indicators of potential climate change transition risk: alignment metrics.

|  | a             | b   | c                             | d              | e   | f   | g |
|--|---------------|---|-------------------------------|----------------|---|---|---|
| Sector   | NACE Sectors  | Gross carrying amount (€000) <sup>1</sup> | Alignment metric <sup>2</sup> | Reference year | Distance to IEA NZE2050 as % <sup>3</sup> | Target (year of reference + 3 years) <sup>7</sup> |   |
| 1 Power  | 3511          | 45,558                                    | tCO2e/Gwh                     | 2022           | 290                                       | Not available                                     |   |
| 2 Fossil fuel combustion                         | 0610; 0620    | –   | MtCO2e                        | 2022           | Not available <sup>4</sup>                | Not available                                     |   |
| 3 Automotive                                     | 2910; 3091    | 1,158                                     | tCO2e/million vkm             | 2022           | 178                                       | Not available                                     |   |
| 4 Aviation                                       | 5110; 7735    | –   | tCO2e/million rpk             | 2022           | –   | Not available                                     |   |
| 5 Maritime transport <sup>5</sup>                | Not available | Not available                             | Not available                 | Not available  | Not available                             | Not available                                     |   |
| 6 Cement, clinker and lime production            | 2351          | –   | tCO2e/t cement                | 2022           | –   | Not available                                     |   |
| 7 Iron and steel, coke, and metal ore production | 2410; 2442    | 646                                       | tCO2e/t metal                 | 2022           | 106                                       | Not available                                     |   |
| 8 Chemicals <sup>6</sup>                         | Not available | Not available                             | Not available                 | Not available  | Not available                             | Not available                                     |   |

1 The gross carrying amount is reported as at December 2022.

2 For the oil and gas sector, absolute emissions are measured in million tonnes of carbon dioxide equivalent ('Mt CO2e'); for the power and utilities sector, intensity is measured in tonnes of carbon dioxide equivalent per gigawatt hour ('tCO2e/GWh'); for the cement sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of cement ('tCO2e/t cement'); for the iron, steel and aluminium sector, intensity is measured in tonnes of carbon dioxide equivalent per tonne of metal ('tCO2e/t metal'); for the aviation sector, intensity is measured in tonnes of carbon dioxide equivalent per million revenue passenger kilometres ('tCO2e/million rpk'); and for the automotive sector, intensity is measured in tonnes of carbon dioxide equivalent per million vehicle kilometres ('tCO2e/million vkm').

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

4 The reason for not reporting the distance to IEA NZE 2050 for HSBC Bank Malta p.l.c. is because the Group's targets are expressed in percentage reduction from 2019 and there is no 2019 HSBC Bank Malta p.l.c. baseline (i.e. where to measure the reduction from) for fossil fuel combustion due to no target setting and baseline for regional reporting.

5 Following a reduction in the Group's exposure to the shipping sector after the strategic sale of part of the European shipping portfolio in 2023, and work undertaken to assess the materiality of the remaining portfolio from a financed emissions perspective, the Group has concluded that the remaining exposure as of year-end 2023 is not material enough to warrant setting a stand-alone target. This aligns with NZBA guidelines on sector inclusion for target setting.

6 Chemicals is not currently aligned to the in-scope sectors for the Group disclosures. Therefore, it is not disclosed.

7 For financed emissions the Group do not plan to set 2025 targets. It sets targets in line with the NZBA guidelines by setting 2030 targets.

## Banking book – Climate change transition risk: Exposures to top 20 carbon-intensive firms

The Template 4: Banking book - indicators of potential climate change transition risk exposures to top 20 carbon-intensive firms provides information on exposures to the top 20 most carbon-intensive firms in the world by comparing the corporate counterparties of the operating entities in the loan book against a list of top 20 carbon-intensive firms, compiled using data from reports of the Climate Accountability Institute ('CAI'). The Disclosure seeks to include exposure to any company that belongs to the group of any of the top 20 emitters. The top 20 Carbon emitters have been identified using the CAI's Carbon Majors 2018 data set, specifically the 'Top Twenty CO2e 2018' table.

The gross carrying amount of exposure to the top 20 carbon-emitting companies is given as a proportion of the total gross carrying amount of exposures in the banking book. The gross carrying amount

includes loans and advances, debt securities and equity instruments, excluding financial assets held for trading and held for sale assets.

The methodology for determining exposures to the top 20 carbon emitting companies is expected to evolve as data availability, industry guidance and market practice change over time. We will seek to be transparent in our disclosures about the methodologies applied, but results may not be comparable year on year.

HSBC Bank Malta p.l.c. is required to report the taxonomy-aligned exposures ('CCM') that are in accordance with the EU Taxonomy Regulation 2020/852 and aligned with Mitigating actions: Assets for the calculation of GAR (Template 7) for non-financial corporations.

Table 31: Template 4: Banking book – indicators of potential climate change transition risk exposures to top 20 carbon-intensive firms

|                      | a  | b           | c   | d                                 | e   |
|----------------------|--|-------------|---|-----------------------------------|---|
|                      | Gross carrying amount to the Top 20 counterparties compared to total gross carrying amount as % (aggregate) <sup>1</sup> |             | of which: environmentally sustainable (CCM) | Weighted average maturity (years) | Number of top 20 polluting firms included |
|                      | Gross carrying amount €000 (aggregate)   |             |   |                                   |   |
| <b>1 30 Jun 2024</b> | <b>36,277</b>  | <b>0.68</b> | —   | <b>0.09</b>                       | <b>1</b>                                  |
| 1 31 Dec 2023        | 55,823   | 1.10        | —   | 0.25                              | 1   |

1 For counterparties among the top 20 carbon emitting companies in the world.

## Banking book – Climate change physical risk: Exposures subject to physical risk

### Scope

This table provides information on exposures subject to climate change physical risk (chronic and acute risks) and includes a sectoral breakdown of gross exposures to non-financial corporations and by geography of location of the activity of the counterparty or of the collateral. The loans are presented in the template by the geographical location based upon where the loan itself is booked, as a proxy for the location of the underlying collateral.

The exposures include loans and advances. In addition, loans secured by residential and commercial property and repossessed real estate, including exposures to both financial and non-financial counterparties, have been separately disclosed. Collateralised loans to non-financial counterparties are also included in the sectoral breakdown.

For those exposures identified as subject to climate change physical risk, the template provides further details on the type of physical risk (acute, chronic or both), the quality of those exposures, including non-performing status, stage 2 classification, related provisions and relevant maturity buckets. Those exposures identified as being subject to both acute and chronic physical risk are required to be reported only in column (j) of the table.

The table rows 10-12 represent loans that are granted for house purchases and collateralised by residential and commercial real estate which are included in the total collateralised loans as at 30 June 2024.

The counterparty sector classification disclosed in the template is aligned to the HSBC Bank Malta p.l.c. FINREP reporting.

Repossessed collateral is classified as held for sale under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations and as such is reported in the <=5 years maturity bucket with an average weighted maturity of one year since we expect it to be sold within 12 months.

### Methodology

The data source to assess whether exposures are subject to climate change physical risk was based on an internal risk assessment of the geographical locations which are considered as having a higher climate-related risk. The climate-related risk assessment is primarily driven by an increase in sea level in Malta and the inclusion of high flood risk areas for the period ended 30 June 2024.

### Data limitations

For Corporate loans, the disclosure is dependent on the availability of location information for one of the following three things: the collateral securing the loans (where relevant), the counterparties activities, or the head office. Where the location of collateral is not available or where loans are not secured by property, the location of both counterparty operations, as well as, head office was taken into consideration for assessment of physical risk. In addition, for retail loans, residential addresses were also considered.

Based on the available data, the geographical location of the collateral or activity of the counterparty or head office location was mapped at the most granular level where possible. For exposures in Malta, the

physical risk impact data from the Think Hazard! database was overlaid with local risk assessment based on the location of buildings in these localities.

Availability and quality of data will evolve over time and may lead to differences in the data reported in future years.

### Assumptions

In the absence of further guidance, the methodology adopted relies on a number of assumptions which may not be consistent with the approach adopted by other financial institutions and therefore lead to non-comparable results. These concern, for example, the following:

- The selection of acute and chronic risks;
- The inclusion of both climate and geophysical risks; and
- The threshold for determining a location is subject to high physical risk.

In Article 18a of Commission Implementing Regulation (EU) 2021/637 on prudential disclosure of ESG risks in accordance with Article 449a CRR, physical risk is defined : ‘As part of the overall environmental risk, the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of the physical effects of environmental factors on the institution’s counterparties or invested assets’.

Based on this, HSBC considers both climate and geophysical hazards as meeting the definition of physical risk. Climate hazards are weather-related, hydro-meteorological events including floods, wildfire, cyclone, landslide, water scarcity and extreme heat. The geophysical hazards considered are earthquakes, tsunamis and volcanoes that originate from within the Earth and are not much influenced by climate variables or human actions.

Acute and chronic risks have been defined in accordance with European Bank for Reconstruction and Development (‘EBRD’) guidance produced for the Task Force on Climate-Related Financial Disclosures (‘TCFD’) in 2018, resulting in the following categorisation:

- (a) Acute risks (event-driven risks that last for a few days) – extreme weather events such as storms and cyclones, extreme rainfall and heatwaves; and
- (b) Chronic risks (those due to longer-term shifts in climate patterns) – variability in precipitation, temperature, water stress and sea-level rise.

Acute risks refer to events or specific episodes that have the potential to inflict significant physical damage. The following climate and geophysical hazards are assumed to be acute: floods, wildfire, cyclone, landslide, earthquake, tsunami and volcanoes.

Chronic risks are those that carry a range of physical impacts of considerably longer duration than those posed by acute risks. They are best understood as processes, not events. The following climate hazards are assumed to be chronic: water scarcity (dry ground) and extreme heat from sustained long-term increase in air temperature.

An assessment to identify exposures which are sensitive to impact from climate change physical events was carried out on the following basis:

- An immediate 1m rise in sea level (Climate Change Post states a 1m rise in sea level for Malta by year 2100).
- Taking into consideration the locations (towns/villages) in proximity and touching the island's low shoreline.
- Exposure to any location which has the higher % risk from the rise of sea level that is sufficient to expose all assets in that location to High physical risk. This is a conservative but rational approach as, in most cases, any location which higher risk would be expected to impact fully the value of a physical asset.

During 2023 we have taken additional factors namely Flood Risk in respect of high risk localities. Flooding in Malta occurs due to the surface water run-off flows along the roads constructed along the valley bed. There are areas that experience some problems as a result of the uncontrolled street surface water run-off.

Most areas are considered to be subject to 'normal risk', whilst some areas are considered to be subject to 'high risk' and are more prone to the probability of being submerged under water due to flash floods.

It is anticipated that HSBC's methodology will evolve over time to align with changes in market practice and regulation.

Table 32: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk

|  | a  | b          | c                    | d                     | f          | g                               |
|--|--|------------|----------------------|-----------------------|------------|---------------------------------|
|  | Gross carrying amount  |            |                      |                       |            |                                 |
|  | <i>of which: exposures sensitive to impact from climate change physical events</i> |            |                      |                       |            |                                 |
|  | Breakdown by maturity bucket   |            |                      |                       |            |                                 |
| Variable: Geographical area subject to climate change physical risk – acute and chronic events |  | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average Weighted maturity years |
| 30 Jun 2024  | €000   | €000       | €000                 | €000                  | €000       |                                 |
| 1 A – Agriculture, forestry and fishing  | 151  | 6          | –                    | –                     | –          | 1.0                             |
| 2 B – Mining and quarrying   | –  | –          | –                    | –                     | –          | –                               |
| 3 C – Manufacturing  | 62,678   | 16,726     | 58                   | 5,956                 | –          | 5.1                             |
| 4 D – Electricity, gas, steam and air conditioning supply                                      | 98,309   | 56,316     | –                    | –                     | –          | 0.2                             |
| 5 E – Water supply; sewerage, waste management and remediation activities                      | 34   | 29         | –                    | –                     | –          | –                               |
| 6 F – Construction   | 24,520   | 9,476      | –                    | –                     | –          | 0.6                             |
| 7 G – Wholesale and retail trade; repair of motor vehicles and motorcycles                     | 152,545  | 75,179     | 296                  | 113                   | –          | 0.2                             |
| 8 H – Transportation and storage   | 5,579  | 3,583      | –                    | –                     | –          | 0.9                             |
| 9 L – Real estate activities   | 83,040   | 6,386      | –                    | 474                   | –          | 3.2                             |
| 10 Loans collateralised by residential immovable property                                      | 2,124,336  | 17,005     | 14,162               | 92,702                | 220,796    | 22.3                            |
| 11 Loans collateralised by commercial immovable property                                       | 301,358  | 55,178     | 354                  | 7,806                 | –          | 2.4                             |
| 12 Repossessed collaterals   | 3,000  | 2,221      | –                    | –                     | –          | 1.0                             |
| 13 <b>Other relevant sectors (breakdown below where relevant)</b>                              | 277,940  | 91,370     | 35,509               | 1,375                 | –          | 3.5                             |
| 14 I – Accommodation and food service activities   | 51,752   | 4,709      | –                    | 1,375                 | –          | 5.0                             |
| 15 J – Information and communication   | 3,415  | 147        | –                    | –                     | –          | –                               |
| 16 K – Financial and insurance activities  | 44,586   | 3,194      | –                    | –                     | –          | 2.4                             |
| 17 M – Professional scientific and technical activities  | 134,611  | 71,285     | 35,509               | –                     | –          | 3.6                             |
| 18 N – Administrative and support service activities   | 24,366   | 11,483     | –                    | –                     | –          | 2.5                             |
| 19 O – Public administration and defense, compulsory social security                           | –  | –          | –                    | –                     | –          | –                               |
| 20 P – Education   | 187  | –          | –                    | –                     | –          | –                               |
| 21 Q – Human health and social work activities   | 17,260   | 340        | –                    | –                     | –          | –                               |
| 22 R – Arts entertainment and recreation   | 83   | 1          | –                    | –                     | –          | –                               |
| 23 S – Other services activities   | 1,680  | 211        | –                    | –                     | –          | –                               |

## Pillar 3 Disclosures at 30 June 2024

Table 32: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

|    |  | h  | i   | j  | k                                  | l   | m  | n                                  | o   |
|----|--|--|---|--|------------------------------------|---|--|------------------------------------|---|
|    |  | Gross carrying amount  |   |  |                                    |   |  |                                    |   |
|    |  | <i>of which: exposures sensitive to impact from climate change physical events</i> |   |  |                                    |   |  |                                    |   |
|    |  | <i>of which: exposures sensitive to impact from chronic climate change events</i>  | <i>of which: exposures sensitive to impact from acute climate change events</i> | <i>of which: exposures sensitive to impact both from chronic and acute climate change events</i> | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |                                    |   |
|    | Variable: Geographical area subject to climate change physical risk - acute and chronic events |  |   |  |                                    |   |  | <i>of which: Stage 2 exposures</i> | <i>of which: non-performing exposures</i> |
|    | 30 Jun 2024  | €000   | €000  | €000   | €000                               | €000                                      | €000   | €000                               | €000                                      |
| 1  | A – Agriculture, forestry and fishing  | –  | 6   | –  | –                                  | –   | –  | –                                  | –   |
| 2  | B – Mining and quarrying   | –  | –   | –  | –                                  | –   | –  | –                                  | –   |
| 3  | C – Manufacturing  | –  | 22,740  | –  | 7,263                              | 258                                       | (1,015)  | (762)                              | (67)                                      |
| 4  | D – Electricity, gas, steam and air conditioning supply  | –  | 56,316  | –  | –                                  | –   | (4)  | –                                  | –   |
| 5  | E – Water supply; sewerage, waste management and remediation activities                        | –  | 29  | –  | –                                  | –   | –  | –                                  | –   |
| 6  | F – Construction   | –  | 9,476   | –  | 4                                  | 350                                       | (381)  | (1)                                | (296)                                     |
| 7  | G – Wholesale and retail trade; repair of motor vehicles and motorcycles                       | –  | 75,588  | –  | 16,215                             | 1,567                                     | (1,267)  | (241)                              | (754)                                     |
| 8  | H – Transportation and storage   | –  | 3,583   | –  | 5                                  | –   | (93)   | (2)                                | –   |
| 9  | L – Real estate activities   | –  | 6,860   | –  | 4,778                              | 222                                       | (150)  | (83)                               | (42)                                      |
| 10 | Loans collateralised by residential immovable property   | –  | 344,665   | –  | 20,533                             | 10,250                                    | (3,956)  | (1,162)                            | (2,093)                                   |
| 11 | Loans collateralised by commercial immovable property  | –  | 63,338  | –  | 12,714                             | 3,162                                     | (2,121)  | (734)                              | (1,047)                                   |
| 12 | Repossessed collaterals  | –  | 2,221   | –  | –                                  | –   | (472)  | –                                  | –   |
| 13 | <b>Other relevant sectors (breakdown below where relevant)</b>                                 | –  | 128,254   | –  | 7,666                              | 2,626                                     | (2,639)  | (143)                              | (1,324)                                   |
| 14 | I – Accommodation and food service activities  | –  | 6,084   | –  | 61                                 | 1,771                                     | (1,202)  | –                                  | (1,001)                                   |
| 15 | J – Information and communication  | –  | 147   | –  | 126                                | –   | (2)  | (2)                                | –   |
| 16 | K – Financial and insurance activities   | –  | 3,194   | –  | –                                  | 511                                       | (32)   | –                                  | –   |
| 17 | M – Professional scientific and technical activities   | –  | 106,795   | –  | 294                                | 5   | (855)  | (11)                               | (5)                                       |
| 18 | N – Administrative and support service activities  | –  | 11,483  | –  | 6,965                              | 9   | (211)  | (111)                              | –   |
| 19 | O – Public administration and defense, compulsory social security                              | –  | –   | –  | –                                  | –   | –  | –                                  | –   |
| 20 | P – Education  | –  | –   | –  | –                                  | –   | –  | –                                  | –   |
| 21 | Q – Human health and social work activities  | –  | 340   | –  | 10                                 | 330                                       | (318)  | –                                  | (318)                                     |
| 22 | R – Arts entertainment and recreation  | –  | 1   | –  | –                                  | –   | –  | –                                  | –   |
| 23 | S – Other services activities  | –  | 211   | –  | 209                                | –   | (19)   | (19)                               | –   |

Table 32: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

|  | a  | b          | c                    | d                     | f          | g                         |
|--|--|------------|----------------------|-----------------------|------------|---------------------------|
|  | Gross carrying amount  |            |                      |                       |            |                           |
|  | <i>of which: exposures sensitive to impact from climate change physical events</i> |            |                      |                       |            |                           |
|  | Breakdown by maturity bucket   |            |                      |                       |            |                           |
| Variable: Geographical area subject to climate change physical risk – acute and chronic events |  | <= 5 years | > 5 year <= 10 years | > 10 year <= 20 years | > 20 years | Average weighted maturity |
| 31 Dec 2023  | €000   | €000       | €000                 | €000                  | €000       | years                     |
| 1 A – Agriculture, forestry and fishing  | 200  | 9          | —                    | —                     | —          | 1.5                       |
| 2 B – Mining and quarrying   | —  | —          | —                    | —                     | —          | —                         |
| 3 C – Manufacturing  | 107,853  | 72,450     | 60                   | 6,067                 | —          | 1.8                       |
| 4 D – Electricity, gas, steam and air conditioning supply                                      | 66,366   | 20,065     | —                    | —                     | —          | 0.8                       |
| 5 E – Water supply; sewerage, waste management and remediation activities                      | 16,871   | —          | —                    | —                     | —          | —                         |
| 6 F – Construction   | 22,808   | 8,746      | —                    | —                     | —          | 1.2                       |
| 7 G – Wholesale and retail trade; repair of motor vehicles and motorcycles                     | 143,419  | 75,612     | 409                  | 117                   | —          | 0.3                       |
| 8 H – Transportation and storage   | 5,697  | 3,810      | —                    | —                     | —          | 1.2                       |
| 9 L – Real estate activities   | 82,106   | 6,192      | —                    | 493                   | —          | 3.4                       |
| 10 Loans collateralised by residential immovable property                                      | 2,173,296  | 11,476     | 14,116               | 90,644                | 231,342    | 23.0                      |
| 11 Loans collateralised by commercial immovable property                                       | 301,074  | 62,511     | 367                  | 7,892                 | —          | 2.5                       |
| 12 Repossessed collaterals   | 3,221  | 2,841      | —                    | —                     | —          | 1.0                       |
| 13 Other relevant sectors (breakdown below where relevant)                                     | 307,149  | 90,105     | 35,514               | 1,332                 | —          | 4.0                       |
| 14 I – Accommodation and food service activities   | 51,606   | 4,550      | —                    | 1,332                 | —          | 5.4                       |
| 15 J – Information and communication   | 23,950   | 22         | —                    | —                     | —          | —                         |
| 16 K – Financial and insurance activities  | 52,495   | 2,831      | —                    | —                     | —          | 2.9                       |
| 17 M – Professional scientific and technical activities  | 136,563  | 71,763     | 35,514               | —                     | —          | 4.2                       |
| 18 N – Administrative and support service activities   | 21,224   | 10,271     | —                    | —                     | —          | 2.6                       |
| 19 O – Public administration and defense, compulsory social security                           | —  | —          | —                    | —                     | —          | —                         |
| 20 P – Education   | 1,353  | —          | —                    | —                     | —          | —                         |
| 21 Q – Human health and social work activities   | 17,615   | 344        | —                    | —                     | —          | —                         |
| 22 R – Arts entertainment and recreation   | 295  | 72         | —                    | —                     | —          | —                         |
| 23 S – Other services activities   | 2,048  | 252        | —                    | —                     | —          | —                         |

Table 32: Template 5: Banking book – indicators of potential climate change physical risk: exposures subject to physical risk (continued)

|  | h   | i  | j   | k                           | l                                  | m  | n                                  | o       |
|--|---|--|---|-----------------------------|------------------------------------|--|------------------------------------|---------|
|  | Gross carrying amount   |  |   |                             |                                    |  |                                    |         |
|  | of which: exposures sensitive to impact from climate change physical events |  |   |                             |                                    |  |                                    |         |
|  | of which: exposures sensitive to impact from chronic climate change events  | of which: exposures sensitive to impact from acute climate change events | of which: exposures sensitive to impact both from chronic and acute climate change events | of which: Stage 2 exposures | of which: non-performing exposures | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions |                                    |         |
| Variable: Geographical area subject to climate change physical risk - acute and chronic events | of which: exposures sensitive to impact from chronic climate change events  | of which: exposures sensitive to impact from acute climate change events | of which: exposures sensitive to impact both from chronic and acute climate change events | of which: Stage 2 exposures | of which: non-performing exposures | of which: Stage 2 exposures  | of which: non-performing exposures |         |
| 31 Dec 2023  | €000  | €000   | €000  | €000                        | €000                               | €000   | €000                               | €000    |
| 1 A – Agriculture, forestry and fishing  | —   | 9  | —   | 9                           | —                                  | —  | —                                  | —       |
| 2 B – Mining and quarrying   | —   | —  | —   | —                           | —                                  | —  | —                                  | —       |
| 3 C – Manufacturing  | —   | 78,577   | —   | 7,026                       | 96                                 | (997)  | (807)                              | (20)    |
| 4 D – Electricity, gas, steam and air conditioning supply                                      | —   | 20,065   | —   | —                           | —                                  | (7)  | —                                  | —       |
| 5 E – Water supply; sewerage, waste management and remediation activities                      | —   | —  | —   | —                           | —                                  | —  | —                                  | —       |
| 6 F – Construction   | —   | 8,746  | —   | 6                           | 340                                | (328)  | —                                  | (238)   |
| 7 G – Wholesale and retail trade; repair of motor vehicles and motorcycles                     | —   | 76,138   | —   | 15,836                      | 1,693                              | (1,401)  | (627)                              | (461)   |
| 8 H – Transportation and storage   | —   | 3,810  | —   | —                           | —                                  | (58)   | —                                  | —       |
| 9 L – Real estate activities   | —   | 6,685  | —   | 4                           | 220                                | (368)  | (3)                                | (42)    |
| 10 Loans collateralised by residential immovable property                                      | —   | 347,578  | —   | 18,642                      | 8,348                              | (4,244)  | (1,445)                            | (1,603) |
| 11 Loans collateralised by commercial immovable property                                       | —   | 70,770   | —   | 18,712                      | 3,329                              | (2,896)  | (1,115)                            | (1,028) |
| 12 Repossessed collaterals   | —   | 2,841  | —   | —                           | —                                  | (472)  | —                                  | —       |
| 13 Other relevant sectors (breakdown below where relevant)                                     | —   | 126,951  | —   | 55                          | 2,634                              | (2,374)  | (17)                               | (1,056) |
| 14 I – Accommodation and food service activities   | —   | 5,882  | —   | 50                          | 1,715                              | (931)  | (2)                                | (852)   |
| 15 J – Information and communication   | —   | 22   | —   | —                           | —                                  | —  | —                                  | —       |
| 16 K – Financial and insurance activities  | —   | 2,831  | —   | —                           | 505                                | (18)   | —                                  | —       |
| 17 M – Professional scientific and technical activities  | —   | 107,277  | —   | —                           | 7                                  | (800)  | (10)                               | (7)     |
| 18 N – Administrative and support service activities   | —   | 10,271   | —   | 1                           | 9                                  | (424)  | (5)                                | —       |
| 19 O – Public administration and defense, compulsory social security                           | —   | —  | —   | —                           | —                                  | —  | —                                  | —       |
| 20 P – Education   | —   | —  | —   | —                           | —                                  | —  | —                                  | —       |
| 21 Q – Human health and social work activities   | —   | 344  | —   | —                           | 318                                | (197)  | —                                  | (197)   |
| 22 R – Arts entertainment and recreation   | —   | 72   | —   | —                           | 70                                 | —  | —                                  | —       |
| 23 S – Other services activities   | —   | 252  | —   | 4                           | 10                                 | (4)  | —                                  | —       |

## EU Taxonomy economic performance indicators<sup>1</sup>

### Climate change mitigation and climate change adaptation objectives and non-climate environmental objectives

In order to meet the European Union's ('EU') climate and energy targets for 2030, the European Commission ('EC') has created the EU Taxonomy classification system for environmentally sustainable economic activities. The EU Taxonomy provides companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In 2021, the EC adopted the Delegated Act Supplementing Article 8 of the Taxonomy Regulation ('the Disclosures Delegated Act')<sup>2,3</sup> followed by an amendment to the Delegated Act in 2022 to include certain energy sectors and in 2023 the EC amended the Disclosures Delegated Act to align the disclosure requirements with the Environmental Delegated Act. Under these regulations, HSBC Bank Malta p.l.c. is therefore required to provide information to investors about the environmental performance of its assets and economic activities.

The disclosures presented provide information on alignment of economic activities (i.e. disclosure of the key performance indicators) where Taxonomy 'eligible' economic activities are assessed to

determine whether they are environmentally sustainable (i.e. Taxonomy 'aligned') against technical screening criteria.

### Scope of consolidation

The Taxonomy KPIs in the templates presented are calculated based on exposures and balances within the local group's prudential scope of consolidation as at 30 June 2024. Therefore, the bank's EU Taxonomy KPIs comprises assets and activities relating to HSBC Bank Malta p.l.c. and HSBC Global Asset Management (Malta) Ltd. HSBC Life Assurance (Malta) Ltd is excluded from the scope of prudential consolidation.

### KPI: Green Asset Ratio ('GAR')

The GAR is a ratio calculated as the percentage of EU Taxonomy aligned assets as a proportion of total covered assets.

The numerator of the GAR includes loans and advances, debt securities, equities and repossessed collateral financing taxonomy aligned economic activities based on turnover KPI of underlying assets.

The denominator of the GAR includes total loans and advances, total debt securities, total equities and total repossessed collaterals and all other covered on-balance sheet assets.

### **Total covered assets**

The calculation of the Taxonomy on-balance sheet KPIs include on-balance exposures covering loans and advances, debt securities and equity instruments not held for trading and repossessed collateral. This includes exposures to undertakings such as large EU banks, asset managers, insurance companies and issuers that are in scope of Articles 19a or 29a of Directive 2013/34/EU<sup>4</sup> ('NFRD/CSRD').

Retail exposures except for the mortgage lending portfolios, credit consumption loans for cars and building renovations loans are excluded from the Taxonomy framework and not assessed for Taxonomy eligibility. On this basis, these exposures are included within the category of "Other assets".

### **Taxonomy-eligible and aligned economic activities**

Taxonomy-eligible economic activities are those activities which can be assessed as environmentally sustainable. Taxonomy-aligned economic activities are those activities which have been assessed as environmentally sustainable.

Eligibility and alignment related disclosures shall be based on information provided by the counterparty. This includes exposures to undertakings subject to the NFRD where the use of proceeds is known such as green lending and green bonds.

Exposure to green bonds and debt securities issued by non-NFRD undertakings have also been assessed for eligibility and alignment based on the specific use of proceeds. However, green bonds issued by central governments, central banks and supranationals are excluded from the scope of the GAR.

Eligibility and alignment of general lending exposures have been assessed using the turnover and CapEx eligibility and alignment ratios published in the most recently available annual reports by the bank's counterparties in scope of NFRD.

Exposures to multilateral development banks have been classified as credit institutions in accordance with EU Taxonomy regulation and have been assessed for Taxonomy eligibility and alignment accordingly.

Retail loans collateralised by residential immovable property, building renovation loans, and motor vehicle loans are assessed for eligibility and alignment based on the use of proceeds.

In all tables, 'Environmentally sustainable assets' refers to Taxonomy aligned assets.

### **Taxonomy non-eligible economic activities**

Taxonomy non-eligible economic activities are those activities which cannot be assessed as environmentally sustainable.

## **Assets excluded from the numerator for GAR calculation (covered in the denominator)**

### **Exposures to undertakings in scope of NFRD/CSRD<sup>4</sup>**

Exposures to undertakings that are not obliged to publish Non-Financial Reporting information have been excluded from the assessment of Taxonomy-eligible economic activities. These exposures are excluded from the numerator of the GAR but included in the denominator.

### **Derivatives**

Derivatives in the banking book are excluded from the numerator but included in the denominator of the total GAR.

### **On demand interbank loans**

On demand interbank loans are on-demand loan exposures with other credit institutions. These are excluded from the numerator but included in the denominator of the total GAR.

### **Cash and cash-related assets**

Cash and cash-related assets are excluded from the numerator but included in the denominator except for cash with central banks which is not covered by the GAR calculation.

### **Other assets**

Other assets include other retail exposures not covered by the Taxonomy framework, exposures to EU and non-EU financial corporations not subject to NFRD disclosure obligations, cash, tangible and intangible assets, all of which are excluded from the Taxonomy framework and therefore cannot be assessed for Taxonomy eligibility. Other assets are included in the total assets used in the denominator for the calculation of the ratios.

## **Assets not covered for GAR calculation**

Assets not covered in the GAR calculation are excluded from both the numerator and denominator.

### **Central governments and Supranational issuers**

Exposures to central governments and supranational issuers are out of scope for the GAR calculation. Lending to or financing of local governments where the use of proceeds is unknown (i.e. general purpose lending) is also excluded from the numerator and the denominator of the GAR and these exposures have been included as part of Central governments and supranational issuers.

### **Central banks**

Exposures to Central banks includes cash held and all other banking exposures with central banks. These are out of scope for the GAR calculation.

### **Trading book**

The trading portfolio, including trading derivatives is out of scope for the GAR calculation.

## **Data limitations**

HSBC Bank Malta p.l.c. is dependent on several data sources to determine exposures subject to NFRD and calculate Taxonomy ratios. Availability of data and improvements in data quality over time, as firms adopt the Taxonomy requirements for their own disclosures, could lead to differences in the data reported in future periods as compared to the current period.

The bank will continue to engage with customers, market data providers and standard setters to improve the quality and completeness of its Taxonomy data as the bank develops its capabilities to assess the Taxonomy alignment of its portfolios.

### **Eligibility by environmental objective**

Non-financial counterparties are required to report taxonomy eligibility split by environmental objective from 1 January 2024. Where non-financial counterparties have reported their taxonomy eligibility by environmental objective in their most recent disclosures, the bank has used this information to assess and report the eligibility of the its exposures to these counterparties.

For the bank's financial counterparties, the eligibility split by environmental objective is reported where relevant counterparty information is available.

In order to meet the requirement to report based on actual information provided by counterparties, where the split by environmental objective is not available, only total eligibility (CCM and CCA) will be reported in the relevant templates without disclosing separately in the columns for each of the environmental objectives.

In these cases, total eligibility reported has been allocated based on the assumption that it represents total eligibility for Climate Change Mitigation and Climate Change Adaptation objectives.

### **Counterparty eligibility and alignment data**

HSBC Bank Malta p.l.c. is highly reliant on published counterparty eligibility and alignment ratios to assess eligibility and alignment of exposures. The bank places reliance on 3<sup>rd</sup> party data vendors to collect the majority of the eligibility and alignment data used in KPI calculations. A number of checks and controls are operated to validate any data used and this has identified that counterparty data quality and consistency is variable. Controls in place include checking for template mathematical accuracy, checking for incomplete data, and checking for consistency of calculations across counterparties.

To consistently report the bank's Taxonomy eligibility and alignment of exposures there is a dependency on counterparty KPIs. However,

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some counterparties calculate ratios using a different calculation methodology and, in these cases, where sufficient information is available to do so, the data is normalised so that data between counterparties is comparable and can be used consistently across calculations. Where counterparty information is incomplete and deemed not reliable to make an assessment for Taxonomy eligibility and alignment, these counterparties have been excluded from the numerator of the bank's GAR calculation. Where there is sufficient counterparty information to identify the cause of any mathematical error, these errors are corrected.

### Weighted average KPIs of financial counterparties

In accordance with the requirements under the EU Taxonomy, insurance undertakings, investment firms and financial conglomerates are required to disclose weighted average KPIs which should be used by the bank in assessing the eligibility and alignment of exposures to relevant counterparties. These weighted average KPIs were either not disclosed by counterparties or were not sufficiently granular for the bank to satisfy its disclosure requirements. Therefore, where available, the following KPIs based on turnover for financial counterparties were used: Credit institutions - Green Asset Ratios, Insurance undertakings – non-life underwriting KPIs, Investment firms – dealing on own account KPIs, Asset managers – KPI for investments. For financial conglomerate counterparties, an assessment has been made based on the counterparty's business activities as to the most appropriate KPI to use.

### Exposures subject to the NFRD/CSRD<sup>4</sup>

In determining the methodology for identifying exposures subject to NFRD there is a dependency on data availability. Methodologies will develop over time to align with changes in market practice and regulation. In particular, set out below are the key assumptions made:

The NFRD applies to counterparties that are large public interest undertakings incorporated within the European Union with more than 500 employees on average during the financial year. Due to data

limitations, for some counterparties, it has not been possible to assess all the criteria required to determine the NFRD status. Instead, reliance has been placed upon a simplification using the available internal data, as well as data provided by third party vendors. The counterparty data considered in making an assessment included, where available: country of incorporation, customer group by global business segment, turnover, balance sheet size, number of employees, and ultimately, availability of NFRD and Taxonomy reporting.

For NFRD counterparties that have taken the exemption to report at subsidiary level because they are included in the consolidated reporting of their parent, the parent's Taxonomy KPIs have not been relied upon unless the parent undertaking has clearly stated that the relevant subsidiary has taken the exemption option to report Taxonomy KPIs.

### Household exposures

As from 30 June 2024 loans to households collateralised by residential property and loans to households for building renovations have been assessed as eligible under the Climate Change Mitigation objective in accordance with the definition of activities 7.1 to 7.7 in the Climate Delegated Act. Loans to households for the purchase of motor vehicles, where granted after 1 January 2022, have been assessed as eligible under the Climate Change Mitigation objective in accordance with the definition of activity 6.5 of the Climate Delegated Act. However, there is insufficient data available to fully assess any of these exposures for alignment against the technical screening criteria and in particular, the do no significant harm criteria.

- 1 Taxonomy Regulation (EU) 2020/852.
- 2 Commission Delegated Regulation (EU) 2021/2178 supplementing Taxonomy Regulation.
- 3 Commission Delegated Regulation (EU) 2023/2486 supplementing Taxonomy Regulation and amending Disclosures Delegated Act.
- 4 The CSRD amends the Non-Financial Reporting Directive ('NFRD') - Directive 2013/24/EU.

## Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures (Template 6)

The table sets out a summary of stock and flow KPIs required to be disclosed by HSBC Malta Bank p.l.c. KPIs in this table are calculated using counterparty Turnover ratios.

Table 33: Template 6: Summary of key performance indicators (KPIs) on the Taxonomy – aligned exposures

|             | KPI                       |                           |   | Coverage (over total assets) <sup>1</sup> |
|-------------|---------------------------|---------------------------|---|---|
|             | Climate change mitigation | Climate change adaptation | Total (Climate change mitigation + Climate change adaptation) |   |
| 30 Jun 2024 | %                         | %                         | %   | %   |
| GAR stock   | 0.01                      | —                         | 0.01  | 60.47                                     |
| GAR flow    | —                         | —                         | —   | 2173.14                                   |
| 31 Dec 2023 |                           |                           |   |   |
| GAR stock   | —                         | —                         | —   | 61.57                                     |
| GAR flow    | —                         | —                         | —   | —   |

<sup>1</sup> % of assets covered by the KPI over banks' total assets.

## Mitigating actions: Assets for the calculation of GAR - Based on Counterparty Turnover (Template 7)

The Template 7 - Mitigating actions; assets for the calculation of Green Assets Ratio ('GAR') presents assets used in the calculation of the GAR analysed by counterparty type and asset class. Total assets are further categorised between GAR assets in the numerator, GAR assets in the denominator, and assets excluded from the GAR calculation, with eligible and aligned GAR assets presented by climate objective. Minor amendments have been made to row labels 32 and 45 to clarify where GAR assets form part of the numerator or denominator of the KPI.

Exposures to non-EU financial corporations and EU financial corporations that are not subject to NFRD disclosure obligations are included in Other assets.

This table is based on turnover KPIs reported by HSBC Bank Malta p.l.c.'s counterparties.

The gross carrying amount reported excludes impairment allowances for all banking exposures. As a result, the total reported in this table is not comparable to Total Assets reported in HSBC Bank Malta p.l.c.'s balance sheet.



Table 34: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio ('GAR')

|   | a   | b         | c    | d    | e    | f   | g    | h    | i    | j    | k   | l         | m    | n    | o    | p    |
|---|---|-----------|------|------|------|---|------|------|------|------|---|-----------|------|------|------|------|
|   | At 30 June 2024   |           |      |      |      |   |      |      |      |      |   |           |      |      |      |      |
|   | Climate Change Mitigation (CCM)                                   |           |      |      |      | Climate Change Adaptation (CCA)                                   |      |      |      |      | TOTAL (CCM + CCA)   |           |      |      |      |      |
|   | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |           |      |      |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |      |      |      |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |           |      |      |      |      |
|   | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |           |      |      |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |      |      |      |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |           |      |      |      |      |
|   | <i>of which : of of</i>   |           |      |      |      | <i>of which : of of</i>   |      |      |      |      | <i>of which : trans- of</i>                                       |           |      |      |      |      |
|   | <i>speci- which which</i>   |           |      |      |      | <i>speci- which which</i>   |      |      |      |      | <i>speci- itional which</i>                                       |           |      |      |      |      |
|   | <i>alised : enab-</i>   |           |      |      |      | <i>alised : enab-</i>   |      |      |      |      | <i>alised / enab-</i>   |           |      |      |      |      |
|   | <i>ling ing ling</i>  |           |      |      |      | <i>ling adap- enab-</i>   |      |      |      |      | <i>ling tion ling</i>   |           |      |      |      |      |
|   | Total gross carrying amount                                       |           |      |      |      |   |      |      |      |      |   |           |      |      |      |      |
|   | €000  | €000      | €000 | €000 | €000 | €000  | €000 | €000 | €000 | €000 | €000  | €000      | €000 | €000 | €000 | €000 |
| <b>GAR - Covered assets in both numerator and denominator</b>                                     |   |           |      |      |      |   |      |      |      |      |   |           |      |      |      |      |
| 1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation | 2,551,020   | 2,247,900 | 298  | –    | 25   | 50  | 15   | 25   | –    | 25   | –   | 2,269,750 | 323  | –    | 25   | 50   |
| 2 <b>Financial corporations</b>   | 273,577   | 23,411    | 298  | –    | 25   | 50  | 11   | 25   | –    | 25   | –   | 45,246    | 323  | –    | 25   | 50   |
| 3 Credit institutions   | 273,577   | 23,411    | 298  | –    | 25   | 50  | 11   | 25   | –    | 25   | –   | 45,246    | 323  | –    | 25   | 50   |
| 4 Loans and advances  | 251,021   | 855       | 298  | –    | 25   | 50  | 11   | 25   | –    | 25   | –   | 22,690    | 323  | –    | 25   | 50   |
| 5 Debt securities, including UoP  | 22,556  | 22,556    | –    | –    | –    | –   | –    | –    | –    | –    | –   | 22,556    | –    | –    | –    | –    |
| 6 Equity instruments  | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 7 Other financial corporations  | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 8 – <i>of which: investment firms</i>   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 9 Loans and advances  | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 10 Debt securities, including UoP   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 11 Equity instruments   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 12 – <i>of which: management companies</i>  | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 13 Loans and advances   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 14 Debt securities, including UoP   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 15 Equity instruments   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 16 – <i>of which: insurance undertakings</i>  | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 17 Loans and advances   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 18 Debt securities, including UoP   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |
| 19 Equity instruments   | –   | –         | –    | –    | –    | –   | –    | –    | –    | –    | –   | –         | –    | –    | –    | –    |

Table 34: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio ('GAR') (continued)

|  | a   | b         | c    | d    | e    | f   | g    | h    | i    | j    | k   | l         | m    | n    | o    | p    |
|--|---|-----------|------|------|------|---|------|------|------|------|---|-----------|------|------|------|------|
|  | At 30 June 2024   |           |      |      |      |   |      |      |      |      |   |           |      |      |      |      |
|  | Climate Change Mitigation (CCM)                                   |           |      |      |      | Climate Change Adaptation (CCA)                                   |      |      |      |      | TOTAL (CCM + CCA)   |           |      |      |      |      |
|  | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |           |      |      |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |      |      |      |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |           |      |      |      |      |
|  | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |           |      |      |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |      |      |      |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |           |      |      |      |      |
|  | <i>of which : of of</i>   |           |      |      |      | <i>of which : of of</i>   |      |      |      |      | <i>of which : trans- of</i>                                       |           |      |      |      |      |
|  | <i>speci- which which</i>   |           |      |      |      | <i>speci- which which</i>   |      |      |      |      | <i>speci- itional which</i>                                       |           |      |      |      |      |
|  | <i>alised : :</i>   |           |      |      |      | <i>alised : :</i>   |      |      |      |      | <i>alised / :</i>   |           |      |      |      |      |
|  | <i>lend- trans- enab-</i>   |           |      |      |      | <i>lend- adap- enab-</i>  |      |      |      |      | <i>lend- adap- enab-</i>  |           |      |      |      |      |
|  | <i>ing itional ling</i>   |           |      |      |      | <i>ing tation ling</i>  |      |      |      |      | <i>ing tation ling</i>  |           |      |      |      |      |
|  | Total gross carrying amount                                       |           |      |      |      |   |      |      |      |      |   |           |      |      |      |      |
|  | €000  | €000      | €000 | €000 | €000 | €000  | €000 | €000 | €000 | €000 | €000  | €000      | €000 | €000 | €000 | €000 |
| 20 Non-financial corporations (subject to NFRD disclosure obligations)                       | 45,842  | 360       | —    | —    | —    | —   | 4    | —    | —    | —    | —   | 375       | —    | —    | —    | —    |
| 21 Loans and advances  | 45,842  | 360       | —    | —    | —    | —   | 4    | —    | —    | —    | —   | 375       | —    | —    | —    | —    |
| 22 Debt securities, including UoP  | —   | —         | —    | —    | —    | —   | —    | —    | —    | —    | —   | —         | —    | —    | —    | —    |
| 23 Equity instruments  | —   | —         | —    | —    | —    | —   | —    | —    | —    | —    | —   | —         | —    | —    | —    | —    |
| 24 Households  | 2,107,389   | 2,100,317 | —    | —    | —    | —   | —    | —    | —    | —    | —   | 2,100,317 | —    | —    | —    | —    |
| 25 – of which: loans collateralised by residential immovable property                        | 2,084,637   | 2,084,637 | —    | —    | —    | —   | —    | —    | —    | —    | —   | 2,084,637 | —    | —    | —    | —    |
| 26 – of which: building renovation loans   | 2,336   | 2,336     | —    | —    | —    | —   | —    | —    | —    | —    | —   | 2,336     | —    | —    | —    | —    |
| 27 – of which: motor vehicle loans   | 20,416  | 13,344    | —    | —    | —    | —   | —    | —    | —    | —    | —   | 13,344    | —    | —    | —    | —    |
| 28 Local governments financing   | 121,212   | 121,212   | —    | —    | —    | —   | —    | —    | —    | —    | —   | 121,212   | —    | —    | —    | —    |
| 29 Housing financing   | —   | —         | —    | —    | —    | —   | —    | —    | —    | —    | —   | —         | —    | —    | —    | —    |
| 30 Other local governments financing   | 121,212   | 121,212   | —    | —    | —    | —   | —    | —    | —    | —    | —   | 121,212   | —    | —    | —    | —    |
| 31 Collateral obtained by taking possession: residential and commercial immovable properties | 3,000   | 2,600     | —    | —    | —    | —   | —    | —    | —    | —    | —   | 2,600     | —    | —    | —    | —    |
| 32 Total GAR Assets (in the numerator)   | 2,551,020   | 2,247,900 | 298  | —    | 25   | 50  | 15   | 25   | —    | 25   | —   | 2,269,750 | 323  | —    | 25   | 50   |
| Assets excluded from the numerator for GAR calculation (covered in the denominator)          |   |           |      |      |      |   |      |      |      |      |   |           |      |      |      |      |

Table 34: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio ('GAR') (continued)

|   | a   | b    | c    | d    | e    | f   | g    | h    | i    | j    | k   | l    | m    | n    | o    | p    |
|---|---|------|------|------|------|---|------|------|------|------|---|------|------|------|------|------|
|   | At 30 June 2024   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
|   | Climate Change Mitigation (CCM)                                   |      |      |      |      | Climate Change Adaptation (CCA)                                   |      |      |      |      | TOTAL (CCM + CCA)   |      |      |      |      |      |
|   | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |      |      |      |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |      |      |      |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |      |      |      |      |      |
|   | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |      |      |      |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |      |      |      |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |      |      |      |      |      |
|   | <i>of which : of of</i>   |      |      |      |      | <i>of which : of of</i>   |      |      |      |      | <i>of which : trans- of</i>                                       |      |      |      |      |      |
|   | <i>speci- which which</i>   |      |      |      |      | <i>speci- which which</i>   |      |      |      |      | <i>speci- itional which</i>                                       |      |      |      |      |      |
|   | <i>alised : :</i>   |      |      |      |      | <i>alised : :</i>   |      |      |      |      | <i>alised / :</i>   |      |      |      |      |      |
|   | <i>lend- trans- enab-</i>   |      |      |      |      | <i>lend- adap- enab-</i>  |      |      |      |      | <i>lend- adap- enab-</i>  |      |      |      |      |      |
|   | <i>ing itional ling</i>   |      |      |      |      | <i>ing tation ling</i>  |      |      |      |      | <i>ing tation ling</i>  |      |      |      |      |      |
|   | Total gross carrying amount                                       |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
|   | €000  | €000 | €000 | €000 | €000 | €000  | €000 | €000 | €000 | €000 | €000  | €000 | €000 | €000 | €000 | €000 |
| 33 EU Non-financial corporations (not subject to NFRD disclosure obligations)     | 657,798   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 34 Loans and advances   | 657,798   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 35 Debt securities  | —   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 36 Equity instruments   | —   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 37 Non-EU Non-financial corporations (not subject to NFRD disclosure obligations) | 1,198   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 38 Loans and advances   | 1,155   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 39 Debt securities  | —   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 40 Equity instruments   | 43  |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 41 Derivatives  | 9,564   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 42 On demand interbank loans  | 317,896   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 43 Cash and cash-related assets   | 28,759  |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 44 Other assets (e.g. Goodwill, commodities etc.)                                 | 689,013   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 45 Total Assets (in the denominator) (GAR)  | 4,255,248   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| Other assets excluded from both the numerator and denominator for GAR calculation |   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 46 Sovereigns   | 1,613,420   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 47 Central banks exposure   | 1,159,525   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 48 Trading book   | 8,228   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 49 Total Assets excluded from numerator and denominator                           | 2,781,173   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |
| 50 Total Assets   | 7,036,421   |      |      |      |      |   |      |      |      |      |   |      |      |      |      |      |

## Pillar 3 Disclosures at 30 June 2024

Table 34: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio ('GAR') (continued)

|   | a   | b                                    | c    | d                             | e    | f   | g    | h                                    | i    | j                           | k   | l                                    | m    | n  | o    | p                         |      |
|---|---|--------------------------------------|------|-------------------------------|------|---|------|--------------------------------------|------|-----------------------------|---|--------------------------------------|------|--|------|---------------------------|------|
|   | At 31 December 2023   |                                      |      |                               |      |   |      |                                      |      |                             |   |                                      |      |  |      |                           |      |
|   | Climate Change Mitigation (CCM)                                   |                                      |      |                               |      | Climate Change Adaptation (CCA)                                   |      |                                      |      |                             | TOTAL (CCM + CCA)   |                                      |      |  |      |                           |      |
|   | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |                                      |      |                               |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |      |                                      |      |                             | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |                                      |      |  |      |                           |      |
|   | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |                                      |      |                               |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |      |                                      |      |                             | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |                                      |      |  |      |                           |      |
|   | Total gross carrying amount                                       | <i>of which: specialised lending</i> |      | <i>of which: transitional</i> |      | <i>of which: enabling</i>   |      | <i>of which: specialised lending</i> |      | <i>of which: adaptation</i> |   | <i>of which: specialised lending</i> |      | <i>of which: transitional/adaptation</i> |      | <i>of which: enabling</i> |      |
|   | €000  | €000                                 | €000 | €000                          | €000 | €000  | €000 | €000                                 | €000 | €000                        | €000  | €000                                 | €000 | €000                                     | €000 | €000                      | €000 |
| GAR - Covered assets in both numerator and denominator  |   |                                      |      |                               |      |   |      |                                      |      |                             |   |                                      |      |  |      |                           |      |
| 1 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation | 2,544,575   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 2,294,676                            | —    | —  | —    | —                         | —    |
| 2 Financial corporations  | 229,300   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 22,257                               | —    | —  | —    | —                         | —    |
| 3 Credit institutions   | 229,300   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 22,257                               | —    | —  | —    | —                         | —    |
| 4 Loans and advances  | 207,043   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 5 Debt securities, including UoP  | 22,257  | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 22,257                               | —    | —  | —    | —                         | —    |
| 6 Equity instruments  | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 7 Other financial corporations  | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 8 – <i>of which: investment firms</i>   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 9 Loans and advances  | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 10 Debt securities, including UoP   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 11 Equity instruments   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 12 – <i>of which: management companies</i>  | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 13 Loans and advances   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 14 Debt securities, including UoP   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 15 Equity instruments   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 16 – <i>of which: insurance undertakings</i>  | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 17 Loans and advances   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 18 Debt securities, including UoP   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |
| 19 Equity instruments   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —  | —    | —                         | —    |

Table 34: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio ('GAR') (continued)

|  | a   | b                                    | c    | d                             | e    | f   | g    | h                                    | i    | j                           | k   | l                                    | m    | n                             | o    | p                         |  |
|--|---|--------------------------------------|------|-------------------------------|------|---|------|--------------------------------------|------|-----------------------------|---|--------------------------------------|------|-------------------------------|------|---------------------------|--|
|  | At 31 December 2023   |                                      |      |                               |      |   |      |                                      |      |                             |   |                                      |      |                               |      |                           |  |
|  | Climate Change Mitigation (CCM)                                   |                                      |      |                               |      | Climate Change Adaptation (CCA)                                   |      |                                      |      |                             | TOTAL (CCM + CCA)   |                                      |      |                               |      |                           |  |
|  | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |                                      |      |                               |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |      |                                      |      |                             | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |                                      |      |                               |      |                           |  |
|  | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |                                      |      |                               |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |      |                                      |      |                             | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |                                      |      |                               |      |                           |  |
|  | Total gross carrying amount                                       | <i>of which: specialised lending</i> |      | <i>of which: transitional</i> |      | <i>of which: enabling</i>   |      | <i>of which: specialised lending</i> |      | <i>of which: adaptation</i> |   | <i>of which: specialised lending</i> |      | <i>of which: transitional</i> |      | <i>of which: enabling</i> |  |
|  | €000  | €000                                 | €000 | €000                          | €000 | €000  | €000 | €000                                 | €000 | €000                        | €000  | €000                                 | €000 | €000                          | €000 | €000                      |  |
| 20 Non-financial corporations (subject to NFRD disclosure obligations)                       | 33,928  | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 1,444                                | —    | —                             | —    | —                         |  |
| 21 Loans and advances  | 33,928  | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 1,444                                | —    | —                             | —    | —                         |  |
| 22 Debt securities, including UoP  | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —                             | —    | —                         |  |
| 23 Equity instruments  | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —                             | —    | —                         |  |
| 24 Households  | 2,160,409   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 2,150,436                            | —    | —                             | —    | —                         |  |
| 25 – of which: loans collateralised by residential immovable property                        | 2,137,020   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 2,137,020                            | —    | —                             | —    | —                         |  |
| 26 – of which: building renovation loans   | 2,291   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 2,291                                | —    | —                             | —    | —                         |  |
| 27 – of which: motor vehicle loans   | 21,098  | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 11,125                               | —    | —                             | —    | —                         |  |
| 28 Local governments financing   | 117,717   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 117,717                              | —    | —                             | —    | —                         |  |
| 29 Housing financing   | —   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | —                                    | —    | —                             | —    | —                         |  |
| 30 Other local governments financing   | 117,717   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 117,717                              | —    | —                             | —    | —                         |  |
| 31 Collateral obtained by taking possession: residential and commercial immovable properties | 3,221   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 2,822                                | —    | —                             | —    | —                         |  |
| 32 Total GAR Assets (in the numerator)   | 2,544,575   | —                                    | —    | —                             | —    | —   | —    | —                                    | —    | —                           | —   | 2,294,676                            | —    | —                             | —    | —                         |  |
| Assets excluded from the numerator for GAR calculation (covered in the denominator)          |   |                                      |      |                               |      |   |      |                                      |      |                             |   |                                      |      |                               |      |                           |  |

## Pillar 3 Disclosures at 30 June 2024

Table 34: Template 7: Mitigating actions: assets for the calculation of Green Assets Ratio ('GAR') (continued)

|   | a   | b                                    | c    | d                             | e    | f   | g    | h                                    | i    | j                           | k   | l                         | m    | n                                    | o    | p                                      |      |
|---|---|--------------------------------------|------|-------------------------------|------|---|------|--------------------------------------|------|-----------------------------|---|---------------------------|------|--------------------------------------|------|--|------|
|   | At 31 December 2023   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
|   | Climate Change Mitigation (CCM)                                   |                                      |      |                               |      | Climate Change Adaptation (CCA)                                   |      |                                      |      |                             | TOTAL (CCM + CCA)   |                           |      |                                      |      |  |      |
|   | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |                                      |      |                               |      | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |      |                                      |      |                             | <i>of which: to taxonomy relevant sectors (Taxonomy-eligible)</i> |                           |      |                                      |      |  |      |
|   | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |                                      |      |                               |      | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |      |                                      |      |                             | <i>of which: environmentally sustainable (Taxonomy-aligned)</i>   |                           |      |                                      |      |  |      |
|   | Total gross carrying amount                                       | <i>of which: specialised lending</i> |      | <i>of which: transitional</i> |      | <i>of which: enabling</i>   |      | <i>of which: specialised lending</i> |      | <i>of which: adaptation</i> |   | <i>of which: enabling</i> |      | <i>of which: specialised lending</i> |      | <i>of which: transitional/enabling</i> |      |
|   | €000  | €000                                 | €000 | €000                          | €000 | €000  | €000 | €000                                 | €000 | €000                        | €000  | €000                      | €000 | €000                                 | €000 | €000                                   | €000 |
| 33 EU Non-financial corporations (not subject to NFRD disclosure obligations)     | 717,912   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 34 Loans and advances   | 717,912   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 35 Debt securities  | —   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 36 Equity instruments   | —   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 37 Non-EU Non-financial corporations (not subject to NFRD disclosure obligations) | 629   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 38 Loans and advances   | 629   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 39 Debt securities  | —   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 40 Equity instruments   | —   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 41 Derivatives  | 7,483   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 42 On demand interbank loans  | 518,531   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 43 Cash and cash-related assets   | 33,582  |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 44 Other assets (e.g. Goodwill, commodities etc.)                                 | 508,723   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 45 Total Assets (in the denominator) (GAR)  | 4,331,435   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| Other assets excluded from both the numerator and denominator for GAR calculation |   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 46 Sovereigns   | 1,439,811   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 47 Central banks exposure   | 1,257,899   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 48 Trading book   | 6,094   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 49 Total Assets excluded from numerator and denominator                           | 2,703,804   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |
| 50 Total Assets   | 7,035,239   |                                      |      |                               |      |   |      |                                      |      |                             |   |                           |      |                                      |      |  |      |

## GAR % (Template 8)

The Template 8 - GAR (%) presents stock and flow of eligible and aligned exposures as a proportion of total covered assets by Taxonomy climate objective.

Flow is defined as new assets originating during the year net of repayments and other reductions. The disclosure includes flows of medium and long term eligible loan exposures. As the starting point to identify new loans granted during the year is the stock of loans at 30 June 2024, it is possible that some loans both granted and repaid during 2024 have not been accounted for in the flow. To identify the date that loans have been granted, the signature date currently available is used. Some renegotiated loans may have a different signature date than the original loan.

Revolving and / or short term in nature – such as overdrafts, trade loans and contracts, factoring and credit facilities – have been included at point in time in the stock and not repeated in the flow.

For all such products, there are operational challenges in identifying new facilities authorised during the year. Debt securities and equity securities have also been included at point in time in the stock and not repeated in the flow.

The flow template reported as at June 2024 represents the proportion of new eligible assets funding taxonomy relevant sectors for six months beginning from 1 January 2024 in comparison to the flow for twelve months as reported for the year ended 31 December 2023.

The proportion of new total assets covered by the Green Asset Ratio arising in the period between 30 June 2024 and 31 December 2023 as a proportion of the movement in total assets for the same period is reported in column af. The movement in total assets is derived from row 50 from Template 7 – Mitigating actions for the calculation of Green Assets Ratio ('GAR').

This table is based on Turnover KPIs reported by HSBC Bank Malta p.l.c.'s counterparties.

Table 35: Template 8: GAR (%)

|   | a   | b           | c                                    | d | e                         | f   | g                                    | h | i                           | j | k   | l           | m                                    | n | o  | p            |                                    |
|---|---|-------------|--------------------------------------|---|---------------------------|---|--------------------------------------|---|-----------------------------|---|---|-------------|--------------------------------------|---|--|--------------|------------------------------------|
|   | At 30 June 2024 : KPIs on stock                                 |             |                                      |   |                           |   |                                      |   |                             |   |   |             |                                      |   |  |              |                                    |
|   | Climate Change Mitigation (CCM)                                 |             |                                      |   |                           | Climate Change Adaptation (CCA)                                 |                                      |   |                             |   | TOTAL (CCM + CCA)   |             |                                      |   |  |              |                                    |
|   | Proportion of eligible assets funding taxonomy relevant sectors |             |                                      |   |                           | Proportion of eligible assets funding taxonomy relevant sectors |                                      |   |                             |   | Proportion of eligible assets funding taxonomy relevant sectors |             |                                      |   |  |              |                                    |
|   | <i>of which: environmentally sustainable</i>                    |             |                                      |   |                           | <i>of which: environmentally sustainable</i>                    |                                      |   |                             |   | <i>of which: environmentally sustainable</i>                    |             |                                      |   |  |              |                                    |
|   | <i>of which: specialised lending</i>                            |             | <i>of which: trans-<br/>national</i> |   | <i>of which: enabling</i> |   | <i>of which: specialised lending</i> |   | <i>of which: adaptation</i> |   | <i>of which: enabling</i>                                       |             | <i>of which: specialised lending</i> |   | <i>of which: trans-<br/>national / which: enabling</i> |              | Proportion of total assets covered |
| % (compared to total covered assets in the denominator)   | %   | %           | %                                    | % | %                         | %   | %                                    | % | %                           | % | %   | %           | %                                    | % | %  | %            |                                    |
| 1 <b>GAR</b>  | <b>0.01</b>   |             |                                      |   |                           | –   |                                      |   |                             |   | <b>0.01</b>   |             |                                      |   |  |              | <b>60.47</b>                       |
| 2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation | <b>52.83</b>  | <b>0.01</b> | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>53.34</b>  | <b>0.01</b> | –                                    | – | –  | <b>36.25</b> |                                    |
| 3 Financial corporations  | <b>0.55</b>   | <b>0.01</b> | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>1.06</b>   | <b>0.01</b> | –                                    | – | –  | <b>3.89</b>  |                                    |
| 4 Credit institutions   | <b>0.55</b>   | <b>0.01</b> | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>1.06</b>   | <b>0.01</b> | –                                    | – | –  | <b>3.89</b>  |                                    |
| 5 Other financial corporations  | –   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | –   | –           | –                                    | – | –  | –            |                                    |
| 6 – of which: investment firms  | –   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | –   | –           | –                                    | – | –  | –            |                                    |
| 7 – of which: management companies  | –   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | –   | –           | –                                    | – | –  | –            |                                    |
| 8 – of which: insurance undertakings  | –   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | –   | –           | –                                    | – | –  | –            |                                    |
| 9 Non-financial corporations subject to NFRD disclosure obligations                               | <b>0.01</b>   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>0.01</b>   | –           | –                                    | – | –  | <b>0.65</b>  |                                    |
| 10 Households   | <b>49.36</b>  | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>49.36</b>  | –           | –                                    | – | –  | <b>29.95</b> |                                    |
| 11 – of which: loans collateralised by residential immovable property                             | <b>48.99</b>  | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>48.99</b>  | –           | –                                    | – | –  | <b>29.63</b> |                                    |
| 12 – of which: building renovation loans  | <b>0.06</b>   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>0.06</b>   | –           | –                                    | – | –  | <b>0.03</b>  |                                    |
| 13 – of which: motor vehicle loans  | <b>0.31</b>   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>0.31</b>   | –           | –                                    | – | –  | <b>0.29</b>  |                                    |
| 14 Local government financing   | <b>2.85</b>   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | <b>2.85</b>   | –           | –                                    | – | –  | <b>1.72</b>  |                                    |
| 15 Housing financing  | –   | –           | –                                    | – | –                         | –   | –                                    | – | –                           | – | –   | –           | –                                    | – | –  | –            |                                    |

## Pillar 3 Disclosures at 30 June 2024

Table 35: Template 8: GAR (%) (continued)

|   | a   | b | c | d | e | f   | g | h | i | j | k   | l  | m  | n  | o  | p                                  |
|---|---|---|---|---|---|---|---|---|---|---|---|----|----|----|----|------------------------------------|
| At 30 June 2024 : KPIs on stock   |   |   |   |   |   |   |   |   |   |   |   |    |    |    |    |                                    |
|   | Climate Change Mitigation (CCM)                                 |   |   |   |   | Climate Change Adaptation (CCA)                                 |   |   |   |   | TOTAL (CCM + CCA)   |    |    |    |    |                                    |
|   | Proportion of eligible assets funding taxonomy relevant sectors |   |   |   |   | Proportion of eligible assets funding taxonomy relevant sectors |   |   |   |   | Proportion of eligible assets funding taxonomy relevant sectors |    |    |    |    |                                    |
|   | <i>of which: environmentally sustainable</i>                    |   |   |   |   | <i>of which: environmentally sustainable</i>                    |   |   |   |   | <i>of which: environmentally sustainable</i>                    |    |    |    |    |                                    |
|   | <i>of which: specialised lending</i>                            |   |   |   |   | <i>of which: specialised lending</i>                            |   |   |   |   | <i>of which: specialised lending</i>                            |    |    |    |    |                                    |
|   | <i>of which: transitional</i>                                   |   |   |   |   | <i>of which: transitional</i>                                   |   |   |   |   | <i>of which: transitional</i>                                   |    |    |    |    |                                    |
|   | <i>of which: enabling</i>                                       |   |   |   |   | <i>of which: enabling</i>                                       |   |   |   |   | <i>of which: enabling</i>                                       |    |    |    |    |                                    |
| % (compared to total covered assets in the denominator)   | %   | % | % | % | % | %   | % | % | % | % | %   | %  | %  | %  | %  | Proportion of total assets covered |
| 16 Other local governments financing  | 2.85  | — | — | — | — | —   | — | — | — | — | 2.85  | —  | —  | —  | —  | 1.72                               |
| 17 Collateral obtained by taking possession: residential and commercial immovable properties      | 0.06  | — | — | — | — | —   | — | — | — | — | 0.06  | —  | —  | —  | —  | 0.04                               |
|   | q   | r | s | t | u | v   | w | x | y | z | aa  | ab | ac | ad | ae | af                                 |
| At 30 June 2024 : KPIs on flows   |   |   |   |   |   |   |   |   |   |   |   |    |    |    |    |                                    |
|   | Climate Change Mitigation (CCM)                                 |   |   |   |   | Climate Change Adaptation (CCA)                                 |   |   |   |   | TOTAL (CCM + CCA)   |    |    |    |    |                                    |
|   | Proportion of eligible assets funding taxonomy relevant sectors |   |   |   |   | Proportion of eligible assets funding taxonomy relevant sectors |   |   |   |   | Proportion of eligible assets funding taxonomy relevant sectors |    |    |    |    |                                    |
|   | <i>of which: environmentally sustainable</i>                    |   |   |   |   | <i>of which: environmentally sustainable</i>                    |   |   |   |   | <i>of which: environmentally sustainable</i>                    |    |    |    |    |                                    |
|   | <i>of which: specialised lending</i>                            |   |   |   |   | <i>of which: specialised lending</i>                            |   |   |   |   | <i>of which: specialised lending</i>                            |    |    |    |    |                                    |
|   | <i>of which: transitional</i>                                   |   |   |   |   | <i>of which: transitional</i>                                   |   |   |   |   | <i>of which: transitional</i>                                   |    |    |    |    |                                    |
|   | <i>of which: enabling</i>                                       |   |   |   |   | <i>of which: enabling</i>                                       |   |   |   |   | <i>of which: enabling</i>                                       |    |    |    |    |                                    |
| % (compared to total covered assets in the denominator)   | %   | % | % | % | % | %   | % | % | % | % | %   | %  | %  | %  | %  | Proportion of total assets covered |
| 1 <b>GAR</b>  | —   | — | — | — | — | —   | — | — | — | — | —   | —  | —  | —  | —  | 2,173.14                           |
| 2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation | 0.60  | — | — | — | — | —   | — | — | — | — | 0.60  | —  | —  | —  | —  | 2,173.14                           |
| 3 Financial corporations  | —   | — | — | — | — | —   | — | — | — | — | —   | —  | —  | —  | —  | —                                  |
| 4 Credit institutions   | —   | — | — | — | — | —   | — | — | — | — | —   | —  | —  | —  | —  | —                                  |
| 5 Other financial corporations  | —   | — | — | — | — | —   | — | — | — | — | —   | —  | —  | —  | —  | —                                  |
| 6 – of which: investment firms  | —   | — | — | — | — | —   | — | — | — | — | —   | —  | —  | —  | —  | —                                  |
| 7 – of which: management companies  | —   | — | — | — | — | —   | — | — | — | — | —   | —  | —  | —  | —  | —                                  |
| 8 – of which: insurance undertakings  | —   | — | — | — | — | —   | — | — | — | — | —   | —  | —  | —  | —  | —                                  |
| 9 Non-financial corporations subject to NFRD disclosure obligations                               | 0.15  | — | — | — | — | —   | — | — | — | — | 0.15  | —  | —  | —  | —  | 541.24                             |
| 10 Households   | 0.37  | — | — | — | — | —   | — | — | — | — | 0.37  | —  | —  | —  | —  | 1,336.17                           |



Table 35: Template 8: GAR (%) (continued)

|   | q   | r | s | t | u   | v | w | x | y | z   | aa | ab | ac | ad | ae | af |                                    |   |   |   |   |   |   |   |   |   |   |   |        |          |
|---|---|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|------------------------------------|---|---|---|---|---|---|---|---|---|---|---|--------|----------|
| At 30 June 2024 : KPIs on flows   |   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                                    |   |   |   |   |   |   |   |   |   |   |   |        |          |
| Climate Change Mitigation (CCM)   |   |   |   |   | Climate Change Adaptation (CCA)   |   |   |   |   | TOTAL (CCM + CCA)   |    |    |    |    |    |    |                                    |   |   |   |   |   |   |   |   |   |   |   |        |          |
| Proportion of eligible assets funding taxonomy relevant sectors                     |   |   |   |   | Proportion of eligible assets funding taxonomy relevant sectors                   |   |   |   |   | Proportion of eligible assets funding taxonomy relevant sectors                         |    |    |    |    |    |    |                                    |   |   |   |   |   |   |   |   |   |   |   |        |          |
| <i>of which: environmentally sustainable</i>  |   |   |   |   | <i>of which: environmentally sustainable</i>                                      |   |   |   |   | <i>of which: environmentally sustainable</i>  |    |    |    |    |    |    |                                    |   |   |   |   |   |   |   |   |   |   |   |        |          |
| <i>of which : of of specialised : which which : : lend- trans- ing itional ling</i> |   |   |   |   | <i>of which : of of specialised : which which : : lend- adapt- ing ation ling</i> |   |   |   |   | <i>of which : of of specialised : trans- ing alised / : lend- adapt- ing ation ling</i> |    |    |    |    |    |    | Proportion of total covered assets |   |   |   |   |   |   |   |   |   |   |   |        |          |
| %   |   |   |   |   | %   |   |   |   |   | %   |    |    |    |    |    |    | Proportion of total covered assets |   |   |   |   |   |   |   |   |   |   |   |        |          |
| %   |   |   |   |   | %   |   |   |   |   | %   |    |    |    |    |    |    | Proportion of total covered assets |   |   |   |   |   |   |   |   |   |   |   |        |          |
| 11  | – of which: loans collateralised by residential immovable property                        |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    | 0.28                               | – | – | – | – | – | – | – | – | – | – | – | –      | 1,007.27 |
| 12  | – of which: building renovation loans   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    | –                                  | – | – | – | – | – | – | – | – | – | – | – | 9.71   |          |
| 13  | – of which: motor vehicle loans   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    | 0.09                               | – | – | – | – | – | – | – | – | – | – | – | 319.19 |          |
| 14  | Local government financing  |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    | 0.08                               | – | – | – | – | – | – | – | – | – | – | – | 295.73 |          |
| 15  | Housing financing   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    | –                                  | – | – | – | – | – | – | – | – | – | – | – | –      |          |
| 16  | Other local governments financing   |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    | 0.08                               | – | – | – | – | – | – | – | – | – | – | – | –      | 295.73   |
| 17  | Collateral obtained by taking possession: residential and commercial immovable properties |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    | –                                  | – | – | – | – | – | – | – | – | – | – | – | –      | –        |

## Pillar 3 Disclosures at 30 June 2024

Table 35: Template 8: GAR (%) (continued)

|   | a                                    | b | c | d                             | e   | f                                    | g | h | i                             | j   | k                                    | l | m | n                             | o | p                                  |
|---|--------------------------------------|---|---|-------------------------------|---|--------------------------------------|---|---|-------------------------------|---|--------------------------------------|---|---|-------------------------------|---|------------------------------------|
| At 31 December 2023 : KPIs on stock   |                                      |   |   |                               |   |                                      |   |   |                               |   |                                      |   |   |                               |   |                                    |
| Climate Change Mitigation (CCM)   |                                      |   |   |                               | Climate Change Adaptation (CCA)                                 |                                      |   |   |                               | TOTAL (CCM + CCA)   |                                      |   |   |                               |   |                                    |
| Proportion of eligible assets funding taxonomy relevant sectors                                   |                                      |   |   |                               | Proportion of eligible assets funding taxonomy relevant sectors |                                      |   |   |                               | Proportion of eligible assets funding taxonomy relevant sectors |                                      |   |   |                               |   |                                    |
| <i>of which: environmentally sustainable</i>  |                                      |   |   |                               | <i>of which: environmentally sustainable</i>                    |                                      |   |   |                               | <i>of which: environmentally sustainable</i>                    |                                      |   |   |                               |   |                                    |
| % (compared to total covered assets in the denominator)   | <i>of which: specialised lending</i> |   |   | <i>of which: transitional</i> |   | <i>of which: specialised lending</i> |   |   | <i>of which: transitional</i> |   | <i>of which: specialised lending</i> |   |   | <i>of which: transitional</i> |   | Proportion of total assets covered |
|   | %                                    | % | % | %                             | %   | %                                    | % | % | %                             | %   | %                                    | % | % | %                             | % |                                    |
| 1 GAR   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | — | 61.57                              |
| 2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 52.98                                | — | — | —                             | — | 36.17                              |
| 3 Financial corporations  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 0.51                                 | — | — | —                             | — | 3.26                               |
| 4 Credit institutions   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 0.51                                 | — | — | —                             | — | 3.26                               |
| 5 Other financial corporations  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | — | —                                  |
| 6 – of which: investment firms  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | — | —                                  |
| 7 – of which: management companies  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | — | —                                  |
| 8 – of which: insurance undertakings  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | — | —                                  |
| 9 Non-financial corporations subject to NFRD disclosure obligations                               | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 0.03                                 | — | — | —                             | — | 0.48                               |
| 10 Households   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 49.65                                | — | — | —                             | — | 30.71                              |
| 11 – of which: loans collateralised by residential immovable property                             | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 49.34                                | — | — | —                             | — | 30.38                              |
| 12 – of which: building renovation loans  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 0.05                                 | — | — | —                             | — | 0.03                               |
| 13 – of which: motor vehicle loans  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 0.26                                 | — | — | —                             | — | 0.30                               |
| 14 Local government financing   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 2.72                                 | — | — | —                             | — | 1.67                               |
| 15 Housing financing  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | — | —                                  |
| 16 Other local governments financing  | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 2.72                                 | — | — | —                             | — | 1.67                               |
| 17 Collateral obtained by taking possession: residential and commercial immovable properties      | —                                    | — | — | —                             | —   | —                                    | — | — | —                             | —   | 0.07                                 | — | — | —                             | — | 0.05                               |

Table 35: Template 8: GAR (%) (continued)

|   | q   | r                                    | s                             | t                         | u                               | v   | w                           | x                         | y | z                                    | aa  | ab                        | ac | ad | ae | af |                                    |
|---|---|--------------------------------------|-------------------------------|---------------------------|---------------------------------|---|-----------------------------|---------------------------|---|--------------------------------------|---|---------------------------|----|----|----|----|------------------------------------|
| At 31 December 2023 : KPIs on flows   |   |                                      |                               |                           |                                 |   |                             |                           |   |                                      |   |                           |    |    |    |    |                                    |
| Climate Change Mitigation (CCM)   |   |                                      |                               |                           | Climate Change Adaptation (CCA) |   |                             |                           |   | TOTAL (CCM + CCA)                    |   |                           |    |    |    |    |                                    |
| % (compared to total covered assets in the denominator)   | Proportion of eligible assets funding taxonomy relevant sectors |                                      |                               |                           |                                 | Proportion of eligible assets funding taxonomy relevant sectors |                             |                           |   |                                      | Proportion of eligible assets funding taxonomy relevant sectors |                           |    |    |    |    |                                    |
|   | <i>of which: environmentally sustainable</i>                    |                                      |                               |                           |                                 | <i>of which: environmentally sustainable</i>                    |                             |                           |   |                                      | <i>of which: environmentally sustainable</i>                    |                           |    |    |    |    |                                    |
|   |   | <i>of which: specialised lending</i> | <i>of which: transitional</i> | <i>of which: enabling</i> |                                 | <i>of which: specialised lending</i>                            | <i>of which: adaptation</i> | <i>of which: enabling</i> |   | <i>of which: specialised lending</i> | <i>of which: transitional/adaptation</i>                        | <i>of which: enabling</i> |    |    |    |    | Proportion of total assets covered |
|   | %   | %                                    | %                             | %                         | %                               | %   | %                           | %                         | % | %                                    | %   | %                         | %  | %  | %  | %  | %                                  |
| 1 GAR   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | 1.38  | —                         | —  | —  | —  | —  | —                                  |
| 3 Financial corporations  | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 4 Credit institutions   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 5 Other financial corporations  | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 6 – <i>of which: investment firms</i>   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 7 – <i>of which: management companies</i>   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 8 – <i>of which: insurance undertakings</i>   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 9 Non-financial corporations subject to NFRD disclosure obligations                               | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 10 Households   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | 1.38  | —                         | —  | —  | —  | —  | —                                  |
| 11 – <i>of which: loans collateralised by residential immovable property</i>                      | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | 1.23  | —                         | —  | —  | —  | —  | —                                  |
| 12 – <i>of which: building renovation loans</i>   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | 0.01  | —                         | —  | —  | —  | —  | —                                  |
| 13 – <i>of which: motor vehicle loans</i>   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | 0.14  | —                         | —  | —  | —  | —  | —                                  |
| 14 Local government financing   | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 15 Housing financing  | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 16 Other local governments financing  | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |
| 17 Collateral obtained by taking possession: residential and commercial immovable properties      | —   | —                                    | —                             | —                         | —                               | —   | —                           | —                         | — | —                                    | —   | —                         | —  | —  | —  | —  | —                                  |

### Other climate change mitigating actions that are not covered in the EU Taxonomy

The Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 reports other climate change mitigating actions that support counterparties in the transition and adaptation process for the objectives of climate change mitigation and adaptation. These mitigating actions include green bonds, sustainable bonds, sustainability-linked bonds, green loans and sustainability-linked loans, that are linked to aspects of climate change. The exposures reported in this table are eligible but do not need to be aligned with the criteria laid out in the EU Taxonomy Regulation 2020/852 and would not be considered under the Green Asset Ratio.

HSBC Bank Malta p.l.c. has set out below our assessment of the actions to mitigate climate-related risks, and reported these on-balance sheet exposures in the table. These include loans invested in energy efficiency, green buildings, clean transportation and renewable energy. Related exposures have been included where the use of proceeds is determined to be investments in projects that aim to mitigate climate transition or physical risk. Where it was not possible to fully determine whether sustainability-linked products are linked to aspects of climate change, these exposures have been excluded.

Green and sustainable bonds are part of the high quality liquid asset buffer, therefore carry a zero risk weighting for capital requirement purposes. Certain aspects of this reporting rely on manual data sourcing. HSBC Bank Malta p.l.c. is taking steps to establish an ESG data utility tool to help streamline and support data needs across the organisation. This will involve enhancing the processes, systems, controls and governance to help achieve the required scale to meet the demands of future ESG reporting.

The exposures in the table have not been fully assessed for alignment against the criteria set out in the EU Taxonomy Regulation due to lack of sufficient information. Although they are not assessed as aligned, they still contribute towards mitigating climate change physical risk and transition risk. The methodology for determining the aligned exposures is expected to evolve as data availability, industry guidance and market practice changes over time.

The bank aims to continue to engage with business customers to increase contribution in projects which help to support the transition to a lower-carbon economy.

Table 36: Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

| a   | b  | c                             | d  | e  | f   |
|---|--|-------------------------------|--|--|---|
| Type of financial instrument  | Type of counterparty   | Gross carrying amount<br>€000 | Type of risk mitigated<br>(Climate change transition risk) | Type of risk mitigated<br>(Climate change physical risk) | Qualitative information on the nature of the mitigating actions   |
| <b>At 30 Jun 2024</b>   |  |                               |  |  |   |
| <b>Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)</b> | Financial corporations   | 22,556                        | Y  | Y  | The proceeds from these bonds are used for climate change transition risk purposes, and are deployed to sustainable investments such as green buildings, clean transport, renewable energy and other decarbonisation and carbon reduction projects. Some bonds support projects which contribute to mitigate climate physical risk, including water management and flood protection.  |
|   | Non-financial corporations   | —                             | —  | —  |   |
|   | – of which: Loans collateralised by commercial immovable property  | —                             | —  | —  |   |
|   | Other counterparties   | 38,714                        | Y  | Y  | The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, including water management and soil erosion prevention.      |
| <b>Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)</b> | Financial corporations   | —                             | —  | —  |   |
|   | Non-financial corporations   | 4,602                         | Y  | N  | These loans are assessed as green to support green issuances, part of the original \$100bn investing/ financing commitment, or are part of the current ambition of investing/ financing \$750bn to \$1tn in sustainable projects by 2030. They finance green building projects, renewable energy, clean transportation and energy efficiency infrastructure projects, which all support the transition to a lower-carbon economy. |
|   | – of which: Loans collateralised by commercial immovable property  | —                             | —  | —  |   |
|   | Households   | 3,865                         | Y  | N  | These loans finance housing refurbishment and green car loan in order to improve energy efficiency and contribute to mitigating transition risk.  |
|   | – of which: Loans collateralised by residential immovable property | —                             | —  | —  |   |
|   | – of which: building renovation loans                              | 423                           | Y  | N  |   |
| Other counterparties  | —  | —                             | —  |  |   |

## Pillar 3 Disclosures at 30 June 2024

Table 36: Template 10: Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852 (continued)

| a   | b  | c                             | d  | e  | f  |
|---|--|-------------------------------|--|--|--|
| Type of financial instrument  | Type of counterparty   | Gross carrying amount<br>€000 | Type of risk mitigated<br>(Climate change transition risk) | Type of risk mitigated<br>(Climate change physical risk) | Qualitative information on the nature of the mitigating actions  |
| At 31 Dec 2023  |  |                               |  |  |  |
|   | Financial corporations   | 22,257                        | Y  | Y  | These bonds are invested in acquisition, construction or refurbishment of green buildings, renewable energy and low carbon transportation, thereby mitigating transition risk that might arise from changing governmental, technological and social demands placed upon the more environmentally destructive practices. This financing is intended to help encourage a shift towards alternatives.                           |
| Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards) <sup>1</sup> | Non-financial corporations   | —                             | —  | —  |  |
|   | – of which: Loans collateralised by commercial immovable property  | —                             | —  | —  |  |
|   | Other counterparties   | 34,511                        | Y  | Y  | The proceeds from these bonds are invested in projects with a climate change transition risk and/or physical risk mitigation objective. Financings are intended to be deployed to transition projects such as energy efficient buildings, clean transportation and renewable energy. Some bonds support projects which contribute to mitigate climate physical risk, including water management and soil erosion prevention. |
|   | Financial corporations   | —                             | —  | —  |  |
|   | Non-financial corporations   | —                             | —  | —  |  |
|   | – of which: Loans collateralised by commercial immovable property  | —                             | —  | —  |  |
| Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)              | Households   | 3,774                         | Y  | N  | These loans finance housing refurbishment and green car loan in order to improve energy efficiency and contribute to mitigating transition risk.   |
|   | – of which: Loans collateralised by residential immovable property | —                             | —  | —  |  |
|   | – of which: building renovation loans                              | 376                           | Y  | N  |  |
|   | Other counterparties   | —                             | —  | —  |  |

<sup>1</sup> Comparative information for year ended 31 December 2023 has been restated with current period ended 30 June 2024 presentation in respect the type of counterparty analysis for financial instruments bonds.

## Appendix I – Abbreviations

The following abbreviated terms are used throughout this document.

|                             |   |
|-----------------------------|---|
| <b>A</b>                    |   |
| ALCM                        | Asset, Liability and Capital Management   |
| ALCO                        | Asset and Liability Management Committee  |
| AT1                         | Additional tier 1 capital   |
| <b>B</b>                    |   |
| BCBS                        | Basel Committee on Banking Supervision  |
| bps                         | basis points  |
| <b>C</b>                    |   |
| CAI                         | Climate Accountability Institute  |
| CAN                         | Climate Action Network  |
| CCb                         | Capital Conservation Buffer   |
| CCM                         | Environmentally sustainable   |
| CCP                         | Central counterparty  |
| CCR                         | Counterparty credit risk  |
| CCyB                        | Countercyclical Buffer  |
| CEO                         | Chief Executive Officer   |
| CET1                        | Common Equity Tier 1  |
| CMB                         | Commercial Banking  |
| CRD                         | Capital Requirements Directive  |
| CRM                         | Credit risk mitigation/mitigant   |
| CRO                         | Chief Risk Officer  |
| CSRD                        | Corporate Sustainability Reporting Directive                                    |
| CVA                         | Credit valuation adjustment   |
| <b>D</b>                    |   |
| Dec                         | December  |
| <b>E</b>                    |   |
| EAD                         | Exposure at default   |
| EBA                         | European Banking Authority  |
| EBRD                        | European Bank for Reconstruction and Development                                |
| EC                          | European Commission   |
| ECB                         | European Central Bank   |
| ECL                         | Expected Credit Loss  |
| EPBD                        | Energy Performance of Building Directive  |
| EPC                         | Energy Performance Certificate  |
| ESG                         | Environmental, Social and Governance  |
| EU                          | European Union  |
| EVE                         | Economic value of equity  |
| <b>F</b>                    |   |
| FIM                         | Functional Instruction Manual   |
| <b>G</b>                    |   |
| GAR                         | Green Asset Ratio   |
| GCEL                        | Global Coal Exit List   |
| GHG                         | Greenhouse gas  |
| GM                          | Global Markets  |
| GOGEL                       | Global Oil & Gas Exit List  |
| G-SII                       | Globally Systematically Important Institutions                                  |
| <b>H</b>                    |   |
| HBCE                        | HSBC Continental Europe   |
| HBMT                        | HSBC Bank Malta p.l.c.  |
| HQLA                        | High-quality liquid assets  |
| HR                          | Human Resources   |
| HSBC                        | HSBC Holdings together with its subsidiary undertakings                         |
| HTC&S                       | Hold-to-collect-and-sell  |
| SVaR                        | Stressed value at risk  |
| <b>I</b>                    |   |
| IAA                         | Internal Assessment Approach  |
| ICAAP                       | Internal Capital Adequacy Assessment Process                                    |
| IEA                         | International Energy Agency   |
| IFRS                        | International Financial Reporting Standards                                     |
| ILAA                        | Individual Liquidity Adequacy Assessment  |
| ILAAP                       | Individual liquidity adequacy assessment process                                |
| IMA                         | Internal Models Approach  |
| IMM                         | Internal Model Method   |
| IRB                         | Internal ratings based approach   |
| IRRBB                       | Interest Rate Risk in the Banking Book  |
| <b>J</b>                    |   |
| Jan                         | January   |
| Jun                         | June  |
| <b>K</b>                    |   |
| KMIs                        | Key Metric Indicators   |
| KPIs                        | Key Performance Indicators  |
| <b>L</b>                    |   |
| LCR                         | Liquidity Coverage Ratio  |
| LCRF                        | Liquidity and Funding Risk Management Framework                                 |
| LOD                         | Lines of defence  |
| <b>M</b>                    |   |
| Mar                         | March   |
| MDA                         | Maximum Distributable Amount  |
| Mt CO <sub>2</sub> e        | Million tonnes of carbon dioxide equivalent                                     |
| <b>N</b>                    |   |
| NACE                        | The Statistical Classification of Economic Activities in the European Community |
| NFR                         | Non-Financial Risk  |
| NII                         | Net interest income   |
| NPS                         | Net promoter score  |
| NSFR                        | Net Stable Funding Ratio  |
| NZE                         | Net-Zero Emission   |
| <b>O</b>                    |   |
| OECD                        | Organisation for Economic Cooperation and Development                           |
| ORR                         | Operational and Resilience Risk   |
| O-SII                       | Other Systematically Important Institutions                                     |
| OTC                         | Over-the-counter  |
| <b>P</b>                    |   |
| P2G                         | Pillar 2 guidance   |
| PCAF                        | Partnership for Carbon Accounting Financials                                    |
| PD                          | Probability of default  |
| PFE                         | Potential future exposure   |
| POCI                        | Purchased or originated credit-impaired   |
| PP&E                        | Property plant and equipment  |
| PSL                         | Payment systems   |
| <b>R</b>                    |   |
| RAS                         | Risk appetite statement   |
| RC                          | Replacement Cost  |
| RM                          | Relationship Manager  |
| RMM                         | Risk Management Meeting   |
| RRCS                        | Reputational Risk & Client Selection Committees                                 |
| RWA                         | Risk-weighted asset   |
| RWEA                        | Risk-weighted exposure amounts  |
| <b>S</b>                    |   |
| SOT                         | Standard Outlier Test   |
| SA-CCR                      | Standardised approach for counterparty credit risk                              |
| Sep                         | September   |
| SFT                         | Securities Financing Transactions   |
| SREP                        | Supervisory Review and Evaluation Process                                       |
| sSyRB                       | Sectoral Systemic Risk Buffer   |
| <b>T</b>                    |   |
| TCFD                        | Task Force on Climate-related Financial Disclosure                              |
| tCO <sub>2</sub> e/GWh      | Tonnes of carbon dioxide equivalent per gigawatt hour                           |
| tCO <sub>2</sub> e/t cement | tonnes of carbon dioxide equivalent per tonne of cement                         |

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|                                |  |
|--------------------------------|--|
| tCO <sub>2</sub> e/t metal     | tonnes of carbon dioxide equivalent per tonne of metal                       |
| tCO <sub>2</sub> e/million rpk | tonnes of carbon dioxide equivalent per million revenue passenger kilometers |
| tCO <sub>2</sub> e/million vkm | tonnes of carbon dioxide equivalent per million vehicle kilometers           |
| The Board                      | Board of Directors of HSBC Bank Malta p.l.c.                                 |
| TSL                            | Treasury and securities transactions   |
| T2                             | Capital Tier 2 capital   |
| <b>U</b>                       |  |
| UNGC                           | United Nations Global Compact  |
| UTP                            | Unlikely to Pay  |
| <b>W</b>                       |  |
| WCR                            | Wholesale Credit Risk  |
| WPB                            | Wealth and Personal Banking  |



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