

# HSBC Bank Malta p.l.c.

**Annual Report and Accounts 2025**



## The HSBC Group

HSBC Bank Malta p.l.c. is a member of the HSBC Group, whose ultimate parent company is HSBC Holdings plc. Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisations in the world. The HSBC Group's international network is spread across a number of countries and territories in Europe, Asia, North America, Latin America, and the Middle East and North Africa.

## HSBC Bank Malta p.l.c.

Registered in Malta: C3177  
Registered Office and Head Office:  
116 Archbishop Street  
Valletta VLT 1444  
Malta  
Telephone: 356 2380 2380  
[www.hsbc.com.mt](http://www.hsbc.com.mt)

## HSBC Holdings plc

Registered Office and Group Head Office:  
8 Canada Square  
London E14 5HQ  
United Kingdom  
Telephone: 44 020 7991 8888  
[www.hsbc.com](http://www.hsbc.com)



**HSBC Bank Malta p.l.c.**  
Head Office,  
116, Archbishop Street, Valletta VLT1444  
Malta

Tel: (+356) 2380 2380

[www.hsbc.com.mt](http://www.hsbc.com.mt)

25 February 2026

## **DIRECTORS' DECLARATION ON ESEF ANNUAL REPORT AND ACCOUNTS 2025**

We, Manfred Galdes and Geoffrey Fichte, in our capacity as Directors of C3177 HSBC Bank Malta p.l.c., hereby **certify**:

- i. That the Annual Report and Accounts 2025 ("ARA") for the year ended 31 December 2025 has been approved by the Board of Directors of the Company and is hereby being made available to the public.
- ii. That the ARA has been prepared in terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF")<sup>1</sup> and the Capital Markets Rules<sup>2</sup>.
- iii. That the Audit Report on the ESEF ARA is an exact copy of the original signed by the auditor and that no alterations have been made to the audited elements of the ARA including the annual financial statements.
- iv. That the ARA shall serve as the official document for the purposes of the Capital Markets Rules and the Companies Act (Chapter 386 of the Laws of Malta).

---

Manfred Galdes  
Chairman

---

Geoffrey Fichte  
Director / Chief Executive Officer

---

<sup>1</sup> Commission Delegated Regulation 2019/815 on the European Single Electronic Format, as may be further amended from time to time.

<sup>2</sup> Capital Markets Rules as issued by the Malta Financial Services Authority (MFSA).

---

## Contents

|                     |  |
|---------------------|--|
| <a href="#">2</a>   | Chairman’s Statement   |
| <a href="#">7</a>   | Chief Executive Officer’s review   |
| <a href="#">16</a>  | Board of Directors and Company Secretary   |
| <a href="#">18</a>  | Executive Committee and Head of Internal Audit                                   |
| <a href="#">21</a>  | Report of the Directors  |
| <a href="#">62</a>  | Directors’ Responsibilities Statement  |
| <a href="#">63</a>  | Statement of compliance with the Code of Principles of Good Corporate Governance |
| <a href="#">72</a>  | Remuneration Report  |
| <a href="#">81</a>  | Financial Statements   |
| <a href="#">81</a>  | Income statements  |
| <a href="#">82</a>  | Statements of comprehensive income   |
| <a href="#">83</a>  | Statements of financial position   |
| <a href="#">84</a>  | Statements of changes in equity  |
| <a href="#">86</a>  | Statements of cash flows   |
| <a href="#">87</a>  | Notes on the financial statements  |
| <a href="#">193</a> | Five-Year comparison: Income statements and statements of comprehensive Income   |
| <a href="#">194</a> | Five-Year comparison: Statements of financial position                           |
| <a href="#">195</a> | Five-Year comparison: Statements of cash flows                                   |
| <a href="#">195</a> | Five-Year Comparison: Accounting ratios  |
| <a href="#">196</a> | Branches and offices   |

---

Readers are reminded that the official statutory Annual Report and Accounts 2025, authorised for issue by the Board of Directors, is in European Single Electronic Format (‘ESEF’) and is published on <https://www.about.hsbc.com.mt/investor-relations>. A copy of the Independent auditor’s report issued on the official statutory Annual Report and Accounts 2025 will be included within the printed document and will comprise the auditor’s report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the ESEF RTS), by reference to Capital Markets Rule 5.55.6.

# Chairman's Statement



Manfred Galdes, Chairman, HSBC Bank Malta p.l.c.

We are pleased to report another year of strong performance, underpinned by the continued trust of our customers and the dedication of our people, under the disciplined oversight of the Board. These results reflect not only the resilience of our business model, but also the importance we place on long-term relationships and responsible stewardship. This is why we feel that the recognition of the Financial Times' The Banker in naming HSBC Bank Malta p.l.c. Bank of the Year 2025 deserves particular attention.

Throughout 2025, notwithstanding the strategic review being conducted by our parent undertaking, our priorities could not and certainly did not depart from our core value of delivering consistently high standards of service to our customers, delivering sustainable shareholder value, while at the same time providing a supportive, modern and inclusive working environment for our employees.

On 12 December 2025, a Company Announcement was issued, informing the market that our majority shareholder HSBC Continental Europe ('HBCE') and Credia Bank S.A. ('CrediaBank') had entered into a definitive agreement for the sale and purchase of HBCE's shareholding in the bank (referred to as 'Proposed Transaction'). It was also announced that HSBC Bank Malta p.l.c., HBCE and CrediaBank had entered into a cooperation agreement to govern their respective obligations in relation to the Proposed Transaction.

The transition process that will lead to the transfer of shares is ongoing and is subject to the attainment of the necessary regulatory approvals. Naturally, the Board remains fully engaged and focused on ensuring continuity, stability and transparency throughout the whole process.

Achieving a smooth and seamless transition will be a key priority in the coming months. Customers must not only be reassured of business continuity but they should expect to receive the highest level of relationship-led banking services throughout the process.

We navigate this period of change and transformation with optimism because we are confident in the abilities of our people.

Clearly, the bank is well positioned for the years ahead, supported by strong fundamentals, experienced leadership and a clear sense of purpose. While the external environment continues to evolve and may present new challenges, the robustness of the bank is a source of comfort for all stakeholders.

We recognise the important role this bank will continue to play within the community and Malta's economy and continue to be guided by our core values in steering the bank in the year ahead.

# Chairman's Statement

---

## Results

The bank and its subsidiaries ('the local group'), reported a profit before tax for the year ended 31 December 2025 of €109.0 million. This represents a decrease of 29% when compared to prior year, reflecting the impact of a lower interest rate environment and reduced recoveries on expected credit losses. Operating costs increased during the year primarily as a result of continued strategic investment in technology and our people, aimed at strengthening the local group's long term capabilities.

Profit attributable to shareholders amounted to €71.6 million, resulting in earnings per share of 19.9 cents compared with 27.8 cents in 2024.

The bank's capital ratios improved with CET1 increasing from 22.6% to 24.1% and the total capital ratio increasing from 25.6% to 27.1%. This improvement in the capital position was primarily driven by profits generated during the year, together with higher revaluation reserves on our Hold-to-Collect and Sell investment portfolio. The bank continues to maintain a strong capital base and remains fully compliant with the regulatory capital requirements.

While we remain focused on further strengthening our capital position, we also recognise the importance of delivering sustainable returns to our shareholders. Accordingly, the Board has thus recommended a dividend pay-out ratio of 60% on reported profits. The proposed final gross dividend will be 8.4 cents per share (5.5 cents per share net of tax), subject to shareholders' approval at the Annual General Meeting.

---

## Our regulatory environment

During the course of 2025, the focus on prudential risk management by the regulatory and supervisory authorities continued, focusing mainly on the bank's internal governance and risk management activities. The bank's business model remained aligned with the principle of sustainable growth, strict but safer prudential risk buffers and robust compliance standards.

The regulatory engagement with the bank's principal regulators has continued in a proactive and transparent manner, covering various risk themes and assessments, including conduct related themes, internal governance and compliance. During this period, regulatory engagement was mainly focused on ensuring that governance and compliance risk management structures, procedures and internal controls are operating effectively. This work continues to be pivotal to the regulators' supervisory evaluation process.

Throughout the year, there have been material developments to continue to ensure compliance with all EU rules and regulations including in relation to payments, particularly the Instant Payments Regulation, as well as the Capital Requirements Regulation III/Capital Requirements Directive VI.

Throughout 2025, the bank remained in close engagement with regulators and industry bodies during the consultation and ongoing implementation processes of other regulatory changes. The bank will continue to observe and monitor all the upcoming relevant regulatory developments in order to fully adhere to its legal and regulatory obligations, and to contribute to the European and local jurisdiction's evolving regulatory agenda and consultation processes.

---

## Our responsibility towards the community

Through the HSBC Malta Foundation, the bank seeks to engage with numerous stakeholders in the community, contributing to a sustainable future. Philanthropy contributes to the efforts in addressing climate change issues. Since 2024, we have directed our philanthropy funding to Non-Governmental Organisations ('NGOs') partners supporting projects that have the potential to make significant impacts towards achieving a net zero, resilient and sustainable future. We work with NGOs and seek to target specific challenges and opportunities to help unlock finance at scale. The philanthropy strategy has been designed to align with the organisation's strategic pillars of 'transition to net zero' ('E') and 'building inclusion and resilience' ('S'). The aim is to support initiatives for public good, that do not generate commercial benefits, perceived or actual, for HSBC.

The main pillars are:

- Net Zero Transition ('NZZ'): Supporting the global transition to net zero through acceleration and scaling of low carbon technologies, addressing barriers to finance mobilisation, advance climate innovation and nature-based solutions.

With regard to this pillar, in 2025, the bank was recognised for the project "Maximising Energy Efficiency Through Building Renovation", an HSBC case study carried out in conjunction with The Malta Chamber. The bank was the winner for the ESG Positive Impact Award in the first edition of the Sustainable Development Action Awards organised by The Ministry for the Environment, Energy and Public Cleanliness. This initiative was aimed at recognising outstanding contributions to sustainability across Malta.

The bank and the HSBC Malta Foundation have been working on environmental projects for the last 26 years.

- Inclusion & Resilience ('I&R'): Investing in future skills, building financial capabilities, enhancing employability and entrepreneurship, and supporting vulnerable communities thereby advancing social inclusion (age, abilities, gender, ethnicity, sexual and socio-economic background).
- Local Projects.

Through these pillars, we remain committed to making a difference in other areas, such as, but not limited to, youth education and the protection of our environment and heritage.

## Chairman's Statement

---



HSBC Malta Volunteer Leave Day - HSBC Malta employees sifting through documents that are part of our collective history at the Notarial Archives.

Some of the Foundation's key initiatives, under these strategic pillars are:

A study entitled Nature Based Solutions for Urban Resilience, in collaboration with the University of Malta. This initiative is aimed at harnessing nature-based solutions to address local urban planning challenges.

Sustainable Freight and Logistics project - This is a multi-year initiative that 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.

Various collaborations with Nature Trust Malta, including the Eko Skola Programme and the Fresh Water Crab Conservation Project.

King's Trust International Achieve Programme – We proudly celebrated the Programme's 10th Anniversary since its inception in Malta, with the participation of 61 schools/education centres and more than 300 educators trained in the delivery of the Achieve curriculum. Over 3,200 young people have registered for this Programme over the past 10 years, with 2,054 students having earned Achieve Qualifications (MQF level 2 or 3).

Various projects with JAYE, including the launch of the Company Programme and of the Start Up Programme. Other JAYE initiatives supported include the Leaders for a Day initiative and the financial literacy hackathon.

In April 2025, the Centre of Excellence (Financial Literacy) was launched, with the aim of developing and enhancing skills and capabilities that are measured and sustained over time.

A project 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.

Restoration of various paintings at the Jesuits Church in Valletta. A number of these paintings were exhibited during the Notte Bianca at the bank's Head Office in Valletta.

The installation of sensory play equipment at the Inspire Foundation's Learning School playground in Marsaskala.

We concluded 2025 with another demonstration of community spirit and holiday generosity, by bringing essential support and festive cheer to those in need. Collaborating with over 20 schools across Malta, the Foundation has ensured that the joy and warmth of the festive season reach many, particularly those who are most vulnerable. The collective effort of HSBC employees, alongside contributions from some of our top clients and various local schools was a testament to the power of community involvement.

## Chairman's Statement

---



HSBC Malta Foundation supported over 30 NGOs with its largest community giving initiative to date.

We take pride in encouraging HSBC colleagues who contribute to charities and causes that they feel passionate about. In this regard, we grant all our employees an annual paid day to volunteer for work in the community.

I take this opportunity to thank our employees who support and dedicate time and energy towards these worthy initiatives and projects for the benefit of the community we serve. I am also immensely grateful for the support and guidance of our highly experienced and dedicated HSBC Malta Foundation Board members.

---

## Our Board of Directors

During 2025, there were three new appointments to the bank's Board of Directors. Charlotte Cilia, the bank's CFO was appointed Executive Director in February 2025, replacing Michel Cordina who retired from his role as Executive Director in December 2024. Elvia George was appointed Non-Executive Director of the bank in January 2025, replacing Ingrid Azzopardi who resigned in October 2024. Yvonne Steyn-Adams, an HSBC Group employee, was appointed Non-Executive Director of the bank in August 2025. In addition, Anthony Doublet was appointed Non-Executive Director on 19 February 2026, replacing Maria Micallef, who resigned in August 2025.

The Board of Directors is comprised of highly-experienced individuals who are prominent professionals in their respective fields, having a diverse and complementary range of skills, expertise, and professional experience. This diversity fosters constructive challenge and informed debate across the wide range of matters considered by the Board throughout the year. The Board's inclusive approach and collective knowledge ensure that decisions are taken in the best interests of the bank and are guided by the highest standards of integrity and ethical conduct.

I am privileged to serve as the Chairman of such a distinguished and dedicated group of directors. In particular, I wish to thank them for their flexibility and availability throughout 2025, a year that necessitated much more frequent engagement than usual. Their commitment, professionalism and constructive collaboration throughout the year deserves to be acknowledged.

# Chairman's Statement

---

## Our People

Our people remain central to the bank's success. Their loyalty, customer-centricity, efficiency and professional approach continue to underpin our performance and resilience.

The bank is supported by a highly experienced and capable management team, whose leadership reflects strong professional standards and depth of international experience. Their focus on consistency, discipline and accountability has been particularly important during a year that required sustained engagement and adaptability.

I would therefore like to record my sincere appreciation, on behalf of the Board, to all our employees for their continued commitment to delivering high-quality service and for upholding the highest standards of conduct. The bank's management team equally deserve a particular mention for their leadership and stewardship throughout the year.

---

## Looking ahead

While the bank continues to progress through a period of transition, our focus remains firmly on responsible growth, consistent service delivery and maintaining the trust of our customers, shareholders and the wider community.

Supported by a clear strategic direction and active Board oversight, we remain well positioned to continue to build on our strengths and on all that distinguishes us and makes us a reliable partner for our customers. Through our commitment to the highest level of governance standards, prudent risk management and a continued commitment to innovation, we look forward to another successful year ahead.

As the transaction and related processes continue, we remain committed to transparency and to acting in the best interests of the bank and all our stakeholders. We look ahead with confidence and purpose, supported by our people and by the enduring relationships that underpin the bank's role in Malta's economy.

I conclude by expressing my sincere thanks to our customers for their continued trust and loyalty, our employees for their commitment, and to our shareholders for their ongoing support, as we journey together towards the next chapter of the bank's history.

Signed by Manfred Galdes (Chairman) on 25 February 2026.

# Chief Executive Officer's review



Geoffrey Fichte, CEO, HSBC Bank Malta p.l.c.

As we reflect on 2025, I am proud that HSBC registered another year of solid profits, underscoring the strength of the business despite the impact of lower interest rates and lower recoveries. This performance reflects the resilience of our diversified business model, the disciplined execution of our strategy, and the continued trust placed in us by our customers.

Testament to this is the bank's recognition as 2025 Bank of the Year by The Banker, the Financial Times internationally renowned publication covering global banking and financial affairs. This recognition reflects the significant progress across key performance metrics, including earnings growth, capital strength, operational efficiency, and continued investment in digital and technological capabilities.



HSBC Bank Malta p.l.c. won The Banker's Bank of the Year Award for 2025.

## CEO's Statement

---

In a global environment marked by geopolitical uncertainty and evolving economic conditions, we remained focused on what we can control: supporting our customers, managing risk prudently, and investing in capabilities that position the bank for sustainable long-term growth. Malta's economy continued to demonstrate resilience, and against this backdrop, we strengthened our franchise, deepened relationships across all segments, and continued to build momentum across our core businesses.

Our Corporate and Institutional Banking ('CIB') business delivered another year of solid performance, increasing its contribution to the bank while continuing to support Maltese businesses navigating an increasingly complex international environment. We leveraged the strength of our local experts in payments, investments, FX and trade services supported customers, while maintaining disciplined pricing and strong asset quality. Trade Finance activity remained robust, and we continued to see healthy growth in fee income and customer deposits. Our relationship-led model, underpinned by deep sector expertise and proactive engagement, ensured that we remained a trusted partner to our corporate and institutional clients.

Within International Wealth and Premier Banking ('IWPB'), we continued to focus on deepening customer relationships and enhancing our premium propositions. Retail lending activity grew steadily, while our Wealth business achieved a significant milestone, surpassing €1 billion in Assets under Management and Distribution. Our insurance and asset management subsidiaries delivered strong results, reflecting customer confidence in our product capabilities and disciplined investment approach.



The HSBC Global Asset Management (Malta) team surpassed €1 billion in Assets under Management and Distribution.

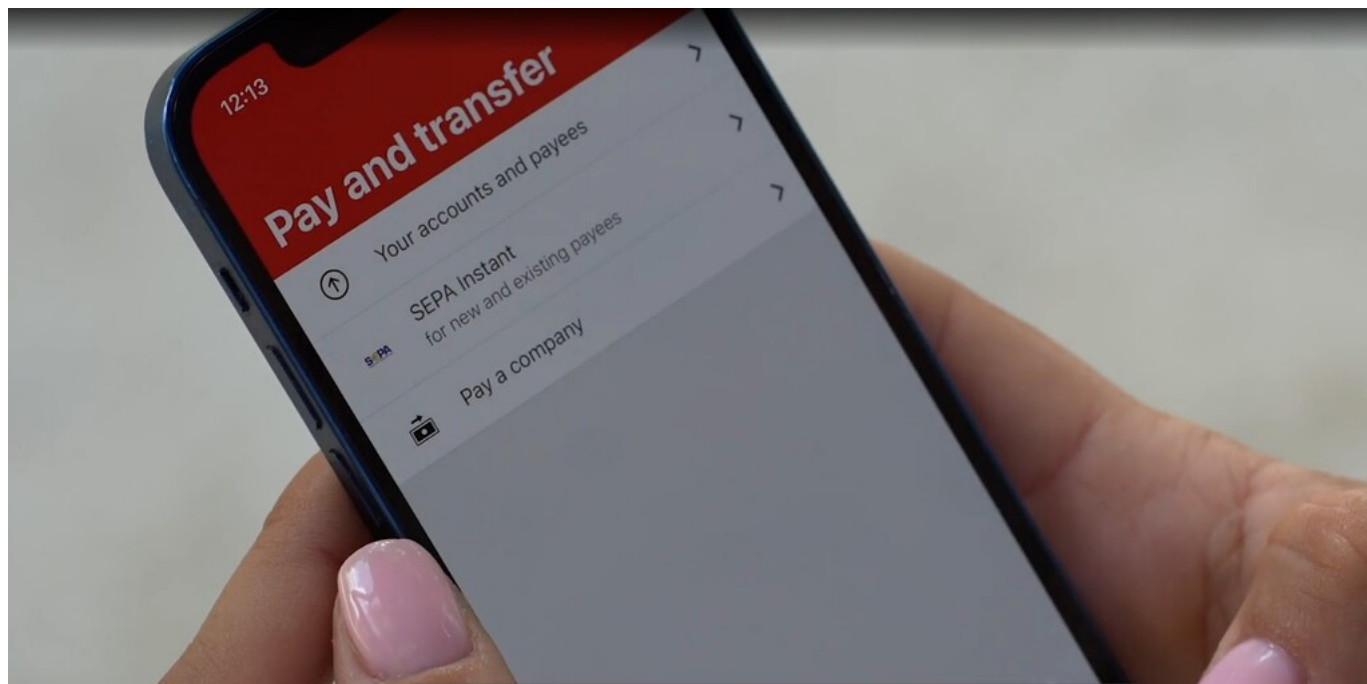
## CEO's Statement

---

Global Markets delivered strong foreign exchange revenue despite challenging market conditions and Markets Treasury, within Corporate Centre, performed strongly through prudent management of liquidity, investments and interest rate risk.

The success of the business was underpinned by the pivotal role played by the Chief Operating Office and Digital Business Services whose support to customers is essential in today's dynamic operation environment.

Transformation remained a central theme throughout the year. Thanks to the collaboration across all areas of our bank, we have introduced a range of innovative solutions for our customers. We launched SEPA Instant Payments, which saw rapid customer adoption, and successfully completed the replacement of our entire ATM fleet, significantly enhancing service reliability and accessibility. Branch refurbishments and ongoing digital enhancements further improved the overall customer experience. These investments demonstrate our commitment to making banking simpler, faster and more secure for our customers.



HSBC Bank Malta p.l.c. launched SEPA Instant Payments - faster, safer, and more cost-effective transfers across Europe.

Our progress would not have been possible without the dedication and professionalism of our people. We continue to invest in their development, recognising that their expertise, integrity and customer focus are the foundation of our success.

I am pleased that a compensation agreement with MUBE was reached in December 2025, and our people are now looking forward to a smooth transition to CrediaBank, subject to regulatory approvals.

As noted by the Chairman, in December 2025 our majority shareholder ('HBCE') entered into a definitive agreement with CrediaBank regarding the sale of its shareholding in HSBC Bank Malta p.l.c., subject to regulatory approvals. While this process is ongoing, our priorities remain clear: to ensure stability, continuity and uninterrupted service for our customers. Both HSBC and CrediaBank have expressed their commitment to a smooth and orderly transition, and we are working constructively to prepare for the next chapter of the bank's growth.

We enter this next phase from a position of strength — with a robust and resilient balance sheet, excess capital and liquidity, a diversified business model and a strong market presence. Our focus remains on supporting our customers' ambitions, contributing to Malta's economic development, and delivering sustainable long-term value.

It is an honour to lead this bank. I would like to thank my colleagues and especially our customers and shareholders, for their continued trust and confidence.

---

## Economic Outlook

### Global Economy

In 2025, the global economy demonstrated resilience and continued expanding despite unpredictable U.S. trade policies, heightened geopolitical tensions, and rising fiscal concerns in advanced economies. Global GDP growth surpassed expectations, supported by strong export activity driven by front-loading of purchases to avoid U.S. tariffs, a weaker U.S. dollar, and higher government spending. Household consumption, however, remained relatively subdued due to weak consumer confidence, higher unemployment, and ongoing inflationary concerns.

U.S. economic performance was affected by tariff measures and domestic policy adjustments, yet GDP growth still exceeded initial forecasts. In mainland China and Hong Kong, export growth to Asian and Latin American markets helped offset part of the impact from U.S. tariffs, while supportive fiscal and monetary policies continued to underpin broader economic activity.

Looking ahead, global trade and tariff developments are expected to remain a significant source of uncertainty for businesses. Forecasts for 2026 indicate only moderate growth across major global markets. Potential adjustments to tariff regimes, including sector-specific levies, may weigh on capital investment and consumer spending, disrupt supply chains, and constrain global trade growth. Nonetheless, the ongoing reconfiguration of international supply chains may also open new avenues for investment and future economic expansion.

# CEO's Statement

---

## Local Economy and Euro Area

Based on recent publications by the Central Bank of Malta and the International Monetary Fund, Malta is expected to maintain a solid growth advantage over the euro area, with GDP moderating from 6.8% in 2024 to 3.9% in 2025 before stabilising near 4% through 2027, while euro area growth remains comparatively muted at 0.9%–1.4%. Tourism continues to be a major driver of Maltese economic performance, supported by rising visitor numbers and higher per-capita spending, alongside solid contributions from online gaming and other service-export sectors.

Maltese labour-market conditions remain exceptionally tight, with unemployment at historically low levels and real wages continuing to rise, reflecting sustained demand for labour across the economy. Such labour-market conditions continue to distinguish Malta from the euro area, with unemployment falling to a structurally low 2.5% from 2025 onward, in contrast to only gradual improvements in the euro area, where unemployment remains above 6%. Inflation in both economies is projected to converge toward the 2% target, supported by easing price pressures.

Malta's property market continued to expand, driven by strong economic performance and supportive financing conditions. Residential prices remain underpinned by a range of government initiatives that encourage home ownership, such as incentives for first- and second-time buyers, benefits for purchases in Urban Conservation Areas and Gozo, and refund schemes for restoration projects. Demand is further reinforced by the ongoing resilience of the tourism industry and the steady inflow of foreign workers, both of which continue to elevate the need for housing and rental accommodation.

---

## Performance

### Financial Performance

The local group delivered solid financial results despite the lower interest rate environment. The reported profit before tax for the year ended 31 December 2025 amounted to €109.0 million, representing a decrease of 29% compared to prior year. Credit quality across the loan portfolio continued to improve, leading to a further release of expected credit losses.

Reported profit attributable to shareholders was €71.6 million, resulting in earnings per share of 19.9 cents compared with 27.8 cents in the same period in 2024.

Net interest income amounted to €175.4 million, representing a decrease of 15% compared to the prior year, reflecting the lower interest rate environment. The ECB began reducing interest rates in June 2024. The average prevailing rates in 2025 were lower than those recorded in 2024. As a result, net interest income was primarily influenced by lower returns on the placement of excess liquidity. This impact was partially mitigated by higher average deposit balances maintained consistently throughout the year.

Net fee income increased by 2% to €21.3 million when compared to prior year, driven by higher level of customer activity across both business lines. The asset management business reported a strong growth of 28% in the Assets under Management and Distribution, exceeding the €1 billion mark. Continued momentum was also evident within the commercial business, with a growth in new customers of approximately 13% year-on-year. Growth was particularly strong in its key target segments, i.e. Mid-Market Enterprises and Large Corporates, including International Subsidiary Banking.

Net trading income decreased by 5% to €9.2 million, reflecting the exceptionally strong performance recorded in 2024, during which trading income increased by 27% compared to 2023. As the leading international bank in the market, the bank remained focused on supporting its customers in managing foreign exchange and interest rate risk through a comprehensive range of solutions.

Operating costs for the year increased by 6% to €119.9 million. These costs include a notable item of €3.1 million relating to the accelerated amortisation of software, following a revision to estimated useful lives in anticipation of the prospective transfer to CrediaBank. Excluding this notable item, operating expenses increased by 3.6%, primarily reflecting continued investment in people, IT infrastructure and real estate to support sustainable growth and service excellence. The bank remains committed to investing in talent and rewarding employees for their continued dedication.

During the year, the bank reported a release of expected credit losses ('ECLs') of €9.5 million, compared to €14.6 million in 2024. In 2025, we saw releases in both business lines. The release in the retail portfolio was primarily driven by a re-assessment of the loss rate and loss given default parameters applied to the mortgages exposures. The release in the commercial business mainly reflected recoveries on non-performing exposures.

The effective tax rate was 34.3%. This translated into a tax expense of €37.5 million, €16.9 million lower than the expense for 2024.

HSBC Life Assurance (Malta) Ltd contributed to a profit before tax of €8.1 million compared to a profit of €14.4 million in 2024. The 2024 reported profits included notable income of €6.1 million relating to the re-assessment of the tax estimate of the with-profits portfolio. The life insurance business delivered strong commercial results, achieving a 21% increase in Annual Premium Equivalent compared to 2024.

### Financial Position and Capital

Customer deposits increased by €370 million to €6,528 million, driven predominantly by growth in commercial deposits. Average corporate deposits were 10% higher than 2024. The bank gained over 1% market share when compared to the prior year. This performance reflects the bank's continued focus on delivering a high standard of service to its customer base and customer confidence.

Net loans and advances to customers decreased by €111 million to €2,762 million. Despite the decrease in loan balances, retail lending originations increased by 10% compared to the prior year. Average funded balances in Trade Finance grew 7% year-on-year, supported by higher working capital requirements across key economic sectors.

The financial investments portfolio grew by 11% to €2,537 million, financed mainly through higher customer deposits. In 2025, the bank continued to enter into structural hedges to manage the sensitivity of its economic value of equity and its banking book earnings sensitivity.

The bank's common equity tier 1 capital stood at 24.1% at 31 December 2025, up from 22.6% at the end of 2024. The total capital ratio increased to 27.1%, compared to 25.6% at 31 December 2024. This strengthening of capital ratios was primarily driven by increased profits, higher revaluation reserves on the Hold-to-Collect and Sell investment portfolio and lower capital deductions relating to intangible assets. The bank continues to maintain a strong capital position, comfortably exceeding all regulatory capital requirements.

## CEO's Statement

The bank remains committed to preserving a strong capital base, while recognising the importance of delivering sustainable returns to shareholders. In light of the strong results, the Board has recommended a dividend pay-out ratio of 60% on reported profits. The final proposed gross dividend will be 8.4 cents per share (5.46 cents per share net of tax) which brings the total dividend for 2025 to 18.4 cents (11.96 cents net of tax). The final proposed dividend will be paid on 6 May 2026 to shareholders who are on the bank's register of shareholders on 30 March 2026, subject to approval at the Annual General Meeting scheduled for 29 April 2026.

### International Wealth and Premier Banking ('IWPB')

During 2025, we have continued to focus on deepening customer relationships and retention by delivering outstanding customer service and continue driving customer acquisition through our premium propositions, Premier and Advance.

In 2025, IWPB has managed to deliver a solid and strong performance. This was achieved by supporting our customers' personal banking and wealth needs, complemented by our best-in-class Wealth product manufacturing capabilities in Asset Management and Insurance. During the year, we have launched various initiatives to strengthen our customer service which have continued to reinforce our customer feedback scores. Whilst we strive to grow our business, we are also focused on managing our risks and implementing controls and platforms to protect our business and our customers.

We continued to invest in our business through several transformation projects. In October we launched our SEPA Instant Outward Payments journey, where customers can now send Euro payments to any Euro account within the SEPA zone instantly with increased peace of mind through the Verification of Payee feature and the ability to pay a new beneficiary on the Mobile App, with IBAN paste functionality. We have seen a strong adoption by customers of this new journey, with 60% of SEPA outward payment transactions processed through the SEPA Instant Outward Payments journey in less than 3 months from its launch.

In line with our commitment, we have also successfully replaced all our ATM fleet across Malta and Gozo with state-of-the-art machines offering enhanced accessibility features, contributing to a noticeable improvement of 59% in service reliability and a better experience for all our customers.



ATM at the arrivals hall at the Malta International Airport

HSBC Bank Malta p.l.c. upgraded the ATM network nationwide to enhance customer experience and accessibility.

Refurbishment works have also started on certain branches to upgrade customer facilities and replace aged equipment with more energy-efficient solutions in an effort to reduce energy consumption. These works are being carefully managed to ensure minimal disruption to our customers and are aimed at enhancing the in-branch customer experience upon completion.

2025 was another successful year for our Wealth business as we continued to build on the achievements in 2024. Our main objective was to continue supporting our customers to fulfil their protection, regular savings and investment needs. We invested in and increased our marketing efforts, maintaining our presence throughout the 12 months of the year, supported by customer campaigns and product offers.

## CEO's Statement

---

Our ongoing commitment to customers was also showcased by our Life Insurance subsidiary, which maintained a consistent 95% pay-out ratio for assessed claims received. HSBC Life Assurance (Malta) Ltd delivered outstanding results, achieving a strong 21% growth in Annual Premium Equivalent compared to 2024. This success was underpinned by strong contributions from the protection business, as well as the unit-linked and Group Life segments, which remain instrumental in driving value for our customers. Furthermore, the Annual Reversionary Bonus for the With Profits product range was declared at 2% for 2026, marking a significant improvement from the 1.25% declared for 2025 and reflecting our commitment to rewarding policyholders.

HSBC Global Asset Management (Malta) Limited surpassed the €1 billion mark in Assets under Management and Distribution as at end of 2025, registering a strong growth of 28% when compared to the same period last year. Thanks to a disciplined capital allocation approach and customer trust in our Wealth products, all the HSBC Malta Funds SICAV plc, including fixed income, equities, and multi-asset Funds, reported positive returns with record-high Net Asset Value ('NAV') in two of the Funds.

We continued to help our customers by providing them with best-in-class credit facilities, re-introducing selective fixed rate mortgage offers and preferential rates for energy efficiency loans, whilst retaining a prudent pricing and credit risk policy for both secured and unsecured lending to ensure the long-term sustainability of our service proposition. Retail lending origination grew by 10% compared to prior year.

The strong performance delivered could only be achieved through the resilience and unwavering support of our teams. We continue to invest in the development and well-being of our people through training and by recognising the achievements of our employees with various initiatives held throughout the year, both locally and as part of HSBC Group, which is essential to the continued motivation and engagement of our teams.

As we look ahead to 2026, we remain focused on supporting our valued customers in their financial needs through our best-in-class products and services, increasing our engagement with customers as we work towards a seamless transition of our services upon the sale transaction to CrediaBank.

---

## Corporate and Institutional Banking ('CIB')

The past year brought about a number of events that had material impacts on our business and activities. The most impactful development internally was the announcement that HSBC Continental Europe and Credia Bank S.A. have entered into a definitive agreement for the sale and purchase of HBCE's shareholding in the bank. Pending regulatory approvals for the Proposed Transaction, there will be a transition period while we complete the sale, with preparatory work already underway. Both HSBC and CrediaBank are committed to making the transition as smooth as possible for our valued customers. In the meantime, the whole commercial team remains focused on giving our customers the same level of service that they have come to expect from us. All our products and services remain unaffected. We are also pleased that CrediaBank have publicly committed that, post-closing, our people will remain in place to ensure continuity and retention of high professional standards for our customers.

This development did not detract us from supporting our customers as they navigated an increasingly complex and changing environment, particularly due to trade and tariff wars which were the main subject of discussion and caused great uncertainty throughout the past year. The ongoing geopolitical developments, including wars and military conflict, also caused concern and uncertainty to businesses across the world in view of their broad impacts. In this ever-changing environment, we remained close to our customers and proactively engaged with them to understand their needs and challenges. Our relationship managers worked with them to put in place the right solutions including hedging their currency and interest rate exposures, with support from colleagues across the bank. We also continued to bring the knowledge, expertise and research capabilities of the HSBC Group to our customers by sharing articles and industry insight.

Thanks to the team's commitment and to our strong customer relationships, we again had a positive financial performance and continued to contribute materially to the bank's overall results. Our share of bank revenue and pre-tax profits increased from 29% to 31% and from 37% to 42% respectively over 2024. While we experienced a drop in revenue driven by lower market rates in the currencies in which most of our business is conducted, all revenue lines were nonetheless ahead of plan. We also achieved growth of c. 5% in fee income, which now represents 15% of overall revenue, up from 13% in 2024.

We were particularly pleased to see our balance sheet growing. On the lending side, while the local environment remains highly competitive, we closed the year positively with an increase in total advances to customers of c. €7 million or 1%. This was due to a number of factors, including drawdowns of facilities approved in prior years. In our 2024 report we had reported a very strong performance in approval of new facilities thanks to a number of one-off large facilities – these have now started being drawn down. Loans and other facilities approved in 2025 were somewhat lower than in 2024 as the one-off facilities were not repeated. Despite this, we had an increase of 18% compared to the more normal level seen in 2023 and are pleased to have supported a large number of customers with their various projects across a number of economic sectors including Real Estate and Hospitality which remain pillars of the local economy. Credit quality remains strong, due in part to a further reduction in non-performing loans, including legacy exposures. The ratio of non-performing loans reduced marginally and is now below the record low levels reported in 2024, reflecting our prudent underwriting policies and diligent credit monitoring practices.

We experienced strong growth in deposits thanks to our strong focus on delivery of a high standard of service coupled with efficient payment processing – average deposits were up by over 10% in 2025 while we were very pleased to end the year 24% up on the 2024 position. This is testament to our ability to attract and retain corporate deposits through our service proposition. We continued to upgrade our offering – our corporate internet banking platform HSBCnet was updated to provide the beneficiary check (verification of payee) service in line with the Instant Payment Regulation. HSBCnet continues to provide clients with regular notices on the prevention of fraud, guiding customers on how to identify fraudsters and how to spot suspicious calls, emails and messages. Our new client onboarding activity remained brisk throughout the year, helping achieve the positive deposits result. Total onboarding was up c. 13% on prior year, with strong growth of c. 46% in our key target segments, i.e. Mid-Market Enterprises and Large Corporates, including International Subsidiary Banking.

During 2025, the Trade Finance business delivered a solid performance, reflecting sustained client activity and increased utilisation across both funded and non-funded products. Average funded balances increased by 7% year-on-year, underpinned by higher working capital requirements across key economic sectors. Contingent liabilities also recorded strong growth, with year-end balances closing 15% up, translating into c. 13% growth in associated revenues. Growth was primarily driven by capital infrastructure projects resulting in increased demand for guarantees and import-related trade solutions; merger and acquisition activity across the commercial sector as clients leveraged their asset base to optimise funding structures and liquidity management; sustained demand for our flexible Receivable Finance solution by the Healthcare service sector and an increase in the utilisation of working capital facilities by Technology services firms to support business expansion and service delivery. In line with our belief that the greatest contribution we can make as a financial institution to real world emission reductions is to deploy HSBC's strengths in support of our customers' transition, we continued to support customers' transition activities and investments.

## CEO's Statement

---

Our support for the local business community extended beyond providing banking solutions. We have continued to collaborate with various organisations that operate to support local businesses. We extended agreements with the Malta Development Bank ('MDB') to offer guaranteed loans under the SME Guarantee Scheme and the Co-Lending Guarantee Scheme until end 2027 and we were moreover pleased to sign new agreements to offer loans under the Culture and Creative and Sustainability sub-schemes. During 2025 we joined TradeMalta as it celebrated 10 years since its establishment. TradeMalta plays a vital role in helping Maltese businesses to internationalise by providing expert advice, training and support. It provides practical tools that help its members navigate today's dynamic business environment and explore new opportunities outside our shores. HSBC Bank Malta p.l.c. has been a steadfast partner of TradeMalta since its founding, which is testament to our belief that our joint forces add value and deliver tangible outcomes to Maltese businesses and the Maltese economy. This long-standing partnership centres around our unwavering commitment and resolve to support Maltese businesses' expansion into international markets, working in tandem to propel their growth. We also continued supporting the Malta Chamber's ongoing operations, following the renewal of a Gold Partnership agreement for a further three years in 2024. We are pleased to have the opportunity to further support local businesses through these activities and sponsorships, thereby further supporting the economy to prosper and grow.



HSBC Bank Malta p.l.c. renewed its commitment to support Maltese Businesses Global Expansion with TradeMalta.

L-R: Nathalie Camilleri Sultana, Media and PR Manager, TradeMalta; Richard Scerri, Head Trade Promotion, TradeMalta; Anton Buttigieg, CEO, TradeMalta; Geoffrey Fichte, CEO, HSBC Bank Malta; Joyce Grech, Head of Corporate and Institutional Banking, HSBC Bank Malta; Tonio Mallia, Head of Marketing, HSBC Bank Malta.

These positive results were only possible thanks to our dedicated and professional Relationship Managers and other team members, supported by various other colleagues throughout the bank. We remain focused on our customers and steadfast in our commitment to help them address challenges and grow their businesses, locally and internationally.

### Global Markets ('GM') and Corporate Centre ('CC')

2025 has been another challenging year for GM as the market continued to face demanding external factors. Notwithstanding this, GM has once more generated strong results in foreign exchange revenue. GM continues to successfully deliver on its strategy to provide best-in-class services to local and international customers. GM leverages on HSBC's competitive advantage as the leading international bank in Malta and on the expertise available across the HSBC Group's worldwide network. Collaboration within Corporate and Institutional Banking and International Wealth and Premier Banking businesses remains one of GM strategic priorities in our growth strategy. During the year GM, organised various events during which leading industry specialists interacted with our clients. We also continued to invest in our people, as it is only through them that we can deliver an excellent customer experience. Our Markets team is constantly undergoing training and continuous professional development to ensure we deliver the best quality service to our customers.

CC (Markets Treasury), which manages cash, liquidity, funding and interest rate risk for the entity, delivered a strong performance. This has been achieved through prudent management of the bank's investments and market risks. The bank continues to have surplus liquidity which is mainly invested in securities and money market placements. The Hold-to-Collect and the Hold-to-Collect and Sell securities portfolios are mainly invested in very high-quality liquid assets rated A- or better, reflecting our conservative risk appetite. CC continued to manage the interest rate sensitivity by deploying excess funds into longer dated securities.

### Chief Operating Office and Digital Business Services ('COO' and 'DBS')

COO and DBS continued playing a pivotal role in supporting IWPB and CIB to deliver on the strategic commitments by managing the day-to-day operations, enabling uninterrupted services to our customers, driving transformation and regulatory changes through digital solutions, focusing on improving customer journeys and internal processes, and safeguarding our customers and business operational resilience through a robust framework of controls and monitoring.

Several initiatives were delivered in 2025, that improved our customer service, strengthened controls and supported regulatory requirements. Key achievements included the implementation of the Instant Payment solution, which introduced a new 10 second guarantee payment system and verification of payee to help the fight against fraud. The card management system was enhanced to streamline the financial reporting and improve the reconciliation processes. A new cheque imaging system was also implemented. During the year, the ATM replacement programme has been completed, were in addition to better and modern machines the service offered through the ATMs was enhanced.

The HSBC HUB project at our Qormi offices has been completed in 2025, co-locating existing departments and other departments historically located in other buildings into one first class office facility, providing an excellent working environment, collaboration and training spaces and dedicated meeting spaces to support customers. This also involved the upgrade of the network and desktop infrastructure. This is not only achieving a reduction in the property portfolio but also housing most colleagues in an energy efficient and sustainable office. Indeed in 2025, there was a reduction of 11% in energy consumption across the portfolio. Green travel is also important, and this new development has also provided bespoke cycle and e-bike storage. During the year, the number of dedicated parking bays for electric vehicles was increased and plans agreed to increase the number of free charging facilities in 2026. HSBC HUB is on track to achieve LEED Gold status, a Global Standard for Green Building Design, and in addition to improving the internal working environment. Focus has been placed on creating landscaped areas and casual spaces for collaboration and retreat.



HSBC HUB

During 2025, investment in our people continued through training, development and recognition initiatives as part of COO and DBS People plan. Once again, the Future Skills upskilling and mentoring programme was delivered. Throughout the year several COO and DBS Malta colleagues were recognised for their achievements and effort.

Looking ahead to 2026, the COO and DBS Malta strategy remains unchanged and will continue to focus on supporting the growth of our business by running efficient, resilient and simpler operations, delivering innovative digital customer journeys, and supporting our people by maintaining an engaging and motivating work environment. Key deliverables in plan for 2026 are the implementation of the ongoing regulatory projects. In addition, the team will also be involved in the transition of all our services to CrediaBank where priority will be given to excellent customer service and an objective to minimise any disruption.

# CEO's Statement

---

## Our people

Our people and the community we serve remain at the heart of our business. We champion the highest professional standards of meritocracy and inclusion and firmly believe that employee engagement and personal growth are key drivers for the provision of excellent customer service. The Strategic Review progressed throughout 2025 with the announcement on 15 August of CrediaBank as the preferred bidder. This was welcomed by employees, bringing about clarity and direction following a long period of uncertainty. Employee sentiment improved, however attention was quickly diverted to the long and complex negotiations with the Malta Union of Bank Employees ('MUBE') aimed at reaching consensus on compensation for employees under the change in shareholding. Industrial action was ordered by the union between 22 September and 7 October, inevitably impacting employee morale. Agreement with MUBE was finally reached in December and our people are now looking forward to a smooth transition focusing on employee engagement and growth. We continue to provide our people with opportunities to realise their career aspirations and the knowledge and tools to safeguard their well-being.

Attrition levels throughout 2025 remained stable averaging 5.5%.

Throughout 2025, we focused on understanding the implications of the European Pay Transparency Directive also transposed locally. We have collaborated closely with MUBE on the need for a fresh approach to Fixed Pay (salary) review, taking into consideration the provisions of the Directive. This will be a key consideration for Collective Agreement discussions later this year considering the current agreement expires at the end of 2026. The aim is to ensure fairness and competitiveness, whilst aligning to pay legislation.

Aggregate employee participation in the Pension Plan has increased to 67.5% following the increase to 5% of salary in bank's maximum matching contribution to the employee pension plan. Current employee average contribution is 4.1% of salary while bank's average contribution is 3.8%.

Our values are the foundation of how we operate by valuing differences, succeeding together, taking responsibility and getting it done. We are committed to an inclusive culture where our people can be confident that their views matter, their workplace is an environment free from bias, discrimination and harassment, and where they can see that advancement is based on merit. Our Diversity & Inclusion Committee continues to ensure that we drive our Diversity and Inclusion policies and principles through all activities including recruitment processes, learning programmes and various initiatives across the bank and Malta. This year the bank was once again a proud sponsor of Pride, where again we showed our commitment to promoting and supporting the LGBTI+ community.

Throughout the year we organised various sessions for our employees, focusing on topics of interest including mental, physical and financial wellbeing. Flexible (including remote) working have been ingrained in our work practice, thereby facilitating a healthy work/life balance for our people. More employees availed themselves of the enhanced "wellbeing allowance" through which employees can claim reimbursement for expenditure related to wellbeing initiatives.

We continued to capitalise on our employee platforms and tools to facilitate employee personal development and the enhancing of skills and abilities. This was achieved through various virtual-led programs including career progression sessions, HSBC's Degreed platform, and future skills training. Opportunities for career development continued throughout 2025 with employees applying for job opportunities across the bank and its subsidiaries. Many were promoted in the process. Succession planning for key roles has been improved versus the prior year.

The attraction and retention of quality employees was high on our agenda throughout 2025. Our Internship proposition was again successfully implemented in collaboration with the University of Malta and other educational institutions to recruit students and provide them with a rich working experience. Once again, we welcomed back students who returned to HSBC as full-time employees after completing their studies. We strongly believe in the importance of engaging with future talent, thereby providing a future pipeline for the business.

---

## Majority shareholder

HSBC Continental Europe ('HBCE') holds a direct shareholding of c. 70.03% in HSBC Bank Malta p.l.c. Ultimate control of the HSBC Malta Group remains vested in HSBC Holdings plc.

On 16 September 2025, the bank announced that it had signed an acknowledgement of a put option agreement between HBCE and CrediaBank regarding the potential sale of HBCE's majority shareholding in the bank.

On 23 December 2025, following the completion of HBCE's French works council process, the bank announced that HBCE and CrediaBank have now entered into a definitive agreement for the sale and purchase of HBCE's shareholding in the bank. The bank, HBCE and CrediaBank had also entered into a cooperation agreement to govern their respective obligations in relation to this transaction. This transaction is subject to the attainment of the necessary regulatory approvals.

---

## Outlook

As we look ahead, we remain focused on executing our strategy with discipline and clarity. While the external environment may continue to present uncertainties, our company is well positioned, supported by a strong capital and liquidity base, a diversified business model, and deep-rooted customer relationships.

We will continue investing in our people, our capabilities, and our customer experience, while working towards a seamless transition in the context of the Proposed Transaction.

We are focused on the ongoing process with CrediaBank, ensuring a smooth and seamless transition.

During this process, our priorities remain unchanged: to ensure business continuity and stability, support our customers, contribute to Malta's economic development, and deliver sustainable long-term value for all our stakeholders.

Signed by Geoffrey Fichte (Chief Executive Officer) on 25 February 2026.

# Board of Directors and Company Secretary



Manfred Galdes, CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Appointed Director of the bank in January 2021. Dr Galdes is the Chairman of the bank and a Member of the bank's Remuneration and Nomination Committee. He is the managing partner of the ARQ Group, a multi-disciplinary advisory firm. After graduating as a lawyer (LL.D.) from the University of Malta, he obtained a Masters Degree (LL.M.) in European (Commercial) Law at the University of Leicester. Dr Galdes has spent the last 25 years practicing in the area of regulatory and financial crime compliance having held various leading roles both in the private and public sector. Between 2008 and 2016, Dr Galdes headed the FIAU, Malta's financial intelligence unit and principal AML/CFT supervisory authority.

Geoffrey Fichte, EXECUTIVE DIRECTOR and CHIEF EXECUTIVE OFFICER

Appointed CEO and Executive Director of HSBC Bank Malta p.l.c. in May 2023. He is also the Chairman of HSBC Life Assurance (Malta) Ltd and HSBC Global Asset Management (Malta) Limited. Mr Fichte has over 20 years of experience in financial services: banking, insurance, asset management and global strategy across Hong Kong, London, New York and Mexico City. He previously held several senior international positions within the HSBC Group, including President and CEO of HSBC Bank Uruguay; Head of Business Banking, HSBC Mexico; Senior Executive, Corporate Development & Global Strategy, HSBC Group, London; and Senior Manager International (Asia), Hong Kong. He holds a Bachelor of Science in Economics (Magna Cum Laude) from Wharton School, University of Pennsylvania, Philadelphia, USA.



Charlotte Cilia, EXECUTIVE DIRECTOR and CHIEF FINANCIAL OFFICER

Appointed Chief Financial Officer in December 2020 and Executive Director in February 2025. Ms Cilia is a certified public accountant and auditor with over 25 years of varied experience across audit and banking finance. She joined the HSBC Finance team as a senior manager in 2010 where she worked for four years and re-joined the bank in 2018 as Chief Accounting Officer and Deputy Chief Financial Officer. She served as Deputy Chief Financial Officer during her four years at MeDirect Group until 2018. Previously an auditor at KPMG in Malta and the UK where she performed key roles on various international engagements. She is a Director on the Board of HSBC Life Assurance (Malta) Ltd.

Louis Cassar Pullicino, NON-EXECUTIVE DIRECTOR

Appointed as Director in June 2024, Dr Louis Cassar Pullicino is presently the bank's Risk Committee Chairman. He obtained his Doctor of Laws (LL.D) in 1986 from the University of Malta. He is an experienced litigator specialising in commercial litigation, who is particularly active in admiralty and shipping, banking, corporate, insolvency, insurance, telecommunications, pensions and contractual disputes with an international dimension. For over 35 years, Louis has been advising numerous banking institutions and has been involved in the market's most complex marine and commercial litigation cases. In June 2015, Dr Cassar Pullicino was appointed Managing Partner with a local law firm. As the role of Managing Partner came to an end in March 2021, Dr Louis Cassar Pullicino continues to focus exclusively on litigation and international arbitration.



Alexiei Dingli, NON-EXECUTIVE DIRECTOR

Appointed Director of the bank in January 2024. Presently a Member of the bank's Risk Committee and Chairman of the bank's Remuneration and Nomination Committee. He is a Professor of Artificial Intelligence (AI) at the University of Malta. He has been conducting research and working in the field of AI for more than two decades, assisting different companies to implement AI solutions. His work has been rated World Class by international experts and he has won various local and international awards. He has also published several peer-reviewed publications and formed part of the Malta AI task-force which was setup by the Maltese government, aimed at making Malta one of the top AI countries in the world. He is a B.Sc.IT (honours) graduate, which degree was obtained in 2001, from the University of Malta, has a Ph.D in Artificial Intelligence from the University of Sheffield, UK and an MBA in Technology Management from the Grenoble Business School, France.

## Board of Directors and Company Secretary

---

### Anthony Doublet NON-EXECUTIVE DIRECTOR

Appointed as Director in February 2026. Currently, Mr Doublet is a Member of the bank's Audit Committee. He is a Fellow of the Chartered Association of Certified Accountants, a Fellow of the Malta Institute of Accountants and a Certified Public Accountant. He has been in the profession since 1983 and was appointed Partner and Head of Assurance and Risk with MSD & Co (Arthur Andersen Representatives) in 1994. In 2001 the Firm merged with Ernst & Young where he held various roles including Head of Assurance, Malta Professional Practice Director and MLRO up until his retirement in 2021. Mr Doublet was a Council member of the Malta Institute of Accountants for 14 years and was President of the Institute between 2011 to 2013. He has held and currently holds non-executive roles in different regulated entities.



### Elvia George, NON-EXECUTIVE DIRECTOR

Appointed Director of the bank on 22 January 2025. She is also Chairperson of the bank's Audit Committee and a Member of the bank's Risk Committee. She was previously a Director on the HSBC Global Asset Management (Malta) Limited. Ms George holds a BA Hons (Accountancy) degree from the University of Malta. She is a Certified Public Accountant and a Fellow of the Malta Institute of Accountants. Ms George has been working within the banking and financial services industry since 1981 and has held senior positions with one of the systemic banks in Malta (Bank of Valletta plc) including that of Chief Financial Officer. She was also a Director and a member of the Risk Committee within BOV Fund Services Limited. Ms George was also a part time lecturer within the Faculty of Economics, Management and Accountancy of the University of Malta.

### Malcolm Miller, NON-EXECUTIVE DIRECTOR

Appointed as Director in March 2024. Presently Mr Miller is a Member of the bank's Audit Committee and the bank's Remuneration and Nomination Committee.

Mr Miller is an established entrepreneur, a seasoned and motivated business leader with 50 years' experience in start-ups and running businesses in Malta and overseas. He has set up and run businesses in seven European territories. His extensive experience includes raising funding, building new teams, setting and measuring realistic objectives and using clear and simple benchmarks for motivating teams. He is also an experienced board member, having sat on State, University, family-owned and internationally-owned Boards. His operational experience includes new business set-ups, logistics - both within his own group of companies as well as third-party services - media, publishing, print, retail, e-commerce and vertical integration to consumer solutions.



### Yvonne Steyn-Adams, NON-EXECUTIVE DIRECTOR

Appointed Director of the bank on 6 August 2025. Ms Steyn-Adams is currently the Chief Operating Officer Group Internal Audit. Formerly Global Head of Business risk and resilience at HSBC Group Management Services Ltd, where she was accountable for business risk management and remediation for the International Wealth and Premier Banking globally. She has significant international experience, particularly in Europe, having worked in group wide roles in HSBC and UBS. Her earlier career was in information technology, operations and consultancy. She has expertise in financial and regulatory compliance across global regulators, organisational design, service management and cost management.

### Paula Mamo, COMPANY SECRETARY

Company Secretary of HSBC Bank Malta p.l.c. since May 2022. Dr Mamo joined the bank in February 2018 as Deputy Company Secretary supporting the Company Secretary. She was appointed Company Secretary for the two subsidiary companies of the bank, HSBC Life Assurance (Malta) Ltd and HSBC Global Asset Management (Malta) Limited in May 2018. Prior to joining HSBC, Dr Mamo progressed through a number of senior roles primarily within legal, regulatory compliance and financial crime compliance, with other licensed financial institutions. She graduated as Doctor of Laws from the University of Malta in 2010.



# Executive Committee and Head of Internal Audit



Geoffrey Fichte, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Appointed CEO and Executive Director of HSBC Bank Malta p.l.c. in May 2023. He is also the Chairman of HSBC Life Assurance (Malta) Ltd and HSBC Global Asset Management (Malta) Limited. Mr Fichte has over 20 years of experience in financial services: banking, insurance, asset management and global strategy across Hong Kong, London, New York and Mexico City. He previously held several senior international positions within the HSBC Group, including President and CEO of HSBC Bank Uruguay; Head of Business Banking, HSBC Mexico; Senior Executive, Corporate Development & Global Strategy, HSBC Group, London; and Senior Manager International (Asia), Hong Kong. He holds a Bachelor of Science in Economics (Magna Cum Laude) from Wharton School, University of Pennsylvania, Philadelphia, USA.

Charlotte Cilia, EXECUTIVE DIRECTOR and CHIEF FINANCIAL OFFICER

Appointed Chief Financial Officer in December 2020 and Executive Director in February 2025. Ms Cilia is a certified public accountant and auditor with over 25 years of varied experience across audit and banking finance. She joined the HSBC Finance team as a senior manager in 2010 where she worked for four years and re-joined the bank in 2018 as Chief Accounting Officer and Deputy Chief Financial Officer. She served as Deputy Chief Financial Officer during her four years at MeDirect Group until 2018. Previously an auditor at KPMG in Malta and the UK where she performed key roles on various international engagements. She is a Director on the Board of HSBC Life Assurance (Malta) Ltd.



Jesmond Apap, HEAD OF GLOBAL MARKETS

Appointed Head of Global Markets in April 2020. Joined the bank in 1989, then Mid-Med Bank. During his career Mr Apap has held a number of key roles that have seen him successfully drive transformation and performance. Mr Apap started his career in Operations before moving to Markets. Prior to his role as Head of Global Markets, Mr Apap headed Markets Treasury, managing cash, liquidity, funding and the structural interest rate risk for the bank.

Carine Arpa, HEAD OF COMMUNICATIONS

Ms Arpa was appointed Head of Communications in January 2019, bringing over 15 years of experience in the fields of communications, marketing and media relations. Ms Arpa has undertaken a number of different roles in the course of her career, including leading communications and marketing campaigns for the National Euro Changeover Committee, the European Commission Representation in Malta, KPMG and EY. She holds a Bachelor of Arts in Psychology and Communication Studies (Honours), a Master's Degree in European Studies and an MBA (Henley).



## Executive Committee and Head of Internal Audit

---



Steven Beddow, CHIEF RISK OFFICER

Mr Beddow was appointed Chief Risk Officer in November 2022. Mr Beddow holds a Bachelor and Master's Degree from the University of Oxford in Modern Languages. He has over 20 years of experience within the HSBC Group and has worked in a number of locations across Europe, Asia, the Middle East and the Americas. Mr Beddow has previously held a number of banking related Director positions, served on different country level executive committees, led transformation work, and co-sponsored a country level diversity and inclusion committee. He is passionate about staff development and mentoring.

Morgan Carabott, HEAD OF INTERNAL AUDIT

Appointed Head of Internal Audit in September 2021. Ms Carabott joined the Bank as Deputy Head of Internal Audit in 2018. Prior to joining the Bank she spent seven years as a Senior Internal Auditor within the Insurance industry and worked in external audit with one of the big four audit firms. She was also an ACCA lecturer for over six years. Ms Carabott is a warranted Accountant and Auditor and is also a Certified Information Systems Auditor and Certified Anti-Money Laundering Specialist. She is a Fellow of the Malta Institute of Accountants and a member of the Information Systems Audit and Control Association ('ISACA') and Association of Certified Anti-Money Laundering Specialists ('ACAMS'). She has strong auditing and risk management skills, sound industry and regulatory knowledge coupled with extensive experience in leading and managing numerous audits across different sectors.



Chantelle Coleiro, GENERAL COUNSEL

Appointed General Counsel in August 2024. Dr Coleiro joined the Bank in 2007 after her legal traineeship at Ganado Advocates, a Maltese law firm focusing on commercial and corporate legal matters. She holds a Doctor of Laws (LL.D.) and Magister Juris (EU Law) from the University of Malta. At the Bank's Legal Office she has worked in the legal advisory team serving different lines of business. Since 2021 she was entrusted with leading the legal advisory team. In 2022/23, she served as non-executive Director for Tigne Mall plc, a company operating one of Malta's largest shopping malls.

Mandy Falzon, CHIEF COMPLIANCE OFFICER

Appointed as Chief Compliance Officer in March 2021, leading the Regulatory Compliance and Financial Crime Compliance teams at HSBC Bank Malta p.l.c. She graduated as a Doctor of Laws from the University of Malta in 2005, and has 20 years' experience in banking and financial services at HSBC. Dr Falzon held managerial positions within the HSBC Malta Legal Office prior to joining the Regulatory Compliance function in 2015 in a senior management position. She is a Director on the Board of HSBC Global Asset Management (Malta) Limited.



Joyce Grech, HEAD OF CORPORATE AND INSTITUTIONAL BANKING

Ms Grech has been leading the Corporate and Institutional Banking team for 6 years. During her time in the role, she was responsible for reshaping the team which is highly focused on meeting customer needs and building and developing mutually beneficial relationships. She has had a broad 29-year career with HSBC, and has served on the bank's ExCo for the past 12 years. Before her current role, she served as the Bank's Chief Risk Officer for 6 years, leading teams across various areas of Risk Management. In previous roles, she gained experience in a number of risk areas, including 4 years as Deputy Head of Credit. She also worked in the Personal Banking area, leading Customer Value Management for a number of years. She had started her career with HSBC in the Trade Finance and Commercial Banking areas. Ms Grech is highly interested and involved in gender representation activities and initiatives. Furthermore, she has served as the Chairperson of the Bank's Diversity and Inclusion Committee for the past 6 years, driving activities and initiatives aimed at ensuring that the Bank continues to seek ways of embracing diversity in all its forms.

## Executive Committee and Head of Internal Audit

---

Paula Mamo, COMPANY SECRETARY

Company Secretary of HSBC Bank Malta p.l.c. since May 2022. Dr Mamo joined the bank in February 2018 as Deputy Company Secretary of the bank. She was appointed Company Secretary for the two subsidiary companies of the bank, HSBC Life Assurance (Malta) Ltd and HSBC Global Asset Management (Malta) Limited in May 2018. Prior to joining HSBC, Dr Mamo progressed through a number of roles primarily within legal, regulatory compliance and financial crime compliance, with other licensed financial institutions. She graduated as Doctor of Laws from the University of Malta in 2010.



Mark Drago, CHIEF OPERATING OFFICER

Mr. Drago was appointed as Chief Operating Officer in September 2025. He has over 38 years' experience at HSBC Bank Malta plc where he held different roles in Mortgages, Retail Banking, and Information Technology. He successfully established and restructured key operational units such as IT Security and Security & Fraud Risk departments and enhanced operational resilience across the organisation. He was appointed as Head of AML investigations and MLRO in 2017 and headed the Financial Crime Unit between January 2021 and August 2025 where he continued to serve as the Bank's MLRO. Aside from his role. Mr. Drago served as the Chairman of the Financial and Cyber Crime and Fraud Standing Committee of the Malta Bankers' Association ('MBA') and represented the MBA at the European Banking Federation's Financial Crime Strategy Group. Mr. Drago is also a Board Member for JA Malta where he represents the Bank in supporting youth financial literacy and entrepreneurship initiatives.

David Perotti, HEAD OF HUMAN RESOURCES

Mr Perotti was appointed Head of Human Resources in August 2023. He has 44 years' experience in banking, 26 of which within virtually all areas in HR. During the past few years, he has headed Employee & Industrial Relations for the bank, working closely with our union stakeholders, including on the negotiation of Collective Agreements. Mr Perotti is an active member of the Bank's People Leadership Team for Continental Europe and has supported Regional HR on a number of important projects.



Muriel Rutland, HEAD OF INTERNATIONAL WEALTH AND PREMIER BANKING

Ms Rutland was appointed as Head of International Wealth and Premier Banking in June 2024. She has 24 years' experience in the International Wealth and Premier Banking business at HSBC Bank Malta p.l.c., previously occupying various senior management positions including CEO of HSBC Life Insurance (Malta) Ltd, Chief Operating Officer – WPB and Managing Director of HSBC Global Asset Management (Malta) Limited. She graduated in Bachelor of Commerce Honours in Banking & Finance from the University of Malta in 2001.

# Report of the Directors

The bank provides a comprehensive range of banking and financial related services. The bank is authorised to carry on the business of banking, under the Banking Act, 1994 as a credit institution. It is also a licensed financial intermediary in terms of the Financial Markets Act, 1990. The bank is also licensed by the Malta Financial Services Authority to carry out investment services in terms of the Investment Services Act, 1994. These licences authorise the bank to provide investment services to third parties and custodian services for collective investment schemes respectively. As at 31 December 2025 the bank had 12 branches in Malta, one of which is located in Gozo.

The local group comprised the following subsidiaries at 31 December 2025: HSBC Life Assurance (Malta) Ltd and HSBC Global Asset Management (Malta) Limited.

## Principal activities of subsidiaries

HSBC Life Assurance (Malta) Ltd is authorised by the Malta Financial Services Authority to carry on the business of insurance in Malta under the Insurance Business Act (chapter 403, Laws of Malta). It offers a range of protection and investment life assurance products distributed through HSBC Bank Malta p.l.c. which is enrolled as a tied insurance intermediary for HSBC Life Assurance (Malta) Ltd under the Insurance Distribution Act (chapter 487, Laws of Malta).

HSBC Global Asset Management (Malta) Limited is regulated by the Malta Financial Services Authority. It has an Investment Services Licence and is principally engaged in the asset management of Collective Investment Schemes and Discretionary Portfolio Mandates.

## About HSBC Group

HSBC Bank Malta p.l.c. is currently part of HSBC Group, which serves customers worldwide from offices across a number of countries and territories in Europe, Asia, North America, Latin America, and the Middle East and North Africa. With assets of US\$ 3.2 trillion at 31 December 2025, HSBC is one of the largest banking and financial services organisations. Approximately 41 million customers bank with the HSBC Group and the HSBC Group employs around 211,000 full-time equivalent employees.

## Business and strategy

### HSBC Group's purpose and ambition

Guided by the HSBC Group's purpose of opening up a world of opportunity, HSBC's ambition is to be the most trusted bank globally, putting customers at the heart of everything it does. HSBC Group helps meet its customers' financial needs and support them to achieve their goals with its products and services, while navigating the complexities of the global market through our deep international network, supported with the stability and strength of our balance sheet.

### HSBC Group's business focus and strategic priorities

During 2025, the HSBC Group has refocused around four new businesses based on its core strengths, while also setting three overarching strategic priorities that will guide the HSBC Group.

#### HSBC Group's business focus

In 2024, the HSBC Group served its customers through three global businesses (International Wealth and Premier Banking, Commercial Banking and Global Banking and Markets) which focused on delivering growth in areas where the HSBC Group has distinctive capabilities and significant opportunities.

From 1 January 2025, the HSBC Group operated through four new businesses:

- Hong Kong
- UK
- Corporate and Institutional Banking
- International Wealth and Premier Banking

#### HSBC Group's priorities

HSBC Group is now guided by three overarching priorities:

- Be simple and agile. Adapting to change by staying relevant, driving simplification and being future ready through technology and digitisation;
- Drive customer centricity, delivering excellent outcomes, drive loyalty, and serve our customers for the long term through the depth of what the HSBC Group offer as a franchise; and
- Deliver focused sustainable growth, driving long-term, sustainable growth, focused on areas of competitive strength.

#### HSBC Group's values

HSBC's values help define who we are as an organisation and are key to our long-term success.

- We value difference
- We succeed together
- We take responsibility
- We get it done

### HSBC Bank Malta p.l.c.'s strategy and progress on our 2025 commitments

Our local strategy is aimed at growing safely whilst sustaining a robust risk management environment and maintaining a strong financial crime compliance culture. We take a long term view in terms of our customer relationships and we aim to build a bank that is fit for the future which is centred around our customers. We aim to generate stable returns for our shareholders, increase operational efficiency and simplify processes making it easier for our customers to do business with us and for our employees to serve our customers.

Our customers range from individual borrowers and investors to large international companies. We aim to connect our customers to opportunities and help them to achieve their ambitions. The products and services we offer vary widely according to customers' needs. We provide individuals and families with mortgages that help them buy their own home, other lending solutions to finance their own needs, as well as savings accounts, insurance solutions and wealth management products that help personal banking customers to plan and invest for the future. For our commercial customers, we offer loans to invest in growth, and transaction banking products such as foreign exchange, trade financing and cash management services that enable businesses to expand both locally and internationally.

In 2025, the retail banking business has continued to focus on deepening customer relationships and retention by delivering outstanding customer service and driving customer acquisition through our leading premium propositions.

We have re-introduced selective rate offers on both secured and unsecured lending, including preferential rates on Energy Efficient loans aimed at enticing our customers to finance purchasing of energy efficient properties, as well as products and services for personal use. Additionally, we have launched new customer journeys and have also completed the replacement of all ATMs across Malta and Gozo, offering enhanced accessibility features and more service reliability for our customers. Refurbishment works have also started on Rabat Branch to upgrade customer facilities and replace aged equipment with more energy efficient solutions, supporting our commitment to delivering on Net Zero targets.

# Report of the Directors

Through the deployment of Instant SEPA Instant Outward payments we launched additional functionality through our online and mobile banking platform aimed at simplifying customer journey and giving our customers increased peace of mind through the Verification of Payee feature. Our Wealth business continued to deliver a solid and strong performance, supporting our customers in their protection, savings and investment needs, complemented by our best-in-class Wealth product manufacturing capabilities in Asset Management and Insurance.

Throughout 2025, the Corporate and Institutional Banking business remained focused on providing the right products, services and solutions to meet its commercial customers' needs, working with colleagues in other areas of the bank. Our strategy remains focused on a relationship management model. Our onboarding activity, particularly in our target segments, and our focus on provision of a high standard of customer service contributed to a material growth in deposits. Our efforts to deepen customer relationships resulted in robust new lending approved for customers operating across various sectors of the economy. Additionally, we grew contingent liabilities as we supported customers with guarantees and other requirements related to capital infrastructure projects, merger and acquisition activity and business expansion.

We also continued to upgrade and simplify our offering – the main upgrade was the updating of our corporate internet banking platform HSBCnet to provide the beneficiary check (verification of payee), helping with fraud prevention.

We provide our team members with the required training and support to enable them to grow their capabilities, knowledge and skills. This in turn enables them to meet customers' needs in a fast-changing environment.

This banking model is designed to enable the local group to effectively meet customers' diverse financial needs, support a strong capital and funding base and further reduce the risk profile and volatility.

## Research and development

Operating in the financial sector, the bank does not consider Research and Development as a main area of activity.

## Events occurring after the end of the accounting period

There were no significant events affecting the bank or any of its subsidiary undertakings which have occurred after 31 December 2025.

## Conduct

HSBC's approach to Customer and Market Conduct (our Conduct Approach) sets the standard for all parts of the bank to ensure we safely meet our strategic aims by focusing on our customers and integrity of financial markets.

All colleagues need to ensure they consider customers and markets in their roles, live our values and speak up when things don't look or feel right. Our Conduct Approach is aligned to the Value "we take responsibility", taking into consideration how we treat our customers and how we behave in the financial markets.

HSBC's Conduct Approach guides us to do the right thing for customers and the financial markets we operate in.

Everyone is responsible for the delivery of the Conduct Outcomes by living our values in accordance with the Code of Conduct, adhering to our Principles, Policies and Procedures; and speaking up when things don't look or feel right.

Effective governance ensures those with the relevant accountability across the three lines of defence have clear mechanisms to provide oversight, direction and challenge based on accurate and timely information to enable delivery of the Conduct Outcomes.

Throughout this year, regulatory engagement has continued to be conducted with high professional competence, representing trust, respect and full transparency that facilitated an ongoing value-adding constructive dialogue, which is a trademark of the local group's robust governance and oversight culture.

## Results for 2025

HSBC Bank Malta p.l.c. ('the bank') and its subsidiaries (collectively referred to as the local group), reported a profit before tax of €109.0 million for the year under review. The local group's profit attributable to shareholders was €71.6 million.

The Directors have proposed a gross final dividend of 8.4 cent per ordinary share. The proposed final dividend will be payable to shareholders on the bank's register as at 30 March 2026.

Further information about the results of the local group is provided in the Income Statements and the Statements of Comprehensive Income on pages 81 and 82 respectively.

A detailed review of the financial performance including important events affecting the local group's results and an indication of future developments are included in the Chief Executive Officer's Review.

## Key performance indicators

The Board of Directors tracks the local group's progress in implementing its strategy with a range of financial measures or Key Performance Indicators ('KPIs'). Progress is assessed by comparison with the local group strategic priorities, operating plan targets and historical performance. The local group reviews its KPIs regularly in light of its strategic objectives and may adopt new or refined measures to better align the KPIs to HSBC's strategy and strategic priorities.

|  | 2025  | 2024  |
|--|-------|-------|
| Profit before tax (reported) (€m)        | 109.0 | 154.5 |
| Cost efficiency ratio (reported) (%)     | 54.6  | 44.6  |
| Post-tax return on equity (reported) (%) | 11.7  | 17.5  |
| Common Equity Tier 1 ratio (%)           | 24.1  | 22.6  |

**Profit before tax:** Reported profit before tax is the profit as reported under IFRS. Profit before tax (excluding notable items) excludes the impact of notable items as detailed in the Chief Executive Officer's Review.

**Outcome (reported):** Reported profit before tax decreased year-on-year as a result of the lower interest rate environment and reduced releases on expected credit losses.

**Cost efficiency ratio (reported):** is measured as total operating expenses divided by net operating income before changes in expected credit losses and provisions.

**Outcome (reported):** The cost efficiency ratio increased from 44.6% in 2024 to 54.6% in 2025. This is due to the fact that while costs increased by 6% year on year, revenue decreased by 13%.

**Post-tax return on equity (reported):** is measured as post-tax profit divided by average equity.

**Outcome (reported):** The reported return on equity is lower than that reported last year in view of the decrease in profits.

**Common Equity Tier 1 capital ratio ('CET1'):** Represents the ratio of Common Equity Tier 1 capital comprising shareholders' equity less regulatory deductions and adjustments, to total risk-weighted assets. The local group seeks to maintain a strong capital base to support the development of its business and meet regulatory capital requirements at all times.

**Outcome:** The Common Equity Tier 1 ratio improved compared to 2024 due to profits registered in 2025, higher revaluation reserve and lower regulatory adjustments.

# Report of the Directors

---

From a non-financial perspective, Directors evaluate the outcomes of surveys and reviews undertaken on a regular basis in respect of customers, people, culture and values including customer service satisfaction, employee involvement and engagement, and inclusion and sustainability.

---

## Employees

We firmly believe our people are at the heart of our business. Employee engagement and personal growth are key drivers for the delivery of excellent customer service. As such, we continue to provide our people with the knowledge, tools and opportunities to realise their career aspirations.

- Employee Turnover: Attrition levels averaged 5.5% throughout 2025 confirming a stable 18 month trend.
- Pay Transparency Directive: As a continuation on the salary benchmarking exercise performed during the previous year, further considerations were taken to better align all levels of salaries with the medians in the corresponding market.
- Performance Management: We believe in meritocracy and ensure a direct link between individual performance and reward. Variable Pay (Bonus) is discretionary and has a direct correlation with both the bank's and the individual's behaviour and performance, using a total compensation approach.
- Employee Pension Plan: Aggregate employee participation in the Pension Plan in 2025 has further increased to 67.5% which is indeed positive.
- Strategic Review: The majority of the year was highlighted by the announcement of a change in HSBC Bank Malta p.l.c.'s majority shareholding. Notwithstanding, the business progressed in a business-as-usual mode where continued commitment towards the bank's customers was always clear and visible.
- Bank of the Year recognition: following a rigorous selection process the bank obtained this prestigious award in recognition of progress across key areas - earnings growth, customer service, capital strength, operational efficiency, and continued investment in digital and technological capabilities.
- Inclusion: We value differences, succeeding together, taking responsibility and getting it done. We are committed to an inclusive culture where our people can be confident that their views matter, their workplace is an environment free from bias, discrimination and harassment, and where they can see that advancement is based on merit. Our Diversity and Inclusion Committee continues to ensure that we drive our Inclusion policies and principles through all activities including recruitment processes, learning programmes and various initiatives across the bank and Malta. Throughout 2025, in addition to Maltese Nationals, 6.7% of our employee complement was spread across no less than 25 different nationalities. This is testament to a truly diverse and inclusive culture at the heart of HSBC values. In 2025, 64% of our senior executive roles were held by women.
- Overall wellbeing: Throughout the year we organised various sessions for our employees focusing on topics of interest including mental, physical and financial wellbeing. Flexible (including remote) working have been engrained in our work practice thereby facilitating a healthy work/life balance for our people. More employees availed themselves of the enhanced "wellbeing allowance" through which employees can claim reimbursement for expenditure related to wellbeing initiatives.
- Conduct: We continue to ensure adoption of the highest standards of employee conduct across HSBC Bank Malta p.l.c. and are fully aligned to HSBC Continental Europe's values and principles and the HSBC Group Global Code of Conduct.
- Learning and Development: Various virtual-led programs, career sessions and future skills training have been delivered to support employee development and career progression, with employees applying for job opportunities across the bank and its subsidiaries. Many were promoted in the process.

- Industrial Relations: The announcement on 15 August of CrediaBank as preferred bidder was welcomed by employees, bringing about clarity and direction following a long period of uncertainty. Employee sentiment improved, however attention was quickly diverted to the long and complex negotiations with the Malta Union of Bank Employees ('MUBE') aimed at reaching consensus on compensation for employees under the change in shareholding. Industrial action was ordered by the union between 22 September and 7 October, inevitably impacting employee morale. Agreement with MUBE was finally reached in December and our people are now looking forward to a smooth transition focusing on employee engagement and growth. We continue to provide our people with opportunities to realise their career aspirations and the knowledge and tools to safeguard their well-being.
  - Guiding Principles: HSBC Bank Malta p.l.c., as part of HSBC Group, is committed to respect its employees' human rights, as set out in HSBC's Human Rights Statement and subject to local law and regulation. More broadly, fostering an inclusive and responsible culture, which enables its people to thrive, is a core element of HSBC Bank Malta p.l.c.'s people strategy. HSBC Bank Malta p.l.c. 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 written employment contracts and policies, procedures in employee handbooks, information on the bank's intranet and a code of conduct. HSBC Bank Malta p.l.c.'s dedication to upholding human rights within its operations is guided by the United Nations guiding principles on Business and Human Rights ('UNGPs') and the Organisation for Economic Co-operation and Development ('OECD') Guidelines for Multinational Enterprises on Responsible Business Conduct.
- 

## Whistleblowing and 'Speak-up' culture

HSBC Bank Malta p.l.c. is committed to fostering a 'Speak-up' culture. The goal of the speak-up culture is to enable all employees to work in a safe environment where individuals feel comfortable and able to speak-up and raise concerns about wrongdoing or unethical conduct without fear of reprisal or retaliation. One of the biggest advantages of open communication and a speak-up culture is the ability to reduce risks and prevent potential breaches of the bank's code of conduct. When employees feel empowered to raise concerns, organisations can act on them before a problem becomes a greater threat.

## Speak-up Culture and Channels

The local group has established speak-up channels to implement its speak-up culture. These channels are available to all employees via an internal web portal. The local group actively promotes our full range of speak-up channels to colleagues to help ensure their concerns are handled through the most effective route.

## HSBC Confidential

The local group recognises that in certain circumstances it may be necessary for individuals to raise concerns through more targeted and confidential channels such as HSBC Confidential. Our whistleblowing channel HSBC Confidential Malta, allows colleagues to raise concerns in line with local laws.

HSBC Confidential Malta together with the Global HSBC Confidential lines are always available to all employees.

### Policy to endure safe access to whistleblowing channels

HSBC Bank Malta p.l.c. follows the Group Whistleblowing Policy which aims to prevent and correct all instances of unethical and illegal behaviours. The Policy establishes minimum risk management and control requirements to report unethical and illegal activities; sets out procedures to ensure that reporting channels are operated in a secure manner that ensure that identity of the reporting person and any third party mentioned in the report is protected, and prevent access thereto by non-authorized employees; and defines procedures to investigate whistleblowing reports; and report the whistleblowing alerts to competent authorities where it is deemed to be required.

In addition to the Global Policy, a local Whistleblowing Reporting policy is in place, which provides for the Local Whistleblowing Reporting officer and a local confidential channel for whistleblowing in line with local laws. The oversight of the policy and arrangements falls within the remit of the bank's Audit Committee.

The Global and local Whistleblowing Policies are available to all employees via HSBC Group's intranet.

### Investigations into credible reports

All whistleblowing reports received are investigated in a detailed and independent manner and remedial action is taken where appropriate.

When issues are identified through an investigation, appropriate actions are taken to address them. Investigations will not just look at what has gone wrong but also how it can be prevented in the future.

### Health and safety

The maintenance of a safe place of work and business for our employees, customers and visitors is a key responsibility for all managers. The local group is committed to proactively manage health and safety risk through the identification, assessment and mitigation of hazards that may otherwise result in injury, fire events and operational failure.

Group policies, standards and guidance for the management of health and safety are set by the Global Corporate Services function. Achieving these in the local group is the responsibility of the Chief Operating Officer, with support and coordination provided by the Health and Safety Manager, together with Global and Regional Corporate Services.

Global Protective Security continuously monitors potential threats from terrorism and violent crime and ensures that HSBC maintains effective measures to protect its employees, customers, buildings, assets and information.

The local group remains committed to maintaining its readiness for emerging and foreseeable risks in ensuring health and safety compliance.

# Non-Financial Reporting

## Strategy, business model and value creation

### Strategy

#### Incorporating sustainability into our strategy

HSBC Bank Malta p.l.c.'s approach to ESG is aligned with that of the HSBC Group's focusing on creating long-term value for its customers and wider stakeholders. The HSBC Group concentrates on three areas: the transition to net zero, building inclusion and resilience, and acting responsibly.

#### Transition to net zero

The ambition of HSBC Group is to become a net zero bank by 2050. Supporting its customers is core to the HSBC Group strategy and financing their transition is critical for them and aligned to the HSBC Group's net zero ambition. The HSBC Group believes that delivering the transition will make the global economy stronger and more resilient.

The HSBC Group's Net Zero Transition Plan remains structured around its three core implementation pillars: supporting its customers, embedding net zero into how it operates, and partnering for an enabling environment.

#### Building inclusion and resilience

To help create long-term value for all stakeholders, the HSBC Group fosters inclusion and helps build resilience for its employees, its customers and within the broader society.

For employees, the HSBC Group focuses on creating an inclusive environment and offers resources that support well-being. The HSBC Group strives to provide an accessible banking experience for its customers by providing resources that help them manage their finances, and services that help them protect what they value.

#### Acting responsibly

HSBC Bank Malta p.l.c.'s conduct approach, which is aligned to the HSBC Group's, guides the local group to do the right thing and to focus on the impact it has on its customers and on the financial market in which it operates.

### Business Model

The business model for HSBC Bank Malta p.l.c. showing its scope, main resources, main business areas and activities, its strategy and its prospects is set out in the Business and Strategy section on page [21](#).

### Value Creation

HSBC Bank Malta p.l.c. aims to create value for all stakeholders by harnessing its resources to deliver responsible and innovative financial solutions for its clients.

HSBC Bank Malta p.l.c. recognises that its ability to succeed and create long-term value is interconnected with the interests and views of key stakeholder groups across all parts of its value chain.

## Governance and oversight of the Board and Senior Management related to sustainability matters

HSBC Bank Malta p.l.c.'s Board of Directors and Senior Management provide the foundation for its commitment to strong governance and oversight of sustainability matters. By bringing together a diverse mix of expertise, perspectives, and experiences, these bodies define and ensure effective oversight of the strategy and operations while fostering accountability and innovation.

The experience of the members of the bank's Board and Senior Management covers all sectors and products of the bank. The Board is regularly engaged on sustainability topics through Board meetings and training sessions to stay at the forefront of evolving global topics. For a detailed description of the experience of each Board member and the duties of the Board, refer to the "Disclosures in Terms of Article 435 of the Capital Requirements Regulation" on page [60](#).

The responsibilities of the Senior Management are exercised through the Climate and ESG Committee. This Committee is responsible for the management of Climate & ESG risks and Corporate Sustainability Reporting, to ensure adequate focus on the risks (physical and transitional, nature risks) associated with climate change, ESG criteria, and compliance with HSBC Group policies, EBA requirements, ECB Regulations and guidance, any specific local legislation and any HSBC Bank Malta p.l.c. policies. This Committee informs two sub-committees of the Board – the Risk Committee and the Audit Committee as applicable.

The Senior Management engages with the HSBC Continental Europe, Sustainability function and the sustainability experts in HSBC Group.

## HSBC Bank Malta p.l.c.'s approach to Sustainability Partnering for an enabling environment

### Corporate and Institutional Banking activity ('CIB')

HSBC Bank Malta p.l.c. forms part of HSBC Continental Europe and adopts the same policies and practices insofar as they are applicable to its business model. As there is no Global Banking activity in Malta, all corporate banking activity is carried out by CIB.

Through its downstream financing activities HSBC Bank Malta p.l.c. has exposure to high-emitting sectors, such as fossil fuels, power utilities, infrastructure, transportation, and heavy industry. The emissions from these sectors result in adverse climate impacts, accelerating global warming. This may pose both physical and transition risks for the bank and its clients, whilst complicating efforts to cap global temperature rise. These sectors have a fossil fuel driven energy mix which can be a challenge to transition and could have a negative impact on the overall transition.

Climate related transition and physical risks may affect HSBC Bank Malta p.l.c. CIB activities and result in challenges related to transition to a net zero economy, disruption of businesses, stranded assets and could threaten the long-term feasibility of its business model, impacting its reputation, credit worthiness and capital. Further information can be found in HSBC Bank Malta p.l.c. Pillar 3 Disclosures.

HSBC Bank Malta p.l.c. engages its corporate customers, particularly those in sectors with elevated transition risks, through a comprehensive Transition Engagement Questionnaire ('TEQ'). The TEQ collects information to assess these customers' alignment with the transition to net zero and their exposure to both physical and transition risks. Responses inform how HSBC Bank Malta p.l.c. understands the climate risks of its key corporate relationships and helps inform how the bank engages its customers to support them to mitigate these risks.

During 2025, the TEQs were completed for all of the bank's in-scope corporate clients and will continue to be reviewed on an annual basis. Nature-related questions were also introduced into the TEQ to cover topics including pollution, water, biodiversity, resource use and circular economy.

CIB is using the data collected to further engage with its clients and identify any additional business opportunities that could support clients in their transition to net zero.

## Report of the Directors

HSBC Bank Malta p.l.c. applies, where relevant, HSBC Group sustainability risk policies to mitigate adverse environmental impacts within specific sectors on people and the environment. HSBC has sector-specific sustainability risk policies covering the energy sector, thermal coal, agricultural commodities, forestry, and mining and metals. These are summarised in our Sustainability Risk Policies Framework which also contains HSBC's Thermal Coal Phase-Out Policy. We also implement a cross-sector policy for project-related financing, informed by international standards. These policies apply to corporate clients, managed within CIB in HSBC Bank Malta p.l.c.

For further details of the HSBC sustainability risk policies see <https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre?tab=tab-1>

### Energy policy

The HSBC Group energy policy applies to the broader energy system, including upstream oil and gas, fossil fuel power generation, hydrogen, renewables and hydropower, nuclear, biomass and energy from waste sectors.

The policy seeks to achieve two objectives: to help drive global greenhouse gas emissions reductions, both to achieve a net zero HSBC portfolio and to support its customers in the transition to a net zero global energy future; and to identify and manage risks arising from the provision of financing or advisory services to customers with energy assets.

The energy policy was first published in December 2022, and is reviewed periodically, with the most recent update in November 2025.

For further details of the HSBC Group's energy policy, see <https://www.hsbc.com/who-we-are/esg-and-responsible-business/managing-risk/sustainability-risk>

### Thermal Coal Phase-out policy

The HSBC Group's policy seeks to achieve two objectives: to phase out the financing of thermal coal-fired power and thermal coal mining by 2030 in markets in the European Union ('EU') and Organisation for Economic Cooperation and Development ('OECD'), and by 2040 in other markets (Phase-Out Commitment); and to identify and manage risks arising from the provision of financing or advisory services to customers with thermal coal assets.

The policy was first published in December 2021 and is reviewed annually, with the most recent update in November 2025

For the HSBC Group's thermal coal phase-out policy, see <https://www.hsbc.com/-/files/hsbc/who-we-are/pdf/251106-sustainability-risk-policies-framework.pdf>

HSBC Bank Malta p.l.c. is in scope of this reporting but it has no exposure to this sector.

### Retail banking activity

Retail banking has finalised the roll out of PVC cards made up of 100% recycled material. All cards issued to customers needing new or replacement cards are now in 100% recycled PVC. This action has reduced CO<sub>2</sub> emissions and will save plastic waste as part of our net zero strategy. In addition, investment in our digital platforms supported strong growth in digital service adoption with 95% of retail transactions executed through online banking channels, partly driven through the deployment of Instant SEPA payment journeys. Furthermore, we continued to migrate more customer documentation from paper to digital.

### Contribution from Retail banking to sustainable financing

HSBC Bank Malta p.l.c. offers lower rates on Energy Efficiency Loans. From 2023, the Retail Credit Risk function incorporated ongoing assessment of climate risk for the Retail real estate portfolio in consideration of the European Central Bank's Guide on climate related and environmental risks. For physical risks, HSBC Bank Malta p.l.c. incorporated flood risk monitoring for both sea level rise and flash floods in its efforts to mitigate climate risk. Additionally, a flash flood

risk-based metric is being reported since 2023 into the regular internal reporting. For transition risk, the property energy performance details were integrated into the information recording process and now allow for monitoring of the Energy Performance Certificate Rating distribution within new lending. For both risks, the policy was enhanced to take into consideration these risks.

HSBC Bank Malta p.l.c. also offers a range of Socially Responsible Investments ('SRI'). The funds in the HSBC Responsible Investment Fund ('HSBC RIF') range which are offered locally, are housed in a single French registered SICAV. They cater for various risk profiles and are all certified with the French SRI label. In addition, HSBC Bank Malta p.l.c. offers funds, such as the HSBC GIF Global Equity Climate Transition Fund and the HSBC GIF Global Corporate Bond Climate Transition Fund.

Through our financial advisory solution, customers are asked for granular sustainability preferences which are taken into consideration during the provision of investment advice. The Strategic Financial Planning tool, which is used during the provision of financial advice has been enabled to automatically filter ESG products that meet customer sustainability preferences. HSBC Bank Malta p.l.c. continues to actively campaign through letters, emails, social media etc., to encourage customers to undertake a financial planning review and provide us with their sustainability preferences. Investments into sustainable funds remained stable, and as of 31 December 2025, Assets Under Management in Sustainable Funds exceeded €31 million.

### Insurance activity

HSBC Life Assurance (Malta) Ltd ('HSBC Life') adheres to the HSBC Insurance Sustainability Procedures (the 'Sustainability Procedures') set out at the level of HSBC Group Insurance which are reflected in the Company's Investment Policy ('Investment Policy'). The Investment Policy is geared towards ensuring that sustainability risks are integrated into the investment decision-making process.

In so far as direct investments are being made by HSBC Life and/or HSBC Global Asset Management (Malta) Limited ('HSBC Asset Management') for and on behalf of HSBC Life pursuant to an investment management agreement entered into to this effect (thereby excluding mutual funds, or passive strategies replicating an index, etc.), HSBC Life adopts and implements negative screening practices which are intended to restrict or prohibit investments in selected securities where these do not meet the sustainability standards established in the Sustainability Procedures.

These restrictions/prohibitions in turn align with the HSBC Group's stand-alone Sustainability Risk Policies which relate to: energy sector, thermal coal, agricultural commodities, forestry, and mining and metals. These are summarised in our Sustainability Risk Policies Framework which also contains HSBC's Thermal Coal Phase-Out Policy. We also implement a cross-sector policy for project-related financing, informed by international standards.

In addition, HSBC Life's appointed asset manager, HSBC Asset Management itself abides by the Responsible Investment Policy which outlines its approach to responsible investing; focusing on the ten principles of the UN Global Compact ('UNGC'). The UNGC sets out key areas of non-financial risk which are to be considered as part of the investment process i.e., human rights, labour, environment and anti-corruption. Also, HSBC Asset Management abides to the Engagement Policy, which outlines the approach to monitor and engage with issuers, and applicable voting guidelines/restrictions implemented. Engagement with companies and effective use of voting rights incentivise positive corporate development, drive behavioural change and follow up ESG issues as part of their research and discussions.

As for those instances where HSBC Life is directly investing in collective investment schemes (which are in turn administered by asset managers exercising exclusive discretion to invest in other underlying securities and/or funds), HSBC Life seeks to primarily, but not necessarily exclusively, engage and work with those asset managers who are signatories to the Principles for Responsible Investment ('PRI') and/or others who have sustainability integration and investment stewardship practices in place. These asset managers

## Report of the Directors

need to be able to demonstrate, the adoption and implementation of sustainability principles and standards in the course of their respective investment decision-making processes.

HSBC Life has taken steps to comply with the Sustainable Finance Disclosure Regulation ('SFDR'), by updating the SFDR Entity disclosure and publishing the Principal Adverse Impact ('PAI') statement. The PAI statement provides detailed insights into our approach, metrics, impacts, explanations, and any planned actions for each adverse sustainability indicator identified. This comprehensive disclosure covers a wide range of environmental, social, and governance risks, with particular emphasis on climate and environment-related concerns, employee well-being, human rights, and anti-corruption measures.

### HSBC Asset Management

HSBC Global Asset Management (Malta) Limited, as part of HSBC Asset Management offers investment solutions which include sustainability considerations alongside investment performance objectives. HSBC Asset Management's ESG and sustainable investing approach includes strategies that seek to mitigate ESG risks by focusing on the ten principles of the UNGC which sets out key areas of financial and non-financial risk. HSBC Asset Management in addition to its own due diligence, uses third party screening providers, where available, to identify companies with a poor track record in these areas of risk and, where potential sustainability risks are identified. Considerations across this approach can include, but are not limited to, climate or net-zero transition plans and global norms and conventions.

### Policies

HSBC Asset Management recognises that climate-related risks may impact the operational and financial performance of investee companies. The impact of these risks will vary depending on characteristics such as asset class, sector, business model and geography. HSBC Asset Management continues to integrate climate analysis into its actively managed product offerings and seek to assess climate-related risks that may impact investment performance, where relevant.

HSBC Asset Management's Energy and Thermal Coal Policies have been developed in support of HSBC Group's net zero ambition. Under the Energy Policy, HSBC Asset Management aims to engage with and assess transition plans of listed issuers responsible for around 70 per cent of relevant emissions covering listed equity and corporate fixed income issuers managed in its major investment hubs. HSBC Asset Management undertakes engagement and assessment of the oil & gas and power & utilities issuers in this group.

HSBC Asset Management's Thermal Coal Policy is developed in support of the transition from thermal coal fired power and thermal coal mining (collectively 'thermal coal') within the 2030/40 timelines set out in the HSBC's Group Thermal coal phase out policy.

All the current policies can be found here:

<https://www.assetmanagement.hsbc.com.mt/en/individual-investor/about-us/responsible-investing/policies>

### Supporting our community

HSBC Malta Foundation is supporting a number of projects which focus on building inclusion, resilience, future skills and also on projects that aim to achieve a net zero and sustainable future.

The objective of future skills is to help people develop their employability and financial skills in order to thrive in the modern world.

In 2025, the HSBC Malta Foundation supported a number of future skills Projects, including the Human Capital Research Project through a donation of €135,000. This three year long project, working with the Ministry for Education and the Malta Chamber of Commerce, came to an end in 2025 and assisted to review the local curriculum, focusing on identifying current and future skills in financial services and banking, information technology, communication, professional, scientific and technical services.

Since 2024 the Foundation has also directed its philanthropy funding to Non-Governmental Organisation ('NGO') partners supporting projects with the potential to make impacts towards achieving a net zero, resilient and sustainable future. In 2025, the HSBC Malta Foundation celebrated the 10th anniversary of the King's Trust International Achieve Programme in Malta, an initiative which equips young people with skills for the future.

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.

During 2025, HSBC Bank Malta p.l.c. continued to support the HSBC Group's Climate Action Network ('CAN'). This is a network led by HSBC employees who, at a local level, drive sustainable projects inside and outside the bank.

In 2025, three HSBC Bank Malta p.l.c. employees facilitated several Climate Fresk workshops for the employees. Climate Fresk is a unique and interactive game about Climate Change that gives the opportunity to those who attend to think, discuss, and debate with the team with a high degree of satisfaction reported from the participants.

The HSBC Malta Foundation is also supporting a three-year University of Malta ('UM') Research Project through the Research, Innovation & Development Trust ('RIDT'). 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 this comprehensive research project. With a donation of €150,000 from the HSBC Malta Foundation, the 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.

In 2025, the HSBC Malta Foundation continued to support the Jesuits' Church Foundation with a donation of €150,000, supporting the restoration of 16 historic paintings found at the Jesuits' Church in Valletta. This contribution will help preserve these culturally and spiritually important works, which have been part of Malta's heritage for centuries. The project involves the disinfestation and conservation of several transept paintings, together with their gilt decorative frames, as well as two oval paintings in the sanctuary. The restoration is in three phases, from 2024 to 2026, with each phase focusing on a selection of paintings to ensure their complete conservation.

### Operational carbon footprint and pathway to net zero

During 2025, HSBC Bank Malta p.l.c. continued to support the HSBC Group's ambition by taking actions to reduce its carbon footprint. In the past year the local group completed its major works on the HSBC HUB project which has transformed the bank's office buildings in Qormi. The HSBC HUB now provides an excellent, sustainable, and modern environment for the bank's customers and its colleagues.

As part of this project, the local group delivered a number of Net Zero initiatives, such as using low carbon materials for construction, using reservoirs on-site for concrete production, reusing existing furniture from other HSBC Bank Malta p.l.c. sites, energy saving installations including ambient temperature control setting, LED lighting, sensors across the floors and meeting rooms, double glazing windows, measures to reduce water consumption through the installation of flow restrictors, auto-taps and low or zero flush sanitary fittings, waste reducing initiatives and electric car charging facilities. The project, together with other energy saving initiatives across HSBC Bank Malta p.l.c. portfolio of properties, has contributed to 11% saving in our energy consumption over the previous year.

## Report of the Directors

The reduction in paper consumption registered last year was maintained due to the bank's continuous drive to promote digital channels upon onboarding new customers, encourage existing customers to switch from paper correspondence to using digital channels, and replacing paper forms with digital signature forms.

### HSBC Bank Malta p.l.c.'s workforce

As in the preceding year, HSBC Bank Malta p.l.c.'s sustainability programs ranged from raising awareness, to developing technical knowledge and skills for front line and specialist roles within the bank's control functions and business lines. The programs also continued to promote intra Group collaboration in transforming HSBC into a net zero bank.

Leadership and Soft Skills training was also delivered throughout 2025 in addition to technical training related to specific roles. Furthermore, the bank also continues to support the upskilling of its people through external education.

Throughout 2025 HSBC Bank Malta p.l.c. continued to respond to the shift in employment patterns and focused on attracting, recruiting, and integrating the best talent. To support its development and the creation of a stronger workforce, the bank hires employees from a variety of backgrounds to contribute to the bank's various business lines. Throughout 2025, the attrition rate for HSBC Bank Malta p.l.c. has remained stable averaging 5.5% well within the attrition ambition rate of 7% for HSBC Continental Europe. Succession plans are reviewed on an annual basis for senior management and for critical roles.

Job opportunities are initially advertised internally, in line with the Collective Agreement with the recognised union, enabling employees to develop their career across HSBC Bank Malta p.l.c., its subsidiaries or the HSBC Group.

In 2025 we continued to offer internships in collaboration with the Malta College of Arts, Science and Technology ('MCAST'), University of Malta and JA Malta Foundation. These programmes encourage students to discover several roles within our various business areas while acquiring cutting-edge skills.

A flexible working culture across HSBC Bank Malta p.l.c. is now fully embedded. The ambition for the bank is to cultivate flexibility, collaboration, learning and employees wellbeing in on-site and remote workplaces, while ensuring that the social and collaborative bond within the team is preserved and developed. Indeed this has been achieved.

The outcome of the strategic review, with the preferred bidder, CrediaBank, announced in August 2025, has provided employees with comfort, clarity and direction. This was followed in December 2025 by the signing of a definitive agreement between HSBC Continental Europe and CrediaBank for the sale and purchase of HSBC Continental Europe's shareholding in HSBC Bank Malta p.l.c., subject to the receipt of the necessary regulatory approvals. An agreement was also signed in December 2025 with the Malta Union of Bank Employees ('MUBE') incorporating financial compensation for in scope employees from completion of the transaction, and subject to the terms of the agreement.

As one of the leading employers, the local group's main aim is to build an HR policy that helps to develop the employability of employees, while helping them to achieve their full potential for the bank. In an environment where potential expresses itself in many ways, HSBC Bank Malta p.l.c. is convinced that managing difference and integrating it into the organisation can truly add value. Particular emphasis is made on inclusion in all its various forms, including gender, age, skin colour, social origin, religion, disability, sexual orientation, appearance, and opinions. All employees should be able to be themselves, in an organisation that values different profiles and opinions.

HSBC Bank Malta p.l.c. believes that gender representation and inclusion makes its business stronger. The challenge is to foster and make the most of those differences with the aim of creating internal cohesion, increasing motivation and engagement, and making employees proud to be part of the HSBC Group.

In 2025, all employees were required to complete a minimum of two Sustainability training modules. Furthermore, they were encouraged to personally participate in any one sustainability initiative to effectively connect theory with hands-on experience.

### Integrating sustainability criteria into compensation

HSBC Bank Malta p.l.c.'s approach to remuneration seeks to incentivise its employees to deliver on its business strategy, including key sustainability matters. HSBC Bank Malta p.l.c.'s remuneration policy, which applies to all employees, is aligned with the broader framework approved by the HSBC Group's remuneration committee, while also ensuring compliance with local regulations.

### Greenwashing and unfair business practices

#### Greenwashing approach

The risk of greenwashing is considered as an important evolving risk which is likely to increase over time in an evolving regulatory environment context resulting from an increase of expectations and scrutiny in relation to ESG risk. The risk of greenwashing is defined as knowingly, or unknowingly misleading stakeholders in relation to the bank's sustainability ambition, products or services offered to clients, stated sustainability objectives, or the climate commitments or performance of HSBC customers which are not aligned to HSBC's ambitions. It can materialise across all businesses, and functions and can lead to reputational damage, regulatory censure and/or litigation.

#### Preventing the risk of corruption

HSBC is committed to high standards of ethical behaviour and operates a zero-tolerance approach to bribery and corruption. We consider such activity to be unethical and contrary to good corporate governance and require compliance with all anti-bribery and corruption laws in all markets and jurisdictions in which we operate. We have a Global Anti-Bribery and Corruption Policy which gives practical effect to global initiatives such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and Principle 10 of the UNGC. In regard to combating corruption, as part of HSBC Continental Europe, HSBC Bank Malta p.l.c. is committed to complying with France's Sapin 2 Law and to adopting a zero-tolerance attitude to corruption.

HSBC Bank Malta p.l.c. has implemented a Compliance programme applying to all its activities with the objective to strengthen the HSBC Bank Malta p.l.c.'s anti-bribery and corruption ('AB&C') framework and align it with the requirements established by the Law. The programme enabled the enhancement of the HSBC Bank Malta p.l.c.'s corruption risk mapping, the identification and deployment of accounting controls to prevent and detect bribery and corruption, the implementation of AB&C Customer and Third-Party Due Diligences, the update of local Policy and procedures or the publication of specific Codes of conduct.

For more information about HSBC anti-bribery and corruption policies see, <https://www.hsbc.com/who-we-are/esg-and-responsible-business/fighting-financial-crime/financial-crime-risk-policies>

#### Preventing the risk related to tax evasion

The HSBC Group is committed to complying with the letter and spirit of all acceptable tax laws. The Global Anti-Tax Evasion Facilitation Policy sets out the key principles and minimum control requirements to apply a consistent and standardised approach to managing the risk of customer tax evasion. In this regard HSBC Bank Malta p.l.c. has reasonable procedures in place designed to prevent tax evasion facilitation by any third party acting on behalf of the bank.

HSBC Bank Malta p.l.c. is committed to acting with integrity and conducting activities in accordance with all applicable laws and regulations relating to financial crime risks as well as the standards set out by the HSBC Group in its Global Tax Evasion Anti-Facilitation Policy.

The bank's Risk Management Framework ('RMF') sets out the responsibilities of employees, depending on whether they are Risk Owners, Control Owners, Risk Stewards, or other, for managing risk, including tax evasion risk. The RMF makes it clear that there must be a clear segregation between risk ownership, i.e. First Line of Defence, risk oversight and stewardship, and independent assurance to help support effective identification, assessment, management, and reporting of risks. The material tax evasion risks that the bank faces are:

- Customer tax evasion – the risk that the bank's products or services are associated with customer tax evasion and the risk that employees facilitate customer tax evasion;
- Facilitation by third parties and Associated Persons ('APs') – The risk that third party APs (excluding employees) facilitate tax evasion while acting for or on behalf of the bank;
- Product risk – The risk that the bank's products or services are designed, or could be seen as designed, to facilitate customer tax evasion;
- Payments to employees – The risk that the bank (or the bank acting through its third party APs) assists in structuring remuneration, allowances, benefits or business expenses in a way which facilitates evasion of tax by the employee;
- Payments to third parties – The risk that the bank (or the bank acting through its third party APs) assists in structuring payments to third parties for products or services in a way which facilitates the third party (including non-APs) to evade tax. The scope includes contractors, personal service companies, and 'umbrella' companies; and
- Strategic transactions including acquisitions or disposals of shares, securities or partnership interests by HSBC Group entities – The risk that employees or other APs appointed by the bank assist in structuring a transaction in a way which facilitates tax evasion by a counterparty.

The bank's Global Anti-Tax Evasion Facilitation Policy aims to ensure that HSBC's banking services are not associated with any arrangement known or suspected to be designed to facilitate tax evasion.

Key controls to mitigate these risks include assessing the integrity of customers, third parties, new or significantly modified products, and strategic transactions to identify and assess these risks; the drafting of contractual clauses in contracts with third parties, the implementation of controls on supplier processes, the training of employees at the global level supplemented, where appropriate, by training of local teams, and incentives for whistleblowers. In addition, the bank maintains a dashboard dedicated to the risk of tax evasion to monitor the management of this risk. This dashboard includes a series of control indicators and key risk indicators related to tax evasion and is monitored on a monthly basis.

## Supplier Code of Conduct

HSBC Bank Malta p.l.c. strives to ensure that contractors, consultants and external service providers employed by third parties act in accordance with the local group's culture and strategic priorities. This is primarily managed through the Supplier Code of Conduct, a Group-wide code which defines the minimum standards to all entities globally. Commitment to this Supplier Code of Conduct is formalised with clauses in supplier contracts which support the right to audit and act if breach is discovered. The local group's suppliers are required to reiterate their adherence when renewing the contract. Suppliers unable to approve the Code of Conduct are required to provide HSBC Bank Malta p.l.c. with an eligible alternative.

## Safeguarding data – Cybersecurity

HSBC Bank Malta p.l.c. operates in an extensive and complex technology landscape. Cyberattacks may be directed at the local group or at its suppliers and contractors. The local group follows internal policies and procedures, as well as applicable data protection, electronic communications and confidentiality laws and regulations to ensure a consistent, accountable, global approach to cybersecurity.

## Cybersecurity Framework

All employees are required to abide by the Group-wide Cybersecurity Framework, which defines the minimum standards and controls to safeguard customers, colleagues, and connected persons, including: the Group-wide 'defence in depth' approach involving multiple security layers; minimum business and technical controls to help prevent, detect and mitigate cyber threats; procedures for the prompt assessment of the severity of data breaches where such breaches occur, with rapid notification of the impacted individuals and competent authorities in compliance with all applicable laws; and the procedures for cybersecurity incident response.

HSBC Bank Malta p.l.c.'s Chief Operating Officer ('COO') is responsible for making sure the Group Cyber Framework is properly implemented across the local group. The Cybersecurity Framework is available to all employees on HSBC Group's intranet.

Regular updates on key performance indicators, control effectiveness, and other matters related to cybersecurity, including cyber incidents, are presented to the country Risk Management Meeting and the Risk Committee to facilitate ongoing awareness of the cybersecurity control framework.

## Preventative cybersecurity measures and controls

HSBC Bank Malta p.l.c. has adopted preventative measures to minimise cybersecurity risks, with which all employees are expected to comply.

HSBC Bank Malta p.l.c. works in partnership with group-wide teams to upgrade relevant IT systems and invest in mitigating the potential threats of emerging technologies. The local group engages with HSBC Group to improve and adapt its software solutions to the local Maltese context, including Cloud security, identity and access management, metrics and data analytics, and third-party security reviews. The local group's cyber intelligence and threat analysis team continually evaluates threat levels for the most prevalent cyber-attack types and their potential outcomes, and tests controls to help reduce the likelihood and impact of advanced malware, data leakage, exposure through third parties and security vulnerabilities. In addition, HSBC Bank Malta p.l.c., in collaboration with HSBC Continental Europe, proactively collaborates with regulators to participate in regular testing activities.

HSBC Bank Malta p.l.c. actively participates in the group-wide annual Cyber Awareness Month, which covers topics such as online safety at home, social media safety, safe hybrid working, and cyber incidents and response. HSBC Group's dedicated cybersecurity training and awareness team provides a wide range of education and guidance to both customers and HSBC Bank Malta p.l.c. employees about how to identify and prevent online fraud.

HSBC Bank Malta p.l.c. has developed a series of metrics to manage its compliance objectives and to measure its cybersecurity controls' performance, among which is the number of cyber incidents that occur over a period of 12 months. In 2025, no significant cyber incidents<sup>1</sup> were recorded.

Where performance on key metrics is unsatisfactory or would put the local group at risk of non-compliance with regulatory obligations, the issue is escalated to the country Head of IT/ COO, and the country Risk Management Meeting. In addition, HSBC Group reports and reviews Cybersecurity risk and control effectiveness at a group-wide executive level as well as at the HSBC Group non-executive Board level to help ensure there is appropriate visibility and governance of the risk and its mitigating actions.

## Response to cyber threats

The country COO coordinates responses to serious identity theft, misappropriation of funds, damage to personal or professional reputation, threats to personal security and discrimination resulting from cyber-attacks in partnership with dedicated teams at the HSBC Group level. In the event of incidents, the bank's COO is informed by the security operations team and engages in cybersecurity incident response protocols. To date, none of these attacks have had a material impact on the bank's business or operations.

1 Significant cybersecurity incidents are the ones classified as major or extreme according to the HSBC Group Risk Prioritization Matrix.

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

### Climate and environmental objectives<sup>1</sup>

In order to meet the European Union's ('EU') climate and energy ambition 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>2,3,5</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.

These disclosures have been prepared in accordance with Article 8 of the Taxonomy Regulation (EU) 2020/852 ('EU Taxonomy Regulation')<sup>2,3,5</sup> and related Commission Delegated Regulations, including the Taxonomy Disclosure Delegated Act and its subsequent amendments. This includes the amendments introduced by the 2025 Omnibus Delegated Act, effective from 1 January 2026.

The key changes introduced by the Omnibus Delegated Act include the introduction of materiality thresholds and clarifications on the treatment of not-assessed exposures, an updated scope for taxonomy-related key performance indicators, and revisions to the reporting templates, including the removal of separate templates for fossil gas and nuclear activities. The amendments also refine the presentation and calculation of KPIs, including their interaction with the availability of counterparty sustainability information under the NFRD/CSRD<sup>4</sup>.

The disclosures presented explain how the bank's economic activities have been assessed against the EU Taxonomy technical screening criteria and how the results of the assessment are reflected through the key performance indicators ('KPIs') disclosed.

From 1 January 2026, financial undertakings are required to disclose taxonomy-alignment KPIs covering the economic activities set out in the Environmental Delegated Act. In adopting the amended reporting framework, the bank has extended its assessment to include the four non-climate environmental objectives, in addition to the climate objectives, for the 2025 financial year, based on the applicable technical screening criteria and data availability. Therefore the bank's economic activity have assessed against both the Climate Delegated Act and Environmental Delegated Act.

## 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 31 December 2025. Therefore, the bank's EU Taxonomy KPIs comprise assets and activities relating to HSBC Bank Malta p.l.c. and HSBC Global Asset Management (Malta) Limited.

HSBC Life Assurance (Malta) Ltd is excluded from the scope of prudential consolidation.

## KPI: Green Asset Ratio

### 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/EU4 ('NFRD/CSRD<sup>4</sup>).

In line with the revised rules, exposures to non-CSRD counterparties<sup>6</sup> are excluded from both the numerator and denominator of the GAR. However, under the amended reporting framework introduced by the Omnibus Delegated Act, the bank may voluntarily include exposures to non-CSRD counterparties<sup>6</sup> where those counterparties voluntarily report EU Taxonomy KPIs or where there is a known use of proceeds that enables an assessment of taxonomy eligibility and alignment. Where included on this basis, such exposures are reflected consistently in both the denominator and, where aligned, the numerator of the GAR.

The numerator of the GAR includes those covered assets that finance or are associated with EU Taxonomy-aligned economic activities based on the applicable technical screening criteria.

Local government financing is included where the use of proceeds is known and can be assessed against the EU Taxonomy criteria.

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".

The calculation of taxonomy-related KPIs for off-balance-sheet exposures includes financial guarantees granted by the bank and assets under management, where applicable. Consistent with the treatment of on-balance-sheet exposures, exposures to non-CSRD/NFRD counterparties<sup>6</sup> are excluded from both the numerator and denominator of the relevant off-balance-sheet KPIs. Other off-balance-sheet exposures, such as commitments, are excluded from the calculation in accordance with the regulatory requirements.

## 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.

For exposures with a known use of proceeds, including green lending and green bonds, eligibility and alignment are assessed with reference to the financed economic activities. Exposure to green bonds and other debt securities issued by non-CSRD counterparties<sup>6</sup> may also be assessed on this basis where sufficient information is available. Green bonds issued by central governments, central banks and supranational issuers are excluded from the scope of the GAR.

Eligibility and alignment of general purpose lending where the use of proceeds is unknown, have been assessed using the turnover and CapEx eligibility and alignment ratios published in the most recently available annual reports by the bank's counterparties in scope of NFRD/CSRD<sup>4</sup>.

Eligibility and alignment of specific purpose lending, where the use of proceeds is known, such as retail loans collateralised by residential immovable property, building renovation loans, and motor vehicle loans, have been assessed in line with the technical screening criteria established in the EU Taxonomy, comprising 'substantial contribution' and 'do no significant harm' criteria, along with compliance with minimum safeguards, the latter not applicable to households and public authorities.

## Taxonomy non-eligible economic activities

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

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

### Exposures to undertakings not in scope of NFRD/CSRD<sup>4</sup>

Exposures to undertakings that are not obliged to publish non-financial or sustainability information, under NFRD or CSRD<sup>4</sup> respectively, have been excluded from the assessment of Taxonomy-eligible economic activities except where voluntarily included in accordance with the GAR methodology described above. 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, cash, tangible and intangible assets, all of which are excluded from the Taxonomy framework and therefore cannot be assessed for Taxonomy eligibility or alignment. Exposures towards 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 other assets in this reporting period.

Other assets are included in the denominator for the calculation of the GAR.

## 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.

### 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

Trading derivatives are included in the Trading book, as are trading exposures to central governments, central banks and supranational issuers. These are out of scope for the GAR calculation.

## Data limitations

HSBC Bank Malta p.l.c. is dependent on several data sources to determine exposures towards counterparties subject to NFRD/CSRD<sup>4</sup> and subsequently determine Taxonomy information to be reported. Availability of data and improvements in data quality over time, as entities adopt the Taxonomy requirements for their own disclosures, could lead to differences in the data reported in future years when compared to the current reporting period.

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

### Eligibility and alignment by environmental objective.

The taxonomy eligibility split by objective reported by non-financial counterparties is used by HSBC Bank Malta p.l.c. in its assessment and reporting for the year ended 31 December 2025.

For the local group's financial counterparties, the eligibility split by environmental objective is based on counterparty reported data where relevant counterparty information is available.

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

### Non-financial 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 3rd 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.

For issues identified with incomplete data, where sufficient data is available, reasonable assumptions are made. Otherwise reporting is simplified where required or, as a last resort, the data is not used. Where there is sufficient information to identify the cause of a mathematical error, or a reasonable assumption can be taken, mathematical errors are corrected. 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. For example, data is corrected in the case of double counting and reported under one objective only. Total alignment is calculated as a sum of alignment by objective, as opposed to total alignment reported, to ensure that the data sums correctly. Where a counterparty has not reported eligibility data and solely reported alignment, it has been assumed that eligibility matches the alignment KPIs.

The local group has a dependency on counterparty information to make an assessment for EU Taxonomy eligibility and alignment. Where this information is incomplete and deemed not reliable, it has been excluded from the numerator of the bank's GAR calculation.

### Financial counterparty eligibility and alignment data

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

## Report of the Directors

Where the disclosure of weighted average KPIs by financial counterparties was not available or where more than one set of KPIs has been reported, the approach towards which data was considered is set out below. In addition, the sector classification of counterparties is reported in accordance with the local group's FINREP<sup>7</sup> reporting.

In the case of financial conglomerates, the local group considers the Green Asset Ratio; if not available, non-life underwriting KPIs; if not available, the Green Investment Ratio is considered.

In the case of credit institutions, the Green Asset Ratio.

In the case of insurance undertakings, the local group considers non-life underwriting KPIs; if not available, it considers Green Investment Ratios.

In the case of investment companies, the local group considers the Green Asset Ratio related to investment services dealt on own account.

In the case of credit institutions, the Green Asset Ratio or if not available Green Investment KPIs.

Where weighted average KPIs were disclosed by counterparties, they were not sufficiently granular for the local group to satisfy its disclosure requirements. For example, in the case that only total Taxonomy alignment may be reported with no split by objective. In these cases, the weighted average KPIs are used but the same assumptions are applied as for other cases of missing counterparty data, as described above.

### Exposures subject to the Non Financial Reporting Directive/Corporate Sustainability Reporting Directive<sup>4,6</sup>

The CSRD<sup>4</sup> entered into force in January 2023, strengthening the existing rules on non-financial or sustainability reporting introduced in the Accounting Directive by the NFRD/CSRD<sup>4</sup>. It also broadened the scope from EU entities to include non-EU entities, subject to meeting certain criteria. Under the CSRD<sup>4</sup>, entities that satisfy the criteria for the first year of reporting, i.e. entities subject to NFRD/CSRD<sup>4</sup> were expected to report in the 2024 financial year end.

Due to data limitations, in the case of certain counterparties, it has not been possible to assess all the criteria required to determine their NFRD/CSRD<sup>4</sup> status. Instead, reliance has been placed upon data provided by third party vendors. To treat a counterparty as NFRD/CSRD<sup>4</sup>, the counterparty must be assessed as being incorporated in the European Union or European Economic Area and have reported EU Taxonomy eligibility data. Where the data vendor can only provide estimated data, the counterparty is treated as non-NFRD/CSRD<sup>4</sup>.

Where counterparty-level EU Taxonomy KPIs are not available, parent company Taxonomy KPI ratios are used to assess taxonomy eligibility and alignment for both NFRD/CSRD<sup>4</sup> and non- NFRD/CSRD<sup>4</sup> exposures, where relevant.

Where parent company Taxonomy KPIs are disclosed on a mandatory basis, these ratios are used to inform the calculation of exposures to financial and non-financial counterparties reported in rows 3–10 of the GAR template and for the calculation of the off balance sheet KPIs. Where parent company Taxonomy KPIs are disclosed on a voluntary basis, exposures assessed using those ratios are reported separately as voluntary exposures in row 19 of the GAR template.

Parent company Taxonomy KPIs may not be fully representative of subsidiary-level activities. However, due to operational constraints, subsidiary-level Taxonomy KPIs disclosed only in contextual or narrative sections of parent company reports are not used for the purposes of the GAR calculation.

### Household exposures

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. As a result, these exposures are reported as taxonomy-eligible but not taxonomy-aligned.

### Non-climate environmental objectives

In 2023, the EC enacted into law the Commission Delegated Regulation (EU) 2023/2486 ('Environmental Delegated Act') and amendments to the Disclosures Delegated Act introducing new reporting requirements non-climate for the four remaining environmental objectives i.e. i) sustainable use and protection of water and marine resources ('WTR'); ii) transition to a circular economy ('CE'); iii) pollution prevention and control ('PPC'); iv) protection and restoration of biodiversity and ecosystems ('BIO'). This requires both financial and non-financial undertakings to disclose Taxonomy-eligibility information for the remaining environmental objectives from 1 January 2024.

Consequently the 'Total' column in the reported templates includes exposures towards Taxonomy relevant sectors (Taxonomy-eligible) and Taxonomy aligned for all six environmental objectives (CCM, CCA, WTR, CE, PPC and BIO).

In accordance with Article 8 (4) of the Disclosure Delegated Act, financial undertakings shall use the most recently available data and key performance indicators of their counterparties to calculate their own key performance indicators. Although non-financial undertakings are required to disclose the proportion of Taxonomy eligible and Taxonomy-aligned economic activities for the four non-climate environmental objectives, in practice the data is often in a non-standardised format or incomplete. In the case of financial counterparties, the timing for the introduction of such disclosure requirement coincides with that of the local group, in which case the required counterparty data was not available at the time of reporting.

In order to ensure counterparty data is standardised and there is no double counting across objectives, the local group has only used Taxonomy eligibility data for the four non-climate environmental objectives where it has been populated within the EU Taxonomy templates of the bank's non-financial counterparties. The bank's exposures to Taxonomy-eligible economic activities for the four non-climate environmental objectives have been presented in the relevant eligibility columns of the tables. The total eligible amount across all six environmental objectives is presented in the total Taxonomy-eligible column.

In all tables presented, the total columns report eligible and aligned exposures across all six environmental objectives. The total columns for environmentally sustainable (aligned) exposures, only report against the Climate Change Mitigation and Climate Change Adaptation objectives.

- 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) 2014/95/EU and the Accounting Directive 2013/34/EU.
- 5 Commission Delegated Regulation (EU) 2026/73 amending Delegated Regulation.
- 6 For the purposes of these disclosures, references to CSRD counterparties and non-CSRD counterparties reflect whether counterparties are subject to sustainability reporting requirements under the CSRD for the reporting period. This takes into account the phased implementation of CSRD and the availability of sustainability reporting information, including data reported under the Non-Financial Reporting Directive ('NFRD') in the initial phase of CSRD application.
- 7 FINREP (Financial Reporting) is a standardised supervisory reporting system for financial information established by the European Banking Authority (EBA) via Commission Implementing Regulation (EU) 680/2014.

## Report of the Directors

### Summary of KPIs (Template 0)

This template sets out a summary of KPIs required to be disclosed by HSBC Bank Malta p.l.c. as a credit institution, under Article 8 of the Taxonomy regulation. The template disclosed is provided in accordance with Annex VI of Commission Delegated Regulation (EU) 2026/73, which amends the Taxonomy Disclosures Delegated Act but has been modified by adding additional columns and clarifying column headings to clearly distinguish KPIs calculated using counterparty Turnover ratios versus KPIs calculated using counterparty CapEx ratios, both of which are required to be reported by credit institutions.

As the requirements to disclose the Trading book KPI and Fees and Commissions KPI have been deferred until 2028, the corresponding rows are not included in the Summary of KPIs.

A comparative Summary of KPIs (Template 0) has been presented for the 2024 financial year based on the disclosure requirements applicable prior to the amendments introduced by the Omnibus Delegated Act. As explained in the basis of preparation above, the revised framework introduced changes to the scope, calculation methodology and presentation of KPIs. As a result, the 2024 KPIs prepared under the previous rules are not directly comparable to the 2025 KPIs reported under the amended requirements.

To facilitate year-on-year comparison, an additional pro-forma Summary of KPIs (Template 0) has been presented, showing 2024 KPIs recalculated under the revised reporting framework. These pro-forma KPIs are based on 2024 underlying data and exclude the use of parent company ratios and voluntary disclosures.

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

|                 |                               | Total exposure to Taxonomy-aligned activities |             | KPI            | KPI         | % coverage (over total assets) | non assessed exposures (% of covered assets) | non assessed exposures (% of covered assets) |
|-----------------|-------------------------------|---|-------------|----------------|-------------|--------------------------------|--|--|
|                 |                               | Turnover-based                                | CapEx-based | Turnover-based | CapEx-based |                                | Turnover-based                               | CapEx-based                                  |
| At 31 Dec 2025  |                               | €000  | €000        | %              | %           | %                              | %  | %  |
| Main KPI        | Green asset ratio (GAR) stock | 1,721   | 9,262       | 0.08           | 0.44        | 28.27                          |  |  |
|                 |                               | Total exposure to Taxonomy-aligned activities |             | KPI            | KPI         | % coverage (over total assets) | non assessed exposures (% of covered assets) | non assessed exposures (% of covered assets) |
|                 |                               | Turnover-based                                | CapEx-based | Turnover-based | CapEx-based |                                | Turnover-based                               | CapEx-based                                  |
|                 |                               | €000  | €000        | %              | %           | %                              | %  | %  |
| Additional KPIs | GAR (flow)                    | 1,714   | 9,253       | 0.57           | 3.10        | 33.33                          |  |  |
|                 | Financial guarantees          | —   | —           | —              | —           | NA                             |  |  |
|                 | Assets under management       | 9,393   | 15,071      | 6.90           | 11.07       | NA                             |  |  |

#### Template 0: Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation - (as reported prior to amendments introduced by the Omnibus Delegated Act)

|                 |                               | Total environmentally sustainable assets (Based on Turnover) | KPI Based on Turnover KPI of the counterparty | Total environmentally sustainable assets (Based on CapEx) | KPI Based on CapEx KPI of the counterparty | % coverage (over total assets) | % of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V) | % of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V) |
|-----------------|-------------------------------|--|---|---|--|--------------------------------|--|--|
| At 31 Dec 2024  |                               | €000   | %   | €000  | %  | %                              | %  | %  |
| Main KPI        | Green asset ratio (GAR) stock | 1,920  | 0.05  | 1,860   | 0.05                                       | 57.48                          | 26.38  | 42.52  |
|                 |                               | Total environmentally sustainable activities                 | KPI   | €000  | KPI  | % coverage (over total assets) | % of assets excluded from the numerator of the GAR (Article 7 (2) and (3) and Section 1.1.2. of Annex V) | % of assets excluded from the denominator of the GAR (Article 7 (1)) and Section 1.2.4 of Annex V) |
|                 |                               | €000   | %   | €000  | %  | %                              | %  | %  |
| Additional KPIs | GAR (flow)                    | 1.91   | —   | 1.85  | —  | 0.16                           | 0.35   | 0.49   |
|                 | Financial guarantees          | —  | —   | —   | —  |                                |  |  |
|                 | Assets under management       | 6,650  | 1.70  | 7,100   | 1.82                                       |                                |  |  |

## Report of the Directors

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

|                 |                               | Total exposure to Taxonomy-aligned activities |             | % coverage (over total assets) |             |                | non assessed exposures (% of covered assets) | non assessed exposures (% of covered assets) |
|-----------------|-------------------------------|---|-------------|--------------------------------|-------------|----------------|--|--|
|                 |                               | Turnover-based                                | CapEx-based | Turnover-based                 | CapEx-based | Turnover-based | CapEx-based                                  |  |
| At 31 Dec 2024  |                               | €000  | €000        | %                              | %           | %              | %  | %  |
| Main KPI        | Green asset ratio (GAR) stock | 1,920   | 1,860       | 0.05                           | 0.05        | 57.48          |  |  |
|                 |                               | Total exposure to Taxonomy-aligned activities |             | % coverage (over total assets) |             |                | non assessed exposures (% of covered assets) | non assessed exposures (% of covered assets) |
|                 |                               | Turnover-based                                | CapEx-based | Turnover-based                 | CapEx-based | Turnover-based | CapEx-based                                  |  |
|                 |                               | €000  | €000        | %                              | %           | %              | %  | %  |
| Additional KPIs | GAR (flow)                    | 1.91  | 1.85        | —                              | —           | 0.16           |  |  |
|                 | Financial guarantees          | —   | —           | —                              | —           | NA             |  |  |
|                 | Assets under management       | 6,650   | 7,100       | 1.70                           | 1.82        | NA             |  |  |

### Assets for the calculation of GAR – Covered assets (GAR,off-bal) (Template 1)

This template presents assets used in the calculation of the GAR disaggregated by counterparty type and asset class. Total assets are further categorised between covered assets in the numerator, covered assets in the denominator, and assets excluded from the GAR calculation, with eligible and aligned covered assets presented by environmental objective. This template is provided in Annex VI to the Disclosures Delegated Act .

This template has been duplicated to present the information based on each of Turnover and CapEx KPIs reported by HSBC Bank Malta p.l.c.'s counterparties.

The gross carrying amount column excludes impairment allowances for all banking exposures. As a result, Total Assets reported in this template is not equal to Total Assets reported in HSBC Bank Malta p.l.c.'s balance sheet with the difference due to impairment allowances on banking exposures.

Row 26 'SMEs and undertakings (other than SMEs) not subject to NFRD/CSRD<sup>4</sup> disclosure obligations' includes non-NFRD/CSRD financial and non-financial undertakings in the EU, whether or not they are classified as SMEs.

Financial guarantees represent financial guarantees granted by HSBC Bank Malta p.l.c. to support an underlying loan or debt security. The assessment of eligibility and alignment is based on the reported KPIs of the obligor in relation to the underlying loan since information on specific use of proceeds for these loans is not available.

The gross carrying amount presented for Financial Guarantees and Assets Under Management forms the denominator of the respective KPIs and includes only exposures with both NFRD/CSRD<sup>4</sup>.

## Report of the Directors

Template 1. Assets for the calculation of GAR - Based on Counterparty Turnover – (Stock)

|            |  | 31 Dec 2025                |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
|------------|--|----------------------------|---------------------------|---------------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|------------------------|--|---|---|---|
|            |  | a                          | b                         | c                                     | d                               | e                                | f                     | g               | h                                 | i                        | j                     | k                 | l                      | m  | n   | o   | p |
| Stock €000 | Total [gross] carrying amount  | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                 |                                  |                       |                 |                                   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |   |
|            |  |                            |                           | Climate Change Mitigation (CCM)       | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |                          |                       |                   |                        |  |   |   |   |
| 1          | <b>GAR - Covered assets in both numerator and denominator</b>  |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 2          | <b>Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation</b> | 2,109,755                  | 1,848,668                 | 1,721                                 | 1,709                           | 12                               | –                     | –               | –                                 | –                        | –                     | 42                | 908                    |  |   |   |   |
| 3          | <b>Financial undertakings</b>  | 210,717                    | 43,534                    | 754                                   | 742                             | 12                               | –                     | –               | –                                 | –                        | –                     | 32                | 246                    |  |   |   |   |
| 4          | Loans and advances   | 191,247                    | 24,064                    | 754                                   | 742                             | 12                               | –                     | –               | –                                 | –                        | –                     | 32                | 246                    |  |   |   |   |
| 5          | Debt securities, including UoP   | 19,470                     | 19,470                    | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 6          | Equity instruments   | –                          | –                         | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 7          | <b>Non-financial undertakings</b>  | 97,838                     | 4,255                     | 967                                   | 967                             | –                                | –                     | –               | –                                 | –                        | –                     | 10                | 662                    |  |   |   |   |
| 8          | Loans and advances   | 97,838                     | 4,255                     | 967                                   | 967                             | –                                | –                     | –               | –                                 | –                        | –                     | 10                | 662                    |  |   |   |   |
| 9          | Debt securities, including UoP   | –                          | –                         | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 10         | Equity instruments   | –                          | –                         | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 11         | <b>Households</b>  | 1,677,760                  | 1,677,439                 | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 12         | of which loans collateralised by residential immovable property  | 1,673,828                  | 1,673,828                 | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 13         | of which building renovation loans   | 411                        | 411                       | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 14         | of which motor vehicle loans   | 3,521                      | 3,200                     | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 15         | <b>Local governments financing</b>   | 121,124                    | 121,124                   | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 16         | Housing financing  | –                          | –                         | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 17         | Other local government financing   | 121,124                    | 121,124                   | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 18         | <b>Collateral obtained by taking possession: residential and commercial immovable properties</b>       | 2,316                      | 2,316                     | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 19         | <b>Exposures included on a voluntary basis</b>   | –                          | –                         | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |
| 20         | <b>Total GAR assets</b>  | 2,109,755                  |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 21         | <b>Assets not covered for GAR calculation</b>  | 5,352,693                  |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |

## Report of the Directors

Template 1. Assets for the calculation of GAR - Based on Counterparty Turnover – (Stock) (continued)

|   | 31 Dec 2025  |                               |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
|---|--|-------------------------------|----------------------------|---------------------------|---------------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|---|--------------------------|-----------------------|-------------------|------------------------|--|---|---|
|   | a  | b                             | c                          | d                         | e                                     | f                                | g                     | h               | i                                 | j | k                        | l                     | m                 | n                      | o  | p   |   |
|   | Stock €000   | Total [gross] carrying amount | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                  |                       |                 |                                   |   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |
| Climate Change Mitigation (CCM)   |  |                               |                            |                           | Climate Change Adaptation (CCA)       | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |   |                          |                       |                   |                        |  |   |   |
| 22  | <b>Central governments and Supranational issuers</b>                               | 2,473,683                     |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 23  | <b>Central banks exposure</b>  | 951,203                       |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 24  | <b>Trading book</b>  | 5,015                         |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 25  | <b>Undertakings and entities not subject to CSRD</b>                               | 1,015,499                     |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 26  | SMEs and undertakings (other than SMEs) not subject to CSRD disclosure obligations | 978,947                       |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 27  | Loans and advances   | 583,154                       |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 28  | of which loans collateralised by commercial immovable property                     | 269,950                       |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 29  | of which building renovation loans   | —                             |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 30  | Debt securities  | 367,168                       |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 31  | Equity instruments   | 28,625                        |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 32  | Non-EU country counterparties not subject to CSRD disclosure obligations           | 36,552                        |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 33  | Loans and advances   | 9,709                         |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 34  | Debt securities  | 26,843                        |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 35  | Equity instruments   | —                             |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 36  | <b>Derivatives</b>   | 1,198                         |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 37  | <b>On demand interbank loans</b>   | 467,596                       |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 38  | <b>Cash and cash-related assets</b>  | 34,605                        |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 39  | <b>Other categories of assets (e.g. Goodwill, commodities etc.)</b>                | 403,894                       |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 40  | <b>Total assets</b>  | 7,462,448                     |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| <b>Off-balance sheet exposures (stock) to Undertakings subject to CSRD disclosure obligations and local governments</b> |  |                               |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |
| 41  | Financial guarantees   | 10                            | 2                          | —                         | —                                     | —                                | —                     | —               | —                                 | — | —                        | —                     | —                 | —                      | —  | —   | —   |
| 42  | Assets under management  | 136,112                       | 48,935                     | 9,393                     | 8,978                                 | 136                              | 254                   | 25              | —                                 | — | —                        | 189                   | 4,675             | —                      | —  | —   | —   |
| 43  | Of which debt securities   | 107,301                       | 41,062                     | 9,377                     | 8,962                                 | 136                              | 254                   | 25              | —                                 | — | —                        | 187                   | 4,673             | —                      | —  | —   | —   |
| 44  | Of which equity instruments  | 28,811                        | 7,873                      | 16                        | 16                                    | —                                | —                     | —               | —                                 | — | —                        | 2                     | 2                 | —                      | —  | —   | —   |

## Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty CapEx – (Stock)

|  | 31 Dec 2025                   |                            |                           |                                       |                                  |                       |                 |                                   |   |   |                          |                       |                   |                        |  |   |
|--|-------------------------------|----------------------------|---------------------------|---------------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|---|---|--------------------------|-----------------------|-------------------|------------------------|--|---|
|  | a                             | b                          | c                         | d                                     | e                                | f                     | g               | h                                 | i | j | k                        | l                     | m                 | n                      | o  | p   |
|  | Total [gross] carrying amount | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                  |                       |                 |                                   |   |   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) |
| Climate Change Mitigation (CCM)  |                               |                            |                           | Climate Change Adaptation (CCA)       | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |   |   |                          |                       |                   |                        |  |   |
| <b>1 GAR - Covered assets in both numerator and denominator</b>  |                               |                            |                           |                                       |                                  |                       |                 |                                   |   |   |                          |                       |                   |                        |  |   |
| <b>2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation</b> | <b>2,109,755</b>              | <b>1,884,889</b>           | <b>9,262</b>              | <b>9,236</b>                          | <b>26</b>                        | –                     | –               | –                                 | – | – | <b>206</b>               | <b>1,903</b>          |                   |                        |  |   |
| <b>3 Financial undertakings</b>  | <b>210,717</b>                | <b>43,992</b>              | <b>1,351</b>              | <b>1,325</b>                          | <b>26</b>                        | –                     | –               | –                                 | – | – | <b>94</b>                | <b>383</b>            |                   |                        |  |   |
| 4 Loans and advances   | <b>191,247</b>                | <b>24,522</b>              | <b>1,351</b>              | <b>1,325</b>                          | <b>26</b>                        | –                     | –               | –                                 | – | – | <b>94</b>                | <b>383</b>            |                   |                        |  |   |
| 5 Debt securities, including UoP   | <b>19,470</b>                 | <b>19,470</b>              | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| 6 Equity instruments   | –                             | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| <b>7 Non-financial undertakings</b>  | <b>97,838</b>                 | <b>40,018</b>              | <b>7,911</b>              | <b>7,911</b>                          | –                                | –                     | –               | –                                 | – | – | <b>112</b>               | <b>1,520</b>          |                   |                        |  |   |
| 8 Loans and advances   | <b>97,838</b>                 | <b>40,018</b>              | <b>7,911</b>              | <b>7,911</b>                          | –                                | –                     | –               | –                                 | – | – | <b>112</b>               | <b>1,520</b>          |                   |                        |  |   |
| 9 Debt securities, including UoP   | –                             | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| 10 Equity instruments  | –                             | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| <b>11 Households</b>   | <b>1,677,760</b>              | <b>1,677,439</b>           | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| 12 of which loans collateralised by residential immovable property                                       | <b>1,673,828</b>              | <b>1,673,828</b>           | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| 13 of which building renovation loans  | <b>411</b>                    | <b>411</b>                 | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| 14 of which motor vehicle loans  | <b>3,521</b>                  | <b>3,200</b>               | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| <b>15 Local governments financing</b>  | <b>121,124</b>                | <b>121,124</b>             | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| 16 Housing financing   | –                             | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| 17 Other local government financing  | <b>121,124</b>                | <b>121,124</b>             | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |
| <b>18 Collateral obtained by taking possession: residential and commercial immovable properties</b>      | <b>2,316</b>                  | <b>2,316</b>               | –                         | –                                     | –                                | –                     | –               | –                                 | – | – | –                        | –                     |                   |                        |  |   |

## Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty CapEx – (Stock) (continued)

|            |  | 31 Dec 2025      |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
|------------|--|------------------|----------------------------|---------------------------|---------------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|------------------------|--|---|---|
|            |  | a                | b                          | c                         | d                                     | e                               | f                                | g                     | h               | i                                 | j                        | k                     | l                 | m                      | n  | o   | p   |
| Stock €000 | Total (gross) carrying amount  |                  | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                 |                                  |                       |                 |                                   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |
|            |  |                  |                            |                           | Climate Change Mitigation (CCM)       | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |                          |                       |                   |                        |  |   |   |
| 19         | <b>Exposures included on a voluntary basis</b>                                     | –                | –                          | –                         | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      | –  | –   | –   |
| 20         | <b>Total GAR assets</b>  | <b>2,109,755</b> |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 21         | <b>Assets not covered for GAR calculation</b>                                      | <b>5,352,693</b> |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 22         | <b>Central governments and Supranational issuers</b>                               | <b>2,473,683</b> |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 23         | <b>Central banks exposure</b>  | <b>951,203</b>   |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 24         | <b>Trading book</b>  | <b>5,015</b>     |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 25         | <b>Undertakings and entities not subject to CSRD</b>                               | <b>1,015,499</b> |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 26         | SMEs and undertakings (other than SMEs) not subject to CSRD disclosure obligations | <b>978,947</b>   |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 27         | Loans and advances   | <b>583,154</b>   |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 28         | of which loans collateralised by commercial immovable property                     | <b>269,950</b>   |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 29         | of which building renovation loans   | –                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 30         | Debt securities  | <b>367,168</b>   |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 31         | Equity instruments   | <b>28,625</b>    |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 32         | Non-EU country counterparties not subject to CSRD disclosure obligations           | <b>36,552</b>    |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 33         | Loans and advances   | <b>9,709</b>     |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 34         | Debt securities  | <b>26,843</b>    |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 35         | Equity instruments   | –                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 36         | <b>Derivatives</b>   | <b>1,198</b>     |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 37         | <b>On demand interbank loans</b>   | <b>467,596</b>   |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |

## Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty CapEx – (Stock) (continued)

|   |   | 31 Dec 2025                   |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
|---|---|-------------------------------|----------------------------|---------------------------|---------------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|------------------------|--|---|---|
|   |   | a                             | b                          | c                         | d                                     | e                               | f                                | g                     | h               | i                                 | j                        | k                     | l                 | m                      | n  | o   | p   |
|   |   | Total (gross) carrying amount | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                 |                                  |                       |                 |                                   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |
|   |   |                               |                            |                           | Climate Change Mitigation (CCM)       | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |                          |                       |                   |                        |  |   |   |
| 38  | <b>Cash and cash-related assets</b>                                 | <b>34,605</b>                 |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 39  | <b>Other categories of assets (e.g. Goodwill, commodities etc.)</b> | <b>403,894</b>                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 40  | <b>Total assets</b>   | <b>7,462,448</b>              |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| <b>Off-balance sheet exposures (stock) to Undertakings subject to CSRD disclosure obligations and local governments</b> |   |                               |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 41  | Financial guarantees  | 10                            | 3                          | –                         | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      | –  | –   | –   |
| 42  | Assets under management   | 136,112                       | 59,177                     | 15,071                    | 14,675                                | 396                             | –                                | –                     | –               | –                                 | –                        | 3,336                 | 5,542             |                        |  |   |   |
| 43  | Of which debt securities  | 107,301                       | 50,461                     | 15,051                    | 14,655                                | 396                             | –                                | –                     | –               | –                                 | –                        | 3,334                 | 5,539             |                        |  |   |   |
| 44  | Of which equity instruments   | 28,811                        | 8,716                      | 20                        | 20                                    | –                               | –                                | –                     | –               | –                                 | –                        | 2                     | 3                 |                        |  |   |   |

# Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty Turnover – (Flow)

|           |  | 31 Dec 2025                           |                                    |                                     |                          |                 |                                      |   |                          |                       |                   |                        |   |   |   |   |   |
|-----------|--|---------------------------------------|------------------------------------|-------------------------------------|--------------------------|-----------------|--------------------------------------|---|--------------------------|-----------------------|-------------------|------------------------|---|---|---|---|---|
|           |  | a                                     | b                                  | c                                   | d                        | e               | f                                    | g | h                        | i                     | j                 | k                      | l   | m   | n   | o | p |
| Flow €000 | Total [gross] carrying amount<br>of which Taxonomy-eligible<br>of which Taxonomy-aligned               | Breakdown per environmental objective |                                    |                                     |                          |                 |                                      |   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material<br>activities of counterparties | of which exposures financing<br>counterparties reporting in accordance<br>with Article 7(9) | of which not assessed considered non-<br>material by the credit institution |   |   |
|           |  | Climate Change<br>Mitigation (CCM)    | Climate Change<br>Adaptation (CCA) | Water and marine<br>resources (WTR) | Circular economy<br>(CE) | Pollution (PPC) | Biodiversity and<br>Ecosystems (BIO) |   |                          |                       |                   |                        |   |   |   |   |   |
| 1         | <b>GAR - Covered assets in both numerator and denominator</b>  |                                       |                                    |                                     |                          |                 |                                      |   |                          |                       |                   |                        |   |   |   |   |   |
| 2         | <b>Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation</b> | 298,171                               | 60,667                             | 1,714                               | 1,702                    | 12              | –                                    | – | –                        | –                     | –                 | 42                     | 906   |   |   |   |   |
| 3         | <b>Financial undertakings</b>  | 186,625                               | 22,982                             | 747                                 | 735                      | 12              | –                                    | – | –                        | –                     | –                 | 32                     | 244   |   |   |   |   |
| 4         | Loans and advances   | 186,625                               | 22,982                             | 747                                 | 735                      | 12              | –                                    | – | –                        | –                     | –                 | 32                     | 244   |   |   |   |   |
| 5         | Debt securities, including UoP   | –                                     | –                                  | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 6         | Equity instruments   | –                                     | –                                  | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 7         | <b>Non-financial undertakings</b>  | 77,857                                | 3,996                              | 967                                 | 967                      | –               | –                                    | – | –                        | –                     | –                 | 10                     | 662   |   |   |   |   |
| 8         | Loans and advances   | 77,857                                | 3,996                              | 967                                 | 967                      | –               | –                                    | – | –                        | –                     | –                 | 10                     | 662   |   |   |   |   |
| 9         | Debt securities, including UoP   | –                                     | –                                  | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 10        | Equity instruments   | –                                     | –                                  | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 11        | <b>Households</b>  | 16,406                                | 16,406                             | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 12        | of which loans collateralised by residential immovable property  | 14,777                                | 14,777                             | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 13        | of which building renovation loans   | 468                                   | 468                                | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 14        | of which motor vehicle loans   | 1,161                                 | 1,161                              | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 15        | <b>Local governments financing</b>   | 17,283                                | 17,283                             | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 16        | Housing financing  | –                                     | –                                  | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |
| 17        | Other local government financing   | 17,283                                | 17,283                             | –                                   | –                        | –               | –                                    | – | –                        | –                     | –                 | –                      | –   |   |   |   |   |

# Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty Turnover – (Flow) (continued)

|           |   | 31 Dec 2025                   |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
|-----------|---|-------------------------------|----------------------------|---------------------------|---------------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|------------------------|--|---|---|
|           |   | a                             | b                          | c                         | d                                     | e                               | f                                | g                     | h               | i                                 | j                        | k                     | l                 | m                      | n  | o   | p   |
| Flow €000 |   | Total [gross] carrying amount | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                 |                                  |                       |                 |                                   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |
|           |   |                               |                            |                           | Climate Change Mitigation (CCM)       | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |                          |                       |                   |                        |  |   |   |
| 18        | Collateral obtained by taking possession: residential and commercial immovable properties | —                             | —                          | —                         | —                                     | —                               | —                                | —                     | —               | —                                 | —                        | —                     | —                 | —                      | —  | —   | —   |
| 19        | Exposures included on a voluntary basis   | —                             | —                          | —                         | —                                     | —                               | —                                | —                     | —               | —                                 | —                        | —                     | —                 | —                      | —  | —   | —   |
| 20        | <b>Total GAR assets</b>   | <b>298,171</b>                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 21        | <b>Assets not covered for GAR calculation</b>   | <b>596,283</b>                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 22        | Central governments and Supranational issuers   | —                             |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 23        | Central banks exposure  | —                             |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 24        | Trading book  | —                             |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 25        | <b>Undertakings and entities not subject to CSRD</b>                                      | <b>596,283</b>                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 26        | SMEs and undertakings (other than SMEs) not subject to CSRD disclosure obligations        | <b>560,290</b>                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 27        | Loans and advances  | <b>193,935</b>                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 28        | of which loans collateralised by commercial immovable property                            | —                             |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 29        | of which building renovation loans  | —                             |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 30        | Debt securities   | <b>366,354</b>                |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |
| 31        | Equity instruments  | <b>1</b>                      |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |

## Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty Turnover – (Flow) (continued)

|  |  | 31 Dec 2025                |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
|--|--|----------------------------|---------------------------|---------------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|------------------------|--|---|---|---|
|  |  | a                          | b                         | c                                     | d                               | e                                | f                     | g               | h                                 | i                        | j                     | k                 | l                      | m  | n   | o   | p |
| Flow €000  | Total [gross] carrying amount  | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                 |                                  |                       |                 |                                   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |   |
|  |  |                            |                           | Climate Change Mitigation (CCM)       | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |                          |                       |                   |                        |  |   |   |   |
| 32   | Non-EU country counterparties not subject to CSRD disclosure obligations | 35,993                     |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 33   | Loans and advances   | 9,195                      |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 34   | Debt securities  | 26,798                     |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 35   | Equity instruments   | –                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 36   | <b>Derivatives</b>   | –                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 37   | <b>On demand interbank loans</b>   | –                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 38   | <b>Cash and cash-related assets</b>                                      | –                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 39   | <b>Other categories of assets (e.g. Goodwill, commodities etc.)</b>      | –                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 40   | <b>Total assets</b>  | <b>894,454</b>             |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| <b>Off-balance sheet exposures (Flow) to Undertakings subject to CSRD disclosure obligations and local governments</b> |  |                            |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 41   | Financial guarantees   | –                          | –                         | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      | –  | –   | –   | – |
| 42   | Assets under management  | 46,979                     | 17,291                    | 7,225                                 | 6,892                           | 60                               | 271                   | 2               | –                                 | –                        | –                     | 40                | 4,336                  |  |   |   |   |
| 43   | Of which debt securities   | 45,621                     | 16,964                    | 7,225                                 | 6,892                           | 60                               | 271                   | 2               | –                                 | –                        | –                     | 40                | 4,336                  |  |   |   |   |
| 44   | Of which equity instruments  | 1,358                      | 327                       | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      |  |   |   |   |

# Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty CapEx – (Flow)

|           |  | 31 Dec 2025                |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |   |
|-----------|--|----------------------------|---------------------------|---------------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|---|--------------------------|-----------------------|-------------------|------------------------|--|---|---|---|
|           |  | a                          | b                         | c                                     | d                                | e                     | f               | g                                 | h | i                        | j                     | k                 | l                      | m  | n   | o   | p |
| Flow €000 | Total [gross] carrying amount  | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                  |                       |                 |                                   |   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |   |
|           | Climate Change Mitigation (CCM)  |                            |                           | Climate Change Adaptation (CCA)       | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |   |                          |                       |                   |                        |  |   |   |   |
| 1         | <b>GAR - Covered assets in both numerator and denominator</b>  |                            |                           |                                       |                                  |                       |                 |                                   |   |                          |                       |                   |                        |  |   |   |   |
| 2         | <b>Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation</b> | 298,171                    | 84,361                    | 9,253                                 | 9,228                            | 25                    | –               | –                                 | – | –                        | –                     | 205               | 1,901                  |  |   |   |   |
| 3         | <b>Financial undertakings</b>  | 186,625                    | 23,461                    | 1,341                                 | 1,316                            | 25                    | –               | –                                 | – | –                        | –                     | 93                | 380                    |  |   |   |   |
| 4         | Loans and advances   | 186,625                    | 23,461                    | 1,341                                 | 1,316                            | 25                    | –               | –                                 | – | –                        | –                     | 93                | 380                    |  |   |   |   |
| 5         | Debt securities, including UoP   | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 6         | Equity instruments   | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 7         | <b>Non-financial undertakings</b>  | 77,857                     | 27,211                    | 7,912                                 | 7,912                            | –                     | –               | –                                 | – | –                        | –                     | 112               | 1,521                  |  |   |   |   |
| 8         | Loans and advances   | 77,857                     | 27,211                    | 7,912                                 | 7,912                            | –                     | –               | –                                 | – | –                        | –                     | 112               | 1,521                  |  |   |   |   |
| 9         | Debt securities, including UoP   | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 10        | Equity instruments   | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 11        | <b>Households</b>  | 16,406                     | 16,406                    | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 12        | of which loans collateralised by residential immovable property  | 14,777                     | 14,777                    | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 13        | of which building renovation loans   | 468                        | 468                       | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 14        | of which motor vehicle loans   | 1,161                      | 1,161                     | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 15        | <b>Local governments financing</b>   | 17,283                     | 17,283                    | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 16        | Housing financing  | –                          | –                         | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |
| 17        | Other local government financing   | 17,283                     | 17,283                    | –                                     | –                                | –                     | –               | –                                 | – | –                        | –                     | –                 | –                      |  |   |   |   |

## Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty CapEx – (Flow) (continued)

|           |   | 31 Dec 2025                |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
|-----------|---|----------------------------|---------------------------|---------------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|------------------------|--|---|---|---|
|           |   | a                          | b                         | c                                     | d                               | e                                | f                     | g               | h                                 | i                        | j                     | k                 | l                      | m  | n   | o   | p |
| Flow €000 | Total [gross] carrying amount   | of which Taxonomy-eligible | of which Taxonomy-aligned | Breakdown per environmental objective |                                 |                                  |                       |                 |                                   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |   |
|           |   |                            |                           | Climate Change Mitigation (CCM)       | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |                          |                       |                   |                        |  |   |   |   |
| 18        | Collateral obtained by taking possession: residential and commercial immovable properties | —                          | —                         | —                                     | —                               | —                                | —                     | —               | —                                 | —                        | —                     | —                 | —                      | —  | —   | —   | — |
| 19        | Exposures included on a voluntary basis   | —                          | —                         | —                                     | —                               | —                                | —                     | —               | —                                 | —                        | —                     | —                 | —                      | —  | —   | —   | — |
| 20        | <b>Total GAR assets</b>   | <b>298,171</b>             |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 21        | <b>Assets not covered for GAR calculation</b>   | <b>596,283</b>             |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 22        | Central governments and Supranational issuers   | —                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 23        | Central banks exposure  | —                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 24        | Trading book  | —                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 25        | <b>Undertakings and entities not subject to CSRD</b>                                      | <b>596,283</b>             |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 26        | SMEs and undertakings (other than SMEs) not subject to CSRD disclosure obligations        | <b>560,290</b>             |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 27        | Loans and advances  | <b>193,935</b>             |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 28        | of which loans collateralised by commercial immovable property                            | —                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 29        | of which building renovation loans  | —                          |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 30        | Debt securities   | <b>366,354</b>             |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |
| 31        | Equity instruments  | <b>1</b>                   |                           |                                       |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |  |   |   |   |

## Report of the Directors

Template 1. Assets for the calculation of GAR – Based on Counterparty CapEx – (Flow) (continued)

|  |  | 31 Dec 2025                     |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
|--|--|---------------------------------|---------------------------------------|-----------------------|-----------------|-----------------------------------|---|---|---|--------------------------|-----------------------|-------------------|------------------------|--|---|---|---|
|  |  | a                               | b                                     | c                     | d               | e                                 | f | g | h | i                        | j                     | k                 | l                      | m  | n   | o   | p |
| Flow €000  | Total [gross] carrying amount  |                                 |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
|  | of which Taxonomy-eligible   | of which Taxonomy-aligned       | Breakdown per environmental objective |                       |                 |                                   |   |   |   | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures | of which financing non-material activities of counterparties | of which exposures financing counterparties reporting in accordance with Article 7(9) | of which not assessed considered non-material by the credit institution |   |
|  | Climate Change Mitigation (CCM)  | Climate Change Adaptation (CCA) | Water and marine resources (WTR)      | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 32   | Non-EU country counterparties not subject to CSRD disclosure obligations | 35,993                          |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 33   | Loans and advances   | 9,195                           |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 34   | Debt securities  | 26,798                          |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 35   | Equity instruments   | –                               |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 36   | <b>Derivatives</b>   | –                               |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 37   | <b>On demand interbank loans</b>   | –                               |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 38   | <b>Cash and cash-related assets</b>                                      | –                               |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 39   | <b>Other categories of assets (e.g. Goodwill, commodities etc.)</b>      | –                               |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 40   | <b>Total assets</b>  | <b>894,454</b>                  |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| <b>Off-balance sheet exposures (Flow) to Undertakings subject to CSRD disclosure obligations and local governments</b> |  |                                 |                                       |                       |                 |                                   |   |   |   |                          |                       |                   |                        |  |   |   |   |
| 41   | Financial guarantees   | –                               | –                                     | –                     | –               | –                                 | – | – | – | –                        | –                     | –                 | –                      | –  | –   | –   | – |
| 42   | Assets under management  | 46,979                          | 22,233                                | 10,911                | 10,520          | 391                               | – | – | – | –                        | –                     | 3,120             | 3,798                  |  |   |   |   |
| 43   | Of which debt securities   | 45,621                          | 21,780                                | 10,911                | 10,520          | 391                               | – | – | – | –                        | –                     | 3,120             | 3,798                  |  |   |   |   |
| 44   | Of which equity instruments  | 1,358                           | 453                                   | –                     | –               | –                                 | – | – | – | –                        | –                     | –                 | –                      |  |   |   |   |

## Report of the Directors

### GAR Sector information (Template 2)

This template presents eligible and aligned exposures in the banking book covering financial, non-financial counterparties and public sectors entities, broken down by sector of economic activities based on NACE code of the principal activity of the immediate counterparty. The values reported under gross carrying amount represents the taxonomy-eligible amount. The NACE code determining the sector classification of the counterparty represents the principal activity of the counterparty whether Taxonomy eligible or not.

Consequently, there may be inclusion of economic activities with a NACE code which is associated with a non-eligible activity, but where the counterparty reports Taxonomy alignment based on non-principal activities.

In line with the amended reporting framework introduced by the Omnibus Delegated Act, nuclear and gas activities are reported within the main table as dedicated rows 11 and 12, replacing the standalone nuclear and gas templates that applied under the previous framework. These rows present on-balance sheet exposures related to nuclear and gas activities, respectively.

The template has been duplicated to present the information separately based on Turnover and CapEx KPIs as reported by the bank's counterparties.

#### Template 2. GAR sector information – Based on Counterparty Turnover

|    |   | 31 Dec 2025                   |                            |                           |                                 |                                 |                                  |                       |                 |                                   |
|----|---|-------------------------------|----------------------------|---------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|
|    | a   | b                             | c                          | d                         | e                               | f                               | g                                | h                     | i               | j                                 |
|    | Breakdown by sector - NACE 4 digits level (code and label) (€000)                 | Total [Gross] carrying amount | of which Taxonomy eligible | of which Taxonomy aligned | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |
| 1  | O84.13 - Regulation of and contribution to more efficient operation of businesses | 121,124                       | 121,124                    | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 2  | K64.19 - Other monetary intermediation  | 191,247                       | 24,064                     | 754                       | 742                             | 12                              | —                                | —                     | —               | —                                 |
| 3  | U99.00 - Activities of extraterritorial organisations and bodies                  | 19,470                        | 19,470                     | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 4  | D35.14 - Trade of electricity   | 50,922                        | 3,663                      | 967                       | 967                             | —                               | —                                | —                     | —               | —                                 |
| 5  | M70.10 - Activities of head offices   | 43,594                        | 575                        | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 6  | C11.05 - Manufacture of beer  | 3,315                         | 16                         | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 7  | J61.10 - Wired telecommunications activities                                      | 8                             | 2                          | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 8  |   | —                             | —                          | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 9  |   | —                             | —                          | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 10 |   | —                             | —                          | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 11 | Nuclear activities  | —                             | —                          | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 12 | Fossil gas activities   | 350                           | 350                        | —                         | —                               | —                               | —                                | —                     | —               | —                                 |
| 13 | Of which non-assessed exposures   |                               |                            |                           |                                 |                                 |                                  |                       |                 |                                   |

## Report of the Directors

### Template 2. GAR sector information -Based on Counterparty CapEx

|    |   | 31 Dec 2025                            |                                  |                                 |  |  |   |                             |                    |  |  |
|----|---|--|----------------------------------|---------------------------------|--|--|---|-----------------------------|--------------------|--|--|
|    | a   | b                                      | c                                | d                               | e  | f  | g   | h                           | i                  | j  |  |
|    | Breakdown by sector -<br>NACE 4 digits level<br>(code and label) (€000)           | Total<br>[Gross]<br>carrying<br>amount | of which<br>Taxonomy<br>eligible | of which<br>Taxonomy<br>aligned | Climate<br>Change<br>Mitigation<br>(CCM) | Climate<br>Change<br>Adaptation<br>(CCA) | Water and<br>marine<br>resources<br>(WTR) | Circular<br>economy<br>(CE) | Pollution<br>(PPC) | Biodiversity<br>and<br>Ecosystems<br>(BIO) |  |
| 1  | O84.13 - Regulation of and contribution to more efficient operation of businesses | 121,124                                | 121,124                          | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 2  | M70.10 - Activities of head offices   | 43,594                                 | 28,076                           | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 3  | K64.19 - Other monetary intermediation  | 191,247                                | 24,522                           | 1,351                           | 1,325                                    | 26                                       | —   | —                           | —                  | —  |  |
| 4  | U99.00 - Activities of extraterritorial organisations and bodies                  | 19,470                                 | 19,470                           | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 5  | D35.14 - Trade of electricity   | 50,922                                 | 10,618                           | 7,911                           | 7,911                                    | —  | —   | —                           | —                  | —  |  |
| 6  | C11.05 - Manufacture of beer  | 3,315                                  | 1,321                            | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 7  | J61.10 - Wired telecommunications activities                                      | 8                                      | 3                                | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 8  |   | —                                      | —                                | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 9  |   | —                                      | —                                | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 10 |   | —                                      | —                                | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 11 | <b>Nuclear activities</b>   | —                                      | —                                | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 12 | <b>Fossil gas activities</b>  | 1,511                                  | 1,511                            | —                               | —  | —  | —   | —                           | —                  | —  |  |
| 13 | <b>Of which non-assessed exposures</b>  | —                                      | —                                | —                               | —  | —  | —   | —                           | —                  | —  |  |

## GAR KPI stock (Template 3)

This template presents eligible and aligned exposures as a proportion of total covered assets by Taxonomy environmental objective. The template has been duplicated to present information separately based on Turnover and CapEx KPIs as reported by the bank's counterparties. The bank's approach towards disclosing GAR KPI ratios in this template is based on the amounts of covered assets disclosed in Template 1, whereby each ratio's denominator is equal to the bank's total covered assets.

This is in line with both guidance provided in the headers to Template 3, and also in line with section 1.2.1.1 of the Disclosures Delegated Act, applicable to exposures to non-financial undertakings. In this respect, it is specified that the denominator of the GAR should be extended to include "all other covered on-balance sheet assets". This approach has been applied throughout Template 3 towards all relevant ratios disclosed.

Template 3. GAR KPI stock – Based on Counterparty Turnover

|   |  | 31 Dec 2025                           |                                 |                                  |                       |                 |                                   |                          |                       |   |             |   |                        |   |
|---|--|---------------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|---|-------------|---|------------------------|---|
|   |  | a                                     | b                               | c                                | d                     | e               | f                                 | g                        | h                     | i | j           | k   | l                      | m |
| % (compared to corresponding total covered assets in the denominator) | Taxonomy-eligible  | Breakdown per environmental objective |                                 |                                  |                       |                 |                                   |                          |                       |   |             | of which enabling Proportion of Taxonomy aligned in Taxonomy eligible | Non-assessed exposures |   |
|   | Taxonomy aligned   | Climate Change Mitigation (CCM)       | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) | of which Use of Proceeds | of which transitional |   |             |   |                        |   |
|   | %  | %                                     | %                               | %                                | %                     | %               | %                                 | %                        | %                     | % | %           | %   | %                      | % |
| 1   | <b>GAR - Covered assets in both numerator and denominator</b>  |                                       |                                 |                                  |                       |                 |                                   |                          |                       |   |             |   |                        |   |
| 2   | <b>Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation</b> | <b>87.62</b>                          | <b>0.08</b>                     | <b>0.08</b>                      | –                     | –               | –                                 | –                        | –                     | – | –           | <b>0.04</b>   | <b>0.09</b>            |   |
| 3   | <b>Financial undertakings</b>  | <b>20.66</b>                          | <b>0.36</b>                     | <b>0.35</b>                      | <b>0.01</b>           | –               | –                                 | –                        | –                     | – | <b>0.02</b> | <b>0.12</b>   | <b>1.73</b>            |   |
| 4   | Loans and advances   | <b>12.58</b>                          | <b>0.39</b>                     | <b>0.38</b>                      | <b>0.01</b>           | –               | –                                 | –                        | –                     | – | <b>0.02</b> | <b>0.13</b>   | <b>3.13</b>            |   |
| 5   | Debt securities, including UoP   | <b>100.00</b>                         | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 6   | Equity instruments   | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 7   | <b>Non-financial undertakings</b>  | <b>4.35</b>                           | <b>0.99</b>                     | <b>0.99</b>                      | –                     | –               | –                                 | –                        | –                     | – | <b>0.01</b> | <b>0.68</b>   | <b>22.73</b>           |   |
| 8   | Loans and advances   | <b>4.35</b>                           | <b>0.99</b>                     | <b>0.99</b>                      | –                     | –               | –                                 | –                        | –                     | – | <b>0.01</b> | <b>0.68</b>   | <b>22.73</b>           |   |
| 9   | Debt securities, including UoP   | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 10  | Equity instruments   | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 11  | <b>Households</b>  | <b>99.98</b>                          | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 12  | of which loans collateralised by residential immovable property  | <b>100.00</b>                         | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 13  | of which building renovation loans   | <b>100.00</b>                         | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 14  | of which motor vehicle loans   | <b>90.88</b>                          | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 15  | <b>Local governments financing</b>   | <b>100.00</b>                         | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 16  | Housing financing  | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 17  | Other local government financing   | <b>100.00</b>                         | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 18  | <b>Collateral obtained by taking possession: residential and commercial immovable properties</b>       | <b>100.00</b>                         | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 19  | <b>Exposures included on a voluntary basis</b>   | –                                     | –                               | –                                | –                     | –               | –                                 | –                        | –                     | – | –           | –   | –                      |   |
| 20  | <b>GAR - Total GAR assets</b>  | <b>87.62</b>                          | <b>0.08</b>                     | <b>0.08</b>                      | –                     | –               | –                                 | –                        | –                     | – | –           | <b>0.04</b>   | <b>0.09</b>            |   |

# Report of the Directors

## Template 3. GAR KPI stock – Based on Counterparty CapEx

|   |  | 31 Dec 2025                           |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |   |                        |   |
|---|--|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|---|------------------------|---|
|   |  | a                                     | b                               | c                               | d                                | e                     | f               | g                                 | h                        | i                     | j                 | k   | l                      | m |
| % (compared to corresponding total covered assets in the denominator) | Taxonomy-eligible  | Breakdown per environmental objective |                                 |                                 |                                  |                       |                 |                                   | of which Use of Proceeds | of which transitional | of which enabling | Proportion of Taxonomy aligned in Taxonomy eligible | Non-assessed exposures |   |
|   | %  | Taxonomy aligned                      | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) |                          |                       |                   |   |                        | % |
| 1   | <b>GAR - Covered assets in both numerator and denominator</b>  |                                       |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |   |                        |   |
| 2   | <b>Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation</b> | 89.34                                 | 0.44                            | 0.44                            | –                                | –                     | –               | –                                 | –                        | –                     | 0.01              | 0.09  | 0.49                   |   |
| 3   | <b>Financial undertakings</b>  | 20.88                                 | 0.64                            | 0.63                            | 0.01                             | –                     | –               | –                                 | –                        | –                     | 0.04              | 0.18  | 3.07                   |   |
| 4   | Loans and advances   | 12.82                                 | 0.71                            | 0.70                            | 0.01                             | –                     | –               | –                                 | –                        | –                     | 0.05              | 0.20  | 5.51                   |   |
| 5   | Debt securities, including UoP   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 6   | Equity instruments   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 7   | <b>Non-financial undertakings</b>  | 40.90                                 | 8.09                            | 8.09                            | –                                | –                     | –               | –                                 | –                        | –                     | 0.11              | 1.55  | 19.77                  |   |
| 8   | Loans and advances   | 40.90                                 | 8.09                            | 8.09                            | –                                | –                     | –               | –                                 | –                        | –                     | 0.11              | 1.55  | 19.77                  |   |
| 9   | Debt securities, including UoP   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 10  | Equity instruments   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 11  | <b>Households</b>  | 99.98                                 | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 12  | of which loans collateralised by residential immovable property  | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 13  | of which building renovation loans   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 14  | of which motor vehicle loans   | 90.88                                 | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 15  | <b>Local governments financing</b>   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 16  | Housing financing  | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 17  | Other local government financing   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 18  | <b>Collateral obtained by taking possession: residential and commercial immovable properties</b>       | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 19  | <b>Exposures included on a voluntary basis</b>   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 20  | <b>GAR - Total GAR assets</b>  | 89.34                                 | 0.44                            | 0.44                            | –                                | –                     | –               | –                                 | –                        | –                     | 0.01              | 0.09  | 0.49                   |   |

## GAR KPI flow (Template 4)

This template presents the flow of eligible and aligned exposures as a proportion of total new covered assets by Taxonomy environmental objective.

In accordance with applicable Taxonomy guidance, flow is defined as the gross carrying amount of newly incurred exposures (i.e. new loans and advances, debt securities, equity instruments) that have been incurred during the year, without deducting the amounts of loan repayments or disposals of debt securities or equity instruments that have occurred during the year. Such guidance also clarifies that banks should not compute the numerator and the denominator of the flow KPI as exposures on the disclosure reference date (T) minus exposures on the disclosure reference date (T-1).

Data challenges for certain asset classes mean that, in the case of the current reporting period, a calculation of the flow in line with Taxonomy regulatory text and guidance mentioned above is not entirely practicable, considering challenges around sourcing loan origination dates for certain products.

The flow is calculated for each line item based on a hierarchy of preference. Firstly, where loan signature dates and origination amounts are available, the gross carrying amount of newly incurred exposures by transaction or customer is calculated without deducting repayments or disposals. As the starting point to identify new loans granted during the year is the stock of loans at 31 December 2025, it is possible that some loans both granted and repaid during 2025 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.

Where signature dates and origination amounts are not available, flow is calculated as the exposure at date (T) minus the exposure at date (T-1) by individual transaction or customer or internal sub-classification level, defaulting to zero where the result is negative. This approach is also used for overdrafts and other revolving credit facilities, as multiple drawings and repayments in the period could result in a disproportionately high gross flow which is a multiple of that of the stock, and in any case, it is not practicable or possible to identify every individual drawing through the year.

For certain categories of assets, such as settlement accounts and items in the course of collection from other banks, the flow calculation is not considered relevant and as such, these exposures are excluded from the flow calculation. These exposures do not finance taxonomy eligible or aligned activities.

### Template 4. GAR KPI flow – Based on Counterparty Turnover

|   |  | 31 Dec 2025                           |                                 |                                 |                                  |                       |                 |                                   |                 |                       |                   |   |                        |   |
|---|--|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|-----------------|-----------------------|-------------------|---|------------------------|---|
|   |  | a                                     | b                               | c                               | d                                | e                     | f               | g                                 | h               | i                     | j                 | k   | l                      | m |
|   |  | Breakdown per environmental objective |                                 |                                 |                                  |                       |                 |                                   |                 |                       |                   |   |                        |   |
| % (compared to corresponding total covered assets in the denominator) | Taxonomy-eligible  | Taxonomy aligned                      | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and ecosystems (BIO) | Use of Proceeds | of which transitional | of which enabling | Proportion of Taxonomy aligned in Taxonomy eligible | Non-assessed exposures |   |
|   | %  | %                                     | %                               | %                               | %                                | %                     | %               | %                                 | %               | %                     | %                 | %   | %                      |   |
| 1   | <b>GAR - Covered assets in both numerator and denominator</b>  |                                       |                                 |                                 |                                  |                       |                 |                                   |                 |                       |                   |   |                        |   |
| 2   | <b>Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation</b> | 20.35                                 | 0.57                            | 0.57                            | –                                | –                     | –               | –                                 | –               | 0.01                  | 0.30              | 2.83  |                        |   |
| 3   | <b>Financial undertakings</b>  | 12.31                                 | 0.40                            | 0.39                            | 0.01                             | –                     | –               | –                                 | –               | 0.02                  | 0.13              | 3.25  |                        |   |
| 4   | Loans and advances   | 12.31                                 | 0.40                            | 0.39                            | 0.01                             | –                     | –               | –                                 | –               | 0.02                  | 0.13              | 3.25  |                        |   |
| 5   | Debt securities, including UoP   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 6   | Equity instruments   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 7   | <b>Non-financial undertakings</b>  | 5.13                                  | 1.24                            | 1.24                            | –                                | –                     | –               | –                                 | –               | 0.01                  | 0.85              | 24.20   |                        |   |
| 8   | Loans and advances   | 5.13                                  | 1.24                            | 1.24                            | –                                | –                     | –               | –                                 | –               | 0.01                  | 0.85              | 24.20   |                        |   |
| 9   | Debt securities, including UoP   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 10  | Equity instruments   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 11  | <b>Households</b>  | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 12  | of which loans collateralised by residential immovable property  | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 13  | of which building renovation loans   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 14  | of which motor vehicle loans   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 15  | <b>Local governments financing</b>   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 16  | Housing financing  | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |
| 17  | Other local government financing   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –               | –                     | –                 | –   | –                      |   |

## Report of the Directors

Template 4. GAR KPI flow – Based on Counterparty Turnover (continued)

|   |   | 31 Dec 2025                           |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |   |                        |   |
|---|---|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|---|------------------------|---|
|   |   | a                                     | b                               | c                               | d                                | e                     | f               | g                                 | h                        | i                     | j                 | k   | l                      | m |
|   |   | Breakdown per environmental objective |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |   |                        |   |
| % (compared to corresponding total covered assets in the denominator) | Taxonomy-eligible   | Taxonomy aligned                      | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) | of which Use of Proceeds | of which transitional | of which enabling | Proportion of Taxonomy aligned in Taxonomy eligible | Non-assessed exposures |   |
|   | %   | %                                     | %                               | %                               | %                                | %                     | %               | %                                 | %                        | %                     | %                 | %   | %                      |   |
| 18  | Collateral obtained by taking possession: residential and commercial immovable properties | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      | – |
| 19  | Exposures included on a voluntary basis   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      | – |
| 20  | <b>GAR – Total GAR assets</b>   | <b>20.35</b>                          | <b>0.57</b>                     | <b>0.57</b>                     | –                                | –                     | –               | –                                 | –                        | <b>0.01</b>           | <b>0.30</b>       | <b>2.83</b>   |                        |   |

Template 4. GAR KPI flow – Based on Counterparty CapEx

|   |  | 31 Dec 2025                           |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |   |                        |   |
|---|--|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|---|------------------------|---|
|   |  | a                                     | b                               | c                               | d                                | e                     | f               | g                                 | h                        | i                     | j                 | k   | l                      | m |
|   |  | Breakdown per environmental objective |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |   |                        |   |
| % (compared to corresponding total covered assets in the denominator) | Taxonomy-eligible  | Taxonomy aligned                      | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) | of which Use of Proceeds | of which transitional | of which enabling | Proportion of Taxonomy aligned in Taxonomy eligible | Non-assessed exposures |   |
|   | %  | %                                     | %                               | %                               | %                                | %                     | %               | %                                 | %                        | %                     | %                 | %   | %                      |   |
| 1   | <b>GAR - Covered assets in both numerator and denominator</b>  |                                       |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |   |                        |   |
| 2   | <b>Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation</b> | <b>28.29</b>                          | <b>3.10</b>                     | <b>3.09</b>                     | <b>0.01</b>                      | –                     | –               | –                                 | –                        | –                     | <b>0.07</b>       | <b>0.64</b>   | <b>10.97</b>           |   |
| 3   | <b>Financial undertakings</b>  | <b>12.57</b>                          | <b>0.72</b>                     | <b>0.71</b>                     | <b>0.01</b>                      | –                     | –               | –                                 | –                        | –                     | <b>0.05</b>       | <b>0.20</b>   | <b>5.72</b>            |   |
| 4   | Loans and advances   | 12.57                                 | 0.72                            | 0.71                            | 0.01                             | –                     | –               | –                                 | –                        | –                     | 0.05              | 0.20  | 5.72                   |   |
| 5   | Debt securities, including UoP   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 6   | Equity instruments   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 7   | <b>Non-financial undertakings</b>  | <b>34.95</b>                          | <b>10.16</b>                    | <b>10.16</b>                    | –                                | –                     | –               | –                                 | –                        | –                     | <b>0.14</b>       | <b>1.95</b>   | <b>29.07</b>           |   |
| 8   | Loans and advances   | 34.95                                 | 10.16                           | 10.16                           | –                                | –                     | –               | –                                 | –                        | –                     | 0.14              | 1.95  | 29.07                  |   |
| 9   | Debt securities, including UoP   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 10  | Equity instruments   | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 11  | <b>Households</b>  | <b>100.00</b>                         | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 12  | of which loans collateralised by residential immovable property  | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 13  | of which building renovation loans   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 14  | of which motor vehicle loans   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 15  | <b>Local governments financing</b>   | <b>100.00</b>                         | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 16  | Housing financing  | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 17  | Other local government financing   | 100.00                                | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 18  | Collateral obtained by taking possession: residential and commercial immovable properties              | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 19  | Exposures included on a voluntary basis  | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –   | –                      |   |
| 20  | <b>GAR – Total GAR assets</b>  | <b>28.29</b>                          | <b>3.10</b>                     | <b>3.09</b>                     | <b>0.01</b>                      | –                     | –               | –                                 | –                        | –                     | <b>0.07</b>       | <b>0.64</b>   | <b>10.97</b>           |   |

## KPI off-balance sheet exposures (Template 5)

This template presents eligible and aligned off-balance sheet exposures as a proportion of all financial guarantees or total assets under management as applicable.

In the case of managed funds, look-through to the underlying investments has been undertaken to identify those investments that are subject to NFRD/CSRD where eligibility and alignment can be assessed. Where the underlying investments are themselves funds and where information regarding these underlying investments is not available, these funds are treated as non-NFRD/CSRD.

For the managed funds, the proportion of debt and equity, as well as the eligibility and alignment assessment, has been performed based on the underlying investments as at 31 December 2025. However, where information is not available, the underlying investments as at 30 November 2025 have been used

The template has been duplicated to present the information separately based on both the stock and flow for both Turnover and CapEx KPIs as reported by the bank's counterparties and has also been duplicated to present the information separately based on the flow of financial guarantees and assets under management.

As for the on-balance sheet flow presented in Template 4, the methodology to calculate flow for assets under management aims to calculate new exposures by gross carrying amount, and not compute the flow as exposures on the disclosure reference date (T) minus exposures on the disclosure reference date (T-1). The methodology applied is dependent on data availability across the funds being managed by HSBC Bank Malta p.l.c. For the majority of funds, where data availability allows, flow has been calculated as units purchased through the year by individual ISIN or legal entity identifier, multiplied by actual purchase price for each respective unit. Where this is not possible, the next approach applied is to calculate flow as total units purchased through the year by individual ISIN or legal entity identifier multiplied by a proxy price based on the year end market value. For a small number of funds, where the previous two approaches were not possible, flow has been calculated as number of units at (T) minus number of units at (T-1), multiplied by a proxy price based on the year end market value.

Template 5. KPI off-balance sheet exposures – Based on Counterparty Turnover – (Stock)

|  |                                    | 31 Dec 2025                           |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |   |
|--|------------------------------------|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|------------------------|---|
|  |                                    | a                                     | b                               | c                               | d                                | e                     | f               | g                                 | h                        | i                     | j                 | k                      | l |
| % (compared to corresponding total off-balance sheet assets) | Taxonomy eligible                  | Breakdown per environmental objective |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |   |
|  |                                    | Taxonomy aligned                      | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures |   |
|  | %                                  | %                                     | %                               | %                               | %                                | %                     | %               | %                                 | %                        | %                     | %                 | %                      | % |
| 1  | Financial guarantees (FinGuar KPI) | 19.28                                 | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      | – |
| 2  | Assets under management (AuM KPI)  | 35.95                                 | 6.90                            | 6.59                            | 0.10                             | 0.19                  | 0.02            | –                                 | –                        | –                     | 0.14              | 3.43                   | – |

Template 5. KPI off-balance sheet exposures – Based on Counterparty CapEx – (Stock)

|  |                                    | 31 Dec 2025                           |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |   |
|--|------------------------------------|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|------------------------|---|
|  |                                    | a                                     | b                               | c                               | d                                | e                     | f               | g                                 | h                        | i                     | j                 | k                      | l |
| % (compared to corresponding total off-balance sheet assets) | Taxonomy eligible                  | Breakdown per environmental objective |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |                        |   |
|  |                                    | Taxonomy aligned                      | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) | of which Use of Proceeds | of which transitional | of which enabling | Non-assessed exposures |   |
|  | %                                  | %                                     | %                               | %                               | %                                | %                     | %               | %                                 | %                        | %                     | %                 | %                      | % |
| 1  | Financial guarantees (FinGuar KPI) | 33.28                                 | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                      | – |
| 2  | Assets under management (AuM KPI)  | 43.48                                 | 11.07                           | 10.78                           | 0.29                             | –                     | –               | –                                 | –                        | –                     | 2.45              | 4.07                   | – |

## Report of the Directors

Template 5. KPI off-balance sheet exposures – Based on Counterparty Turnover – (Flow)

|  |                                    | 31 Dec 2025                           |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |                         |   |
|--|------------------------------------|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|-------------------------|---|
|  |                                    | a                                     | b                               | c                               | d                                | e                     | f               | g                                 | h                        | i                     | j                 | k                       | l |
| % (compared to corresponding total off-balance sheet assets) | Taxonomy eligible                  | Breakdown per environmental objective |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |                         |   |
|  |                                    | Taxonomy aligned                      | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) | of which Use of Proceeds | of which transitional | of which enabling | Non-assess-ed exposures |   |
|  | %                                  | %                                     | %                               | %                               | %                                | %                     | %               | %                                 | %                        | %                     | %                 | %                       | % |
| 1  | Financial guarantees (FinGuar KPI) | 19.28                                 | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                       | – |
| 2  | Assets under management (AuM KPI)  | 35.95                                 | 6.90                            | 6.59                            | 0.10                             | 0.19                  | 0.02            | –                                 | –                        | –                     | 0.14              | 3.43                    |   |

Template 5. KPI off-balance sheet exposures – Based on Counterparty CapEx – (Flow)

|  |                                    | 31 Dec 2025                           |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |                         |   |
|--|------------------------------------|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|-----------------|-----------------------------------|--------------------------|-----------------------|-------------------|-------------------------|---|
|  |                                    | a                                     | b                               | c                               | d                                | e                     | f               | g                                 | h                        | i                     | j                 | k                       | l |
| % (compared to corresponding total off-balance sheet assets) | Taxonomy eligible                  | Breakdown per environmental objective |                                 |                                 |                                  |                       |                 |                                   |                          |                       |                   |                         |   |
|  |                                    | Taxonomy aligned                      | Climate Change Mitigation (CCM) | Climate Change Adaptation (CCA) | Water and marine resources (WTR) | Circular economy (CE) | Pollution (PPC) | Biodiversity and Ecosystems (BIO) | of which Use of Proceeds | of which transitional | of which enabling | Non-assess-ed exposures |   |
|  | %                                  | %                                     | %                               | %                               | %                                | %                     | %               | %                                 | %                        | %                     | %                 | %                       | % |
| 1  | Financial guarantees (FinGuar KPI) | –                                     | –                               | –                               | –                                | –                     | –               | –                                 | –                        | –                     | –                 | –                       | – |
| 2  | Assets under management (AuM KPI)  | 47.33                                 | 23.23                           | 22.40                           | 0.83                             | –                     | –               | –                                 | –                        | –                     | 6.64              | 8.09                    |   |

## Financial Crime Compliance

In 2025, the bank continued to apply a strong financial crime risk management control framework, and sustain its capability through ongoing training, oversight and governance. We believe that the enforcement of high compliance standards is a competitive advantage, and is essential to our success and that of the jurisdiction.

### Anti-bribery and corruption

HSBC Bank Malta p.l.c. and the wider HSBC Group remain committed to maintaining high standards of ethical behaviour and have zero tolerance towards bribery and corruption. HSBC complies with all anti-bribery and corruption laws in all markets and jurisdictions including the UK Bribery Act, US Foreign Corrupt Practices and Hong Kong Prevention of Bribery Ordinance.

HSBC Bank Malta p.l.c. adheres to the HSBC Group Anti-Bribery and Corruption compliance programme and policies which are overseen by the HSBC Holdings plc Board. HSBC requires all employees, including the Board of Directors and Associated Persons, to comply with the principles in the policy in the performance of their services for or on behalf of HSBC.

All HSBC entities and individuals are required by Group Policy to apply controls in order to protect against bribery and corruption risks. All HSBC employees undergo mandatory Anti-Bribery and Corruption training annually. HSBC also maintains clear whistle blowing policies and processes, to ensure that individuals can confidentially report concerns with no fear of retribution, confident that they will be investigated and remediated appropriately.

As part of its risk management, the bank performs an annual assessment of the anti-bribery and corruption inherent and residual risk to understand if any new risks have been identified and ratings revisited accordingly. Risk evaluation takes into consideration various pillars related to anti-bribery and corruption including Employee, Third Party, Strategic and Customer Risks.

## Risk management

### Our Approach to Risk Management

We recognise the importance of a strong risk culture, which refers to our shared attitudes, values and standards that shape behaviours related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board.

We seek to build our business for the long term by balancing social, environmental and economic considerations in the decisions we make. Our strategic priorities are underpinned by our endeavour to operate in a sustainable way. This helps us to carry out our social responsibility and manage the risk profile of the business. We are committed to managing and mitigating climate and environmental-related risks, and continue to incorporate consideration of these into how we manage and oversee risks internally and with our customers.

The following principles guide the local group's overarching appetite for risk and determine how our businesses and risks are managed.

### Financial position

We aim to maintain a strong capital position, defined by regulatory and internal capital ratios. We carry out liquidity and funding management on a stand-alone basis.

### Operating model

We seek to generate returns in line with our risk appetite and strong risk management capability. We aim to deliver sustainable and diversified earnings as well as consistent returns for shareholders.

### Business practice

We have zero tolerance for any of our people knowingly engaging in any business, activity or association where foreseeable reputational risk or damage has not been considered and/or mitigated. We have no appetite for deliberately or knowingly causing detriment to consumers or incurring a breach of the letter or spirit of regulatory requirements.

# Report of the Directors

We have no appetite for inappropriate market conduct by any employee. We are committed to managing the climate and environmental risks that could have a negative impact on our financial position and delivering on our net zero ambition.

## Enterprise-wide application

Our risk appetite includes consideration of financial and non-financial risks and is expressed in both quantitative and qualitative terms.

The Risk Appetite Statement is approved by the Board following advice from the Risk Committee and is a key component of the risk management framework, with the Risk Map report.

Setting out a risk appetite statement ensures that planned business activities provide an appropriate balance of return for the risk being taken, and that a suitable level of risk for our strategy is defined. In this way, a risk appetite statement facilitates the financial planning process and helps senior management of the bank to allocate capital to business activities, services and products.

The business performance against these risk appetite metrics is reviewed on a frequent basis in the Risk Management Meeting and quarterly in the Risk Committee and Board. Details of metrics that have fallen outside of the appetite/tolerance are provided, along with remediating actions. This reporting allows risks to be promptly identified and mitigated.

## Risk Management

We recognise that the primary role of risk management is to protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth. This is supported by our three lines of defence model.

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our culture and values. This is outlined in our risk management framework, including the key principles, policies and practices that we employ in managing material risks, both financial and non-financial. The framework fosters continual monitoring, promotes risk awareness, and encourages a sound operational and strategic decision-making and escalation process. It also supports a consistent approach to defining, identifying, assessing, managing, and reporting the risks we accept and incur in our activities, with clear accountabilities. We continue to actively review and develop our risk management framework and enhance our approach to managing risk, through our activities with regard to people and capabilities; governance; reporting and management information; credit risk management models; and data.

Risk and Compliance is independent from the global businesses, including our sales and trading functions, to provide challenge, oversight, and appropriate balance in risk/reward decisions.

The local group is exposed to a mixed blend of risks and hence operates a risk management strategy with the objective of controlling and minimising their impact on the financial performance and position of the local group. An established risk governance framework and ownership structure ensures oversight of accountability for the effective management of risk. This framework fosters the continuous monitoring of the risk environment and an integrated evaluation of risks and their interactions. This framework is designed to provide appropriate risk monitoring and assessment.

## Risk appetite

Our risk appetite defines our desired forward-looking risk profile and informs the strategic and financial planning process. It provides an anchor between our lines of business and the Risk and Finance functions, helping to enable our senior management to allocate capital, funding and liquidity optimally to finance growth, while monitoring exposure and the cost impacts of managing non-financial risks. It also helps to develop aligned people and system capabilities.

The Board sets the local group's strategy, risk appetite, operating plans and performance ambitions, thereby playing an essential role in embedding a risk culture within the organisation. The Board delegates the day-to-day risk management responsibilities to individuals within the senior management team. These individuals are accountable for their assigned risks, and report and escalate as necessary through the risk governance structures.

Our risk appetite is expressed in both quantitative and qualitative terms.

The Board reviews and approves the bank's risk appetite to make sure it remains fit for purpose. Risk appetite is considered, developed and enhanced through:

- risks that we accept as part of doing business, such as credit risk, market risk, and treasury risk, which are controlled through both active risk management and our risk appetite;
- risks that we incur as part of doing business, such as non-financial risks, which are actively managed to remain within an acceptable appetite;
- an alignment with our strategy, purpose, values and customer needs;
- trends highlighted in other risk reports;
- communication with risk stewards on the developing risk landscape;
- strength of our capital, liquidity and balance sheet;
- compliance with applicable laws and regulations;
- effectiveness of the applicable control environment to mitigate risk, informed by risk ratings from risk control assessments;
- functionality, capacity and resilience of available systems to manage risk; and
- the level of available employees with the required competencies to manage risks.

We formally articulate our risk appetite through our Risk Appetite Statement ('RAS'). Setting out our risk appetite ensures that we agree a suitable level of risk for our strategy. In this way, risk appetite informs our financial planning process and helps senior management to allocate capital to business activities, services and products.

The RAS consists of qualitative statements and quantitative metrics, covering financial and non-financial risks. It is applied to the development of business line strategies, strategic and business planning and remuneration and reported to the Risk Management Meeting ('RMM') alongside key risk indicators to support ambition insight and discussion on breaches of risk appetite and associated mitigating actions. This reporting allows risks to be promptly identified and mitigated, and escalated to the Risk Committee and Board.

## Top and emerging risks

The bank uses a top and emerging risks process to provide a forward looking view of issues with the potential to threaten the execution of its strategy or operations over the medium to long term.

We proactively assess the internal and external risk environment, as well as review the themes identified for any risks that may require escalation. The local group updates its top and emerging risks as necessary.

## Our risk management framework

The following diagram and descriptions summarise key aspects of the risk management framework, including governance, structure, risk management tools and our culture, which together help align employee behaviour with risk appetite.

# Report of the Directors

## Key components of our risk management framework

### HSBC values and risk culture

|                            |   |   |
|----------------------------|---|---|
| Risk governance            | Non-executive risk governance   | The Board approves the bank's risk appetite, plans and performance ambitions. It sets the 'tone from the top' and is advised by the Risk Committee.                                       |
|                            | Executive risk governance   | Our executive risk governance structure is responsible for the enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the bank. |
| Roles and responsibilities | Three lines of defence model  | Our 'three lines of defence' model defines roles and responsibilities for risk management. An independent Risk function helps ensure the necessary balance in risk/return decisions.      |
| Processes and tools        | Risk appetite   | The local group has processes in place to identify/assess, monitor, manage and report risks to help ensure we remain within our risk appetite.  |
|                            | Enterprise-wide risk management tools   |   |
|                            | Active risk management: identification/assessment, monitoring, management and reporting |   |
| Internal controls          | Policies and procedures   | Policies and procedures define the minimum requirements for the controls required to manage our risks.  |
|                            | Control activities  | Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls.  |
|                            | Systems and infrastructure  | HSBC has systems and/or processes that support the identification, capture and exchange of information to support risk management activities.   |

## Risk governance

The Risk Committee is a committee of the Board and has responsibility for oversight and advice to the Board, amongst other things, on the bank's risk appetite, tolerance and strategy, systems of risk management, internal control and compliance.

In carrying out its responsibilities, the Risk Committee is closely supported by the Chief Risk Officer, the Head of Internal Audit and the Chief Compliance Officer with other business/ functions present for the discussion of risks within their respective areas of responsibility.

In addition to the Risk Committee, the Risk Management Meeting ('RMM'), is the overarching executive management meeting for both financial and non-financial risk management.

Chaired by the Chief Risk Officer, the RMM gathers the members of the Executive Committee in order to examine major risks faced by HSBC Bank Malta p.l.c. During 2025 the RMM met eight times to examine these risks. It reviews financial and non-financial risks for the whole HSBC Bank Malta p.l.c. perimeter, including the risks linked to Digital Business Services, and the evolution of action plans put in place in order to mitigate identified risks. The HSBC Bank Malta p.l.c. RMM reports functionally to the HSBC Continental Europe Risk Management Meeting, and to the bank's Risk Committee.

This framework is completed by dedicated risk forums and working groups for specific risks in businesses and functions combining the various levels of internal control, in order to manage, monitor and control all bank activities within HSBC Bank Malta p.l.c.

Responsibility for managing both financial and non-financial risk lies with all HSBC Bank Malta p.l.c. employees. They are required to manage the risks of the business and operational activities for which they are responsible. The bank maintains oversight of its risks through various Risk Stewards, as well as the accountability held by the Chief Risk Officer.

Non-financial risk includes some of the most material risks HSBC Bank Malta p.l.c. faces, such as cyber attacks, poor customer outcomes and loss of data. Actively managing non-financial risk is crucial to serve our customers effectively and in having a positive impact in the social environment.

## Our responsibilities

All our people are responsible for identifying and managing risk within the scope of their roles. Roles are defined using the three lines of defence model, which takes into account our business and functional structures as described below.

### Three lines of defence

To create a robust control environment to manage risks, we use an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling efficient coordination of risk and control activities. The three lines of defence are summarised below:

- The first line of defence owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite, and ensuring that the right controls and assessments are in place to mitigate them.
- The second line of defence challenges the first line of defence on effective risk management, and provides advice, guidance and assurance of the first line of defence to ensure it is managing risk effectively.
- The third line of defence is our Internal Audit function, which provides independent assurance that our risk management approach, governance and internal control processes are designed and operating effectively.

## Risk and Compliance

Our Risk and Compliance functions are responsible for the local group's risk management framework. This responsibility includes establishing local policy, monitoring risk profiles, and identifying and managing forward-looking risk. Risk and Compliance is made up of sub-functions covering all risks to our business. Forming part of the second line of defence, the Risk and Compliance function is independent from the global business lines, including sales and trading functions, to provide challenge, appropriate oversight and balance in risk/return decisions.

# Report of the Directors

Responsibility for minimising both financial and non-financial risk lies with our people. They are required to manage the risks of the business and operational activities for which they are responsible. We maintain adequate oversight of our risks through our various specialist risk stewards and the collective accountability held by the Chief Risk Officer.

We have continued to strengthen the control environment and our approach to the management of risk, as set out in our risk management framework. Our ongoing focus is on helping to ensure more effective oversight and better end-to-end identification and management of financial and non-financial risks. This is overseen by the Operational and Resilience Risk function and Enterprise Risk Management Function, reporting to the Chief Risk Officer.

## Stress testing and recovery planning

Our stress testing programme assesses our capital and liquidity strength through a rigorous examination of our resilience to external shocks and forms part of our risk management and capital and liquidity planning. As well as undertaking regulatory-driven stress tests, we conduct our own internal stress tests to understand the nature and level of all material risks, quantify the impact of such risks and develop plausible mitigating actions. The outcome of stress testing provides management with key insights into the impact of severely adverse events on the local group and provides an indication of resilience to regulators on our financial stability.

## Internal stress tests

Our internal capital assessment uses a range of stress scenarios that explore risks identified by management. They include potential adverse macroeconomic, geopolitical, climate and operational risk events, as well as other potential events that are specific to HSBC.

The selection of stress scenarios is based upon the output of our identified top and emerging risks and our risk appetite. Stress testing analysis helps management understand the nature and extent of vulnerabilities to which the local group is exposed. Using this information, management decides whether risks can or should be mitigated through management actions or, if they were to crystallise, be absorbed through capital and liquidity. This in turn informs decisions about preferred capital and liquidity levels and allocations.

During 2025, we conducted a range of internal stress tests and sensitivity analyses. These included stress tests to assess shocks on Malta GDP and the House Price Index ('HPI'), shocks on different sectors, geopolitical risks, climate stress tests, cyber attacks and other operational risk events. The tests included an assessment of the resilience of key balance sheet metrics including capital adequacy. We regularly review key macroeconomic variables and their impact on key sectors to understand potential vulnerabilities in our balance sheet and to identify appropriate mitigating actions. We continue to monitor emerging geopolitical, idiosyncratic, economic, and environmental risks that could impact the local group's capital adequacy and liquidity. Our balance sheet and capital adequacy remain resilient based on internal stress test outcomes.

We also conduct reverse stress tests to understand the potential vulnerabilities that could make our business model non-viable.

## Recovery and resolution plans

Recovery and resolution plans form part of the integral framework safeguarding the bank's financial stability. The recovery plan together with the stress testing help HSBC Bank Malta p.l.c. to generate business insights to identify credible recovery options that can be implemented under a range of idiosyncratic and market-wide stress scenarios. The aim is to mitigate the potential shortfall in capital and liquidity pressures. The bank is committed to further developing its recovery and resolution capabilities to ensure it meets current and future requirements as well as integrates the evolution of its business.

## Key developments in 2025

We continued to actively manage the risks related to macroeconomic and geopolitical uncertainties and developed risk management capabilities through the continued enhancement of the risk management framework. We retained our focus on risk transformation and financial crime and continued to assess operational resilience capability whilst prioritising the most significant

enterprise risks. In addition, we enhanced our risk management in the following areas:

- We continued to maintain a focus on our technology and cybersecurity controls to improve the resilience and security of our technology services in response to the heightened threat environment.
- We enhanced our processes, framework and controls to improve the oversight of our material third parties with respect to financial stability to better manage supply chain and operational resilience. We will continue to assess and manage our operational resilience.
- We have further enhanced the way we manage climate considerations. There has been progress in embedding climate considerations throughout all of the entity and its lines of businesses, including through risk policy and guidelines updates. We further developed our risk metrics and assessments to help monitor and manage our exposures to climate events. HSBC Bank Malta p.l.c. has expanded its risk management and continued to consider environmental risks in its materiality assessment. We will continue with our climate risk programme and make changes to policies, processes, capabilities to better embed climate and environmental considerations throughout the organisation.
- We used industry-leading technology and advanced analytics capabilities to improve our ability to identify suspicious activities and prevent financial crime. We will continue to evaluate technological solutions to improve our capabilities in the detection and prevention of financial crime.

## Strategic Review by HSBC Holdings plc

On 11 September 2024 HSBC Bank Malta p.l.c. announced that HSBC Holdings plc had informed the local Board of Directors that it would undertake a strategic review of its indirect 70.03% shareholding in the bank.

Subsequently in December 2025 a definitive agreement was signed between HBCE and CrediaBank for the sale and purchase of HBCE's shareholding in HSBC Bank Malta p.l.c, subject to the receipt of the necessary regulatory approvals.

As the strategic review evolved in 2025 HSBC Bank Malta p.l.c. continued to refresh its holistic risk assessment by considering which risks within its risk taxonomy were heightened at a given point in time. Strategic Risk, Reputational Risk and People Risk were the key risks which were originally considered to have been elevated as a result of the announcement of the strategic review. Those risks are now considered to have improved and to be at least partially mitigated following the December 2025 announcement of the sale and purchase agreement.

## Key Risks

The most important types of financial risk comprise credit risk, market risk and liquidity risk. Owing to the insurance operation, the local group is also exposed to insurance risk. A key emerging risk is that of climate change, and how this will shape risk management in the coming years.

## Credit risk

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 lending, trade finance and treasury business, including through the holdings of debt securities, but also from off-balance sheet products such as guarantees.

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions.

## Mitigating actions

The local group has standards, policies and procedures dedicated to controlling and monitoring the risk arising from all such activities. Within the overall framework of the local policy, an established risk

## Report of the Directors

management process is in place, encompassing credit approvals, the control of exposures, credit policy direction to business units, and the monitoring and reporting of exposures both on an individual and a portfolio basis (which includes the management of adverse trends).

Management is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality. Regular reviews are undertaken to assess and evaluate levels of risk concentrations by market sector and product.

The bank's credit risk rating systems and processes differentiate exposures to highlight those with greater risk factors and higher potential severity of loss. In the case of individually significant accounts, risk ratings are reviewed regularly and any amendments are implemented promptly.

The bank uses a number of controls and measures to minimise undue concentration of exposure in its portfolios across industry and customer groups. These include portfolio and counterparty limits, approval and review controls, and stress testing.

### Liquidity risk

Liquidity risk is the risk that the local group does not have sufficient financial resources to meet its financial obligations when they fall due or will have to do so at excessive cost. This risk principally arises from mismatches in the timing of cash flows. Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot be obtained on the expected terms and when required. The objective of the local group's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due.

#### Mitigating actions

The local group maintains a diversified and stable funding base. The funding base comprises core personal and corporate customer deposits and a portfolio of highly liquid assets with the objective of enabling the local group to respond quickly and smoothly to unforeseen liquidity requirements.

The bank maintains strong liquidity positions and manages the liquidity profiles of assets, liabilities and commitments with the objective of ensuring that cash flows are balanced appropriately and that all anticipated obligations can be met when due.

### Insurance risk

HSBC Life Assurance (Malta) Ltd operates a bancassurance model, providing life insurance products to customers through the local HSBC Bank Malta p.l.c.'s banking network. Insurance products are manufactured internally by the Company and distributed via the International Wealth and Premier Banking business through the bank's branch network.

The insurance risk profile remains primarily driven by lapse risk, in particular the risk of a one-off mass lapse event affecting the protection and unit-linked portfolios. The current inflationary environment and continued market volatility may increase customer sensitivity to product value and investment performance, potentially impacting new business and future profitability. The unit-linked portfolio remains more sensitive to market volatility.

#### Mitigating actions

Insurance risk is monitored through established governance and control frameworks. Oversight is provided at country level through the RMM, while asset and liability matching and cash flow monitoring are overseen by the Asset and Liabilities Committee ('ALCO'). All insurance products remain subject to a formal product approval process prior to introduction. Overall, the insurance risk profile is assessed as stable, with no material deterioration compared to the previous assessment period.

### Data risk

We use multiple systems and growing quantities of data to support our customers. Risks arise if data is incorrect, unavailable, misused, or unprotected. Along with other banks and financial institutions, we are subject to external regulatory obligations and laws that cover data,

such as the Basel Committee on Banking Supervision's 239 guidelines and the General Data Protection Regulation ('GDPR').

#### Mitigating actions

- Using a global data management framework, we monitor the quality, availability and security of data that supports our customers and internal processes. We work towards resolving any identified data issues in a timely manner.
- We continue to make improvements to our data policies and to our control framework, which includes trusted sources, data flows and data quality, in order to enhance the end-to-end management of data risk.
- We seek to protect customer data through our data privacy framework, with established practices, design principles and guidelines that enable us to demonstrate compliance with data privacy laws and regulations.
- We continue to modernise our data and analytics infrastructure through investments in Cloud technology, data visualisation, machine learning and AI.
- We continue to educate our employees on data risk and data management. Mandatory training has been rolled out.

### Risks arising from the receipt of services from third parties

HSBC Bank Malta p.l.c. utilises a number of internal and external third parties for the provision of a range of services, some in common with other financial institutions. Risks arising from the use of third-party service providers may be less transparent and therefore more challenging to manage or influence.

Any deficiency in the management of risks arising from the use of third parties could affect our ability to meet strategic, regulatory or client expectations.

#### Mitigating actions

We have appropriate risk management policies, processes, controls and practices over the selection, governance and oversight of third parties and their supply chain particularly for key activities that could impact our operational resilience, including (i) internal third parties which are located in different continents, and (ii) Cloud Outsourcing, with even greater focus in the context of a strengthening regulatory environment.

### Externally driven risks

#### Geopolitical and macroeconomic risks

2025 has been characterised by a heightened degree of geopolitical complexity and tensions. Key sources of uncertainty stem from the ongoing Russia-Ukraine war and developments in relation to the conflict in the Middle East, which may impact our customers, including through increased market volatility and supply chain disruptions. Heightened strategic competition between the US and China is also affecting the configuration of global supply chains, which may in turn affect HSBC's operations. HSBC continues to monitor geopolitical events and consider the impact those events could have on its business, financial condition, operations, liquidity, capital position and credit ratings.

#### Mitigating actions

- We closely monitor geopolitical and economic developments in key markets and sectors and undertake scenario analysis where appropriate. This helps us to take portfolio actions where necessary, including enhanced monitoring, amending our risk appetite and/or reducing limits and exposures.
- We stress test portfolios of particular concern to identify sensitivity to loss under a range of scenarios, with management actions being taken to rebalance exposures and manage risk appetite where necessary.
- We apply management judgemental adjustments where modelled ECL does not fully reflect the identified risks and related uncertainty, or to capture significant late-breaking events.
- We regularly review key portfolios to help ensure that individual customer or portfolio risks are understood and our ability to

# Report of the Directors

manage the level of facilities offered through any downturn is appropriate.

- We continue to seek to manage sanctions and trade restrictions through the use of reasonably-designed policies, procedures and controls, which are subject to ongoing testing and enhancements.

## Technology and cybersecurity risk

Like other organisations, we operate in an extensive and complex technology landscape. We need to remain resilient in order to support customers, our colleagues and financial markets. Risks arise where, for example, technology is not understood, maintained or developed appropriately. We also continue to operate in an increasingly complex cyber threat environment globally. These threats include potential unauthorised access to systems including access to customer data, whether ours or those of our third-party suppliers. These threats require ongoing investment in business and technical controls to defend against them.

## Mitigating actions

- We have upgraded many of our technology systems and have transformed how software solutions are developed, delivered and maintained to improve operational resilience capabilities to seek to meet the expectations of our customers and regulators, and to help prevent disruptions to our services.
- The HSBC Cyber intelligence and threat analysis team continually evaluates threat levels for the most prevalent cyber-attack types and their potential outcomes. To further protect the local group and its customers and help ensure the safe expansion of the businesses, HSBC Malta continues to strengthen its controls to help reduce the likelihood and impact of advanced malware, data leakage, exposure through third parties and security vulnerabilities.
- We continue to enhance cybersecurity capabilities, including Cloud security, identity and access management, metrics and data analytics, and third-party security reviews. An important part of our defence strategy is conducting cybersecurity training and awareness campaigns so that employees remain aware of cybersecurity issues and know how to report incidents.
- We respond to attempts to compromise our cybersecurity in accordance with our cybersecurity framework. To date, none of these attacks have had a material impact on our business or operations.

## Climate Risk and ESG Risks

### Climate-related risks

We are subject to ESG risks, including in relation to climate change, nature and human rights. These risks have increased due to diverging national and political agendas, a more complex and prescriptive regulatory environment across the jurisdictions we operate in, as well as increasing frequency of severe weather events across the globe. Financial institutions' actions and investment decisions in respect of ESG matters continue to be subject to heightened scrutiny by stakeholders. Failure to meet these evolving expectations may have financial and non-financial impacts, including reputational, legal and regulatory compliance risks.

The assessment of climate risks covers three distinct time periods, comprising:

- Short-term: 2025-2027 (0-2 years)
- Medium-term: 2028-2030 (3-5 years)
- Long-term: 2031-2040 (6-15 years)

The following risks resulting from climate change, and the transition to a net zero economy, may be faced:

- Credit losses, if customers' business models fail to align to a net zero economy or if customers face disruption to their operations or deterioration to their assets as a result of extreme weather events.
- Liquidity impacts in the form of deposit outflows due to changes in customer behaviours driven by impacts to profitability/ wealth or due to reputational concerns relating to the progress we make towards our net zero and ESG-related commitments.
- Impacts from physical risk on HSBC Bank Malta p.l.c.'s own operations, owing to the increase in frequency and severity of extreme weather events and chronic, long-term shifts in weather

patterns, which could affect our ability to conduct our day-to-day operations.

- Increased reputational, legal, and regulatory risk if the bank fails to make sufficient progress towards its net zero ambition, if the bank fails to meet evolving regulatory expectations and requirements on climate risk management, or if HSBC knowingly or unknowingly makes inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to stakeholders.
- Impacts on resilience risk through physical climate risk impacts on buildings supporting service provision, or through physical and/or transition disruption to our third party supply chain relationships.
- Financial reporting risk in relation to ESG disclosures, as any data, methodologies and standards used may evolve over time in line with market practice, regulation or developments in climate science. Any changes could result in revisions to HSBC internal frameworks and reported data and could mean that reported figures are not reconcilable or comparable year on year.
- Model risk, as the uncertain impacts of climate change and data and methodology limitations present challenges to creating reliable and accurate model outputs.
- Climate related litigation risks.

HSBC Bank Malta p.l.c. may also be exposed to nature related risks beyond climate change, so HSBC continues to engage with investors, regulators and customers on nature-related risks to evolve its approach and understand best practice risk mitigation.

## Mitigating actions

To enhance the monitoring of Climate and ESG risks, HSBC is engaged through:

- A dedicated governance committee, responsible for shaping and overseeing HSBC Bank Malta p.l.c.'s approach and providing support in managing climate & ESG risks. The governance committee has expanded its responsibilities and covers also CSRD requirements, as applicable, beyond climate risk management.
- During 2025, we have continued monitoring the exposures of our customers to ten high risk sectors, where the corporate credit customers have the highest climate risk, based on their CO<sub>2</sub> emissions. These are oil and gas, building and construction, chemicals, automotive, power and utilities, metals and mining, transportation/airlines/shipping, agriculture, manufacturing and real estate. For retail banking, we monitor exposures to physical risks regularly. For our own operations, we monitor metrics around waste management, water reduction and other key metrics in support of transitioning to net zero.
- The Climate and ESG specific governance committee met six times during 2025, which monitored progress against climate and environmental risks. Progress is also reported to the Risk Management Meeting, Risk Committee, and the Board.
- The energy policy was last updated at Group level in November 2025 covering broader energy systems including upstream oil and gas, oil and gas power generation, coal, hydrogen, renewables and hydropower, nuclear, biomass and energy from waste. The thermal coal phase-out policy has also been updated at Group level during November 2025. HSBC Bank Malta p.l.c. does not have any exposures to this sector. We take a risk-based approach when identifying transactions and clients to which our policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality.
- We have progressed using the tools developed by the Group and approaches to embed nature considerations alongside net zero. This includes understanding our exposures to nature-related risks, impact and opportunities.
- Climate and nature stress tests and scenarios are being used to further improve our understanding of our risk exposures for use in risk management and business decision making.
- We continue to engage with our customers, proactively on the management of climate risks as transition risks are assessed and monitored by the client facing and the credit teams for high transition risk sectors.

## Financial crime risk

The risk of financial crime remains intrinsically high and requires continuous work to strengthen the system for preventing, detecting and reporting criminal activities. We believe that the enforcement of high compliance standards is a competitive advantage, and is essential to our success and that of the jurisdiction. The management of financial crime risk is a key area of focus at the HSBC Bank Malta p.l.c. RMM, as well as at the Board and Risk Committee.

HSBC Bank Malta p.l.c. continues to support its clients in the context of complex geopolitical, socio-economic and technological challenges, including the implementation of an unprecedented volume and diverse set of sanctions, notably as a result of the Russia-Ukraine war.

The local group continues to monitor direct and indirect impacts of the Russia-Ukraine war and continues to respond to new sanctions regulations, taking into account the challenges that arise in implementing the complex and ambiguous aspects of some of these regulations.

### Mitigating actions

We continue to manage sanctions and trade restrictions through the use of, and enhancements to, existing controls.

- The local group also continues to develop its fraud controls, and invest in capabilities to fight financial crime through the application of advanced analytics and artificial intelligence.
- The bank is looking at the impact of a rapidly changing payments ecosystem, as well as risks associated with direct and indirect exposure to digital assets and currencies, to ensure its financial crime controls remain appropriate.
- The local group engages with regulators, policymakers and relevant international bodies, seeking to address data privacy challenges through international standards, guidance and legislation.

## Market risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates and market prices will impact the local group's income or the value of its portfolios. Exposure to market risk arises from positions that primarily emanate from the interest rate management of the local group's retail and commercial banking assets and liabilities and financial investments. The objective of the local group's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the local group's status as a premier provider of financial products and services.

### Mitigating actions

Market risk is managed and controlled through risk appetite setting and limits. The bank has an independent market risk management and control function which is responsible for measuring market risk exposures in accordance with policies, and monitoring and reporting these exposures against the prescribed limits daily.

## Interest rate increases

Interest rate changes may lead to affordability pressures for customers and impacts on their ability to repay debt. We mitigate these risks by considering themed during underwriting and estimated credit loss assessment.

## Execution risk

In order to deliver our strategic objectives and meet mandatory regulatory requirements we maintain a strong focus on change execution risk. The scale, complexity and pace of regulatory change elevates our level of change execution risk. We mitigate this risk through appropriate project management and governance oversight.

## Branches and offices

A list of branches and offices is found on page [196](#).

## Additional regulatory disclosures

Banking Rule 07 (BR07/2024) (Publication of Annual Report and Audited Financial Statements of Credit Institutions Authorised under the Banking Act 1994) partly repealed by certain provisions in the Capital Requirements Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms ('CRR') is related to market discipline and aims to make credit institutions more transparent by requiring them to publish specific disclosures on the credit institution's risk and capital management under the Basel III framework. However, the local group is a large subsidiary of HSBC Holdings plc and is therefore exempt, in terms of Article 24 of the revised BR 07 and Article 13 of the CRR, from certain risk disclosure requirements under Pillar 3, on the basis that equivalent disclosures are performed at the consolidated level which is at the HSBC Holdings plc level. HSBC Holdings plc publishes full Pillar 3 disclosures as a separate document on the HSBC Group Investor Relations website.

## Shareholder register information pursuant to Capital Markets Rule 5.64

The bank's authorised share capital is €141,000,000. The issued and fully paid up capital is €108,091,829.70 divided into 360,306,099 ordinary shares of a nominal value of 30 cent each. The issued share capital consists of one class of ordinary shares with equal voting rights attached and are freely transferable.

The largest single shareholder of the bank, provided it holds at least thirty three per cent (33%) of the ordinary issued share capital of the bank, shall be entitled to appoint the Chairman from amongst the Directors appointed or elected to the Board.

Every shareholder owning eleven per cent (11%) of the ordinary issued share capital, shall be entitled to appoint one Director for each and every eleven per cent (11%) of the ordinary issued share capital of the bank owned by such shareholder. Any fractional shareholding not so utilised in the appointment of Director(s) shall be entitled to participate in the voting for the election of further Directors.

There is a Restricted Share Awards scheme in existence whereby employees can be awarded shares in HSBC Holdings plc. Share awards will be released to the individual staggered over three years, provided the participant remains continuously employed within the Group.

Vesting of these awards are generally not subject to performance conditions. During the vesting period the employee has no voting rights whatsoever.

The rules governing the appointment of Board Members are contained in Articles 77 to 80 of the bank's Articles of Association. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers of the Directors are outlined in Articles 73, 74 and 85 of the bank's Articles of Association. In terms of Article 12 of the said Articles of Association, the bank may, subject to the provisions of the Companies Act, 1995, acquire or hold any of its shares.

The Collective Agreement and relevant bank policies regulate redundancies, early retirement, resignation or termination of employment of employees. There are no contracts between the bank and the Directors on the bank's Board providing for compensation on resignation or termination of directorship.

It is hereby declared that the requirements pursuant to Capital Markets Rules 5.64.7 and 5.64.10 that deal with agreements which may result in restrictions on the transfer of securities and/or voting rights and agreements pertaining to changes in control of the bank did not apply to the bank as at 31 December 2025.

## Standard licence conditions and Investment Services Rules applicable under the Investment Services Act, 1994

In accordance with the Malta Financial Services Authority ('MFSA') Investment Services Rules for Investment Services Providers (Part BI R1-2.2.3) and the Standard Licence Conditions ('SLCs') of the Investment Services Rules applicable to Investment Services Licence Holders which qualify as Depositaries (Part BIV SLC 2.30), and regulated by the MFSA, the Directors confirm that there were no breaches of the MFSA Investment Services Rules, the Standard Licence Conditions, or other regulatory requirements which occurred during the reporting period, and which were subject to an administrative penalty or other regulatory sanction.

## Board of Directors

The Directors who served during the year and up till the date of the drawing up of this report are as follows:

|  |
|--|
| Manfred Galdes                               |
| Geoffrey Fichte                              |
| Charlotte Cilia (appointed 10 February 2025) |
| Louis Cassar Pullicino                       |
| Anthony Doublet (appointed 19 February 2025) |
| Alexiei Dingli                               |
| Elvia George (appointed 22 January 2025)     |
| Maria Micallef (resigned 26 August 2025)     |
| Malcolm Miller                               |
| Yvonne Steyn-Adams (appointed 6 August 2025) |

## Disclosures in Terms of Article 435 of Capital Requirements Regulations

### Disclosure on Governance Arrangements

Number of directorships held by the Members of the Board of Directors (including the Directorship with the bank).

|                        |   |
|------------------------|---|
| Manfred Galdes         | 2 Executive Directorships within the same group and 2 Non-Executive Directorships.                                    |
| Geoffrey Fichte        | 1 Executive Directorship and 2 Non-Executive directorships all within the same group and 1 Non-Executive Directorship |
| Charlotte Cilia        | 1 Executive Directorship and 1 Non-Executive directorship all within the same group                                   |
| Louis Cassar Pullicino | 1 Non-Executive Directorship  |
| Alexiei Dingli         | 1 Executive Directorship and 2 Non-Executive Directorships  |
| Anthony Doublet        | 5 Non-Executive Directorships, 2 of which fall within the same group.   |
| Elvia George           | 3 Non-Executive Directorships   |
| Malcolm Miller         | 10 Executive Directorships all within the same group and 1 Non-Executive Directorship.                                |
| Yvonne Steyn-Adams     | 1 Non-Executive Directorship.   |

None of the Directors required approval from the Competent Authority regarding the number of directorships held.

### Board Fit and Proper Policy

The Disclosures herein are also being made in terms of Banking Rule 07 (BR07/2024) paragraph 28.

The Board's Fit and Proper Policy is recommended for Board approval by the Remuneration and Nomination ('RemNom') Committee annually. It was last reviewed and approved by the Board in January 2026. This policy includes principles on the selection, appointment, monitoring, re-appointment of and succession planning of members of the Board of Directors and Key Function Holders.

The policy also refers and describes the criteria used in the assessment for the Board members and Key Function Holders.

In carrying out the fit and proper assessment, the criteria against which the Board members and Key Function Holders are assessed using various criteria, including skills, knowledge and experience, reputation, honesty and integrity, conflicts of interest, independence and time commitment.

Without prejudice to the Shareholders' right to appoint and replace members of the Board, in line with the local Code of Principles of Good Corporate Governance, the Board has delegated to the bank's Remuneration and Nomination Committee the power to lead the process in filling vacancies on the Board of Directors and make recommendations thereon for the Board's approval or the general meeting's approval, as the case may be. RemNom has been empowered by the Company's Articles of Association to conduct a fit and proper assessment when seeking qualified candidates for board directorships, in line with local regulatory guidance on the topic.

A Fit and Proper assessment for Directors is carried out before appointment, and at least annually thereafter and at other instances as outlined within the Fit and Proper Policy. This assessment is carried out both individually and collectively by the RemNom Committee and reported to the Board of Directors accordingly. The individual and collective fit and proper criteria broadly outline a set of qualities and competences that are sought for the bank's Board of Directors.

When carrying out the fit and proper assessment, consideration is also given to the Board's Diversity Policy and to the Board's Conflicts of Interest Policy. Before appointment, the potential member undergoes thorough vetting and is required to submit a number of supporting documents. Any appointment requires regulatory approval for it to be effective.

|                        |  |
|------------------------|--|
| Manfred Galdes         | Financial and Anti-Money Laundering Legislation  |
| Geoffrey Fichte        | Banking and Finance, Economics                   |
| Charlotte Cilia        | Accountancy, Audit, Banking and Finance          |
| Louis Cassar Pullicino | Legal and Litigation                             |
| Alexiei Dingli         | Information Technology & Artificial Intelligence |
| Anthony Doublet        | Accountancy and Audit                            |
| Elvia George           | Accountancy, Banking and Finance                 |
| Malcolm Miller         | Business acumen                                  |
| Yvonne Steyn-Adams     | Banking and Finance, Risk Management             |

In terms of the Board Succession Policy, the Board acknowledges that robust succession planning contributes to the long-term success of the bank. The objective of this policy is to ensure continuity of decision-making and prevent, where possible, too many Board Members having to be replaced simultaneously. The policy aims to have the bank prepared for any planned or unplanned vacancies. Moreover, it ensures that future Directors will be individually and collectively fit and proper to form part of the bank's Board of Directors, committing to its vision, values and objectives and to meet their statutory and regulatory obligations.

The objective of the Board Diversity and Inclusion Policy is to ensure diversity and inclusion is taken into consideration in the succession planning, selection, nomination, operation, and evaluation of the Board. Consideration is given to a wide range of backgrounds including the gender, ethnicity, age, geographical, educational and professional backgrounds of candidates.

The bank remains committed to an inclusive culture in the Boardroom where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

The bank's diversity target is aligned to Chapter 13.1 of the Capital Markets Rules, whereby Listed entities are to aim to reach the below-mentioned ambitions by 30 June 2026.

- 40% female (being the under-represented gender) non-executive directors on its Board or
- 33% female (being the under-represented gender) representation of executive and non-executive directors on its board.

## Report of the Directors

---

As at the date of publication of this report, there are three female and six male Directors on the Board. There is one female and one male executive Directors out of these nine Directors. Therefore, the bank has achieved both above-mentioned targets, while aspiring to maintain and improve the gender diversity on the Board for the long-term, and this while abiding by the principle of meritocracy.

RemNom Committee recommends to the Board, the ambition for the representation of the underrepresented gender on the Board of Directors as part of the Board Diversity and Inclusion Policy and monitors its implementation on an ongoing basis.

Details regarding the bank's Risk Committee are included under Principle 4 of the Statement of Compliance with the Code of Principle of Good Corporate Governance.

### Executive Committee and Head of Internal Audit

As at 31 December 2025, the members of the bank's Executive Committee and the Head of Internal Audit were:

|                   |   |
|-------------------|---|
| Geoffrey Fichte   | Chief Executive Officer                           |
| Mark Drago        | Chief Operating Officer                           |
| Charlotte Cilia   | Chief Financial Officer                           |
| Muriel Rutland    | Head of International Wealth and Personal Banking |
| Jesmond Apap      | Head of Global Markets                            |
| David Perotti     | Head of Human Resources                           |
| Joyce Grech       | Head of Corporate and Institutional Banking       |
| Chantelle Coleiro | General Counsel                                   |
| Steven Beddow     | Chief Risk Officer                                |
| Mandy Falzon      | Chief Compliance Officer                          |
| Carine Arpa       | Head of Communications                            |
| Paula Mamo        | Company Secretary                                 |
| Morgan Carabott   | Head of Internal Audit                            |

### Auditors

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

### Going concern

As required by Capital Markets Rule 5.62, upon due consideration of the bank's profitability and statement of financial position, capital adequacy and solvency, the Directors confirm the bank's ability to continue operating as a going concern for the foreseeable future.

### Statement by the Directors Pursuant to Capital Markets Rule 5.70.1

Pursuant to Capital Markets Rule 5.70.1 there were no material contracts to which the bank, or anyone of its subsidiary undertakings, was party to and in which anyone of the Directors was directly or indirectly interested.

### Statement by the Directors Pursuant to Capital Markets Rule 5.68

We, the undersigned, declare that to the best of our knowledge, the financial statements prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and income statements of the bank and its subsidiaries and that this report includes a fair review of the development and performance of the business and the position of the bank and its subsidiaries, included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the bank's Board of Directors on 25 February 2026 by Manfred Galdes (Chairman) and Geoffrey Fichte (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2025.

# Directors' Responsibilities Statement

The Companies Act, 1995 requires the Directors of HSBC Bank Malta p.l.c. to prepare financial statements which give a true and fair view of the financial position of the local group and the bank as at the end of each period and of the profit or loss for that period. In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with the requirements of International Financial Reporting Standards as adopted by the EU;
- ensuring that the financial statements have been properly prepared in accordance with the provisions of the Companies Act, 1995 and the Banking Act, 1994;
- selecting and applying consistently suitable accounting policies;
- making accounting judgements and estimates that are reasonable; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the local group and the bank will continue in business as a going concern.

The Directors are also responsible for safeguarding the assets of the local group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Through oversight of management, the Directors are responsible for ensuring that the local group and the bank establish and maintain internal controls to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and as far as possible, the orderly and efficient conduct of the local group's business. This responsibility includes establishing and maintaining controls pertaining to the preparation of financial statements and for managing risks that may give rise to material misstatements in those financial statements, whether due to fraud or error.

The financial statements of HSBC Bank Malta p.l.c. for the year ended 31 December 2025 are included in the Annual Report 2025, which is being published in printed form and made available on the bank's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the bank's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Signed on behalf of the bank's Board of Directors on 25 February 2026 by Manfred Galdes (Chairman) and Geoffrey Fichte (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2025.

# Statement of Compliance with the Code of Principles of Good Corporate Governance

The Board of Directors (the 'Board') of HSBC Bank Malta p.l.c. (the 'bank') acknowledges that effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. Hence, it is committed to the HSBC global values of valuing difference, succeeding together, taking responsibility and getting it done. The Board ensures that each employee, through ongoing training, is aware of the obligation to ensure that his or her conduct consistently matches the bank's values.

The Board is proud of its solid corporate governance framework that is built around the principles of control and accountability. This culture stems from a philosophy that puts the protection of investors and the interest of customers at the forefront. The Board further believes that good corporate governance has a positive impact on the bank's performance.

Corporate governance is subject to regulation by the Malta Financial Services Authority. As a company whose equity securities are listed on a regulated market, the bank endeavours to adopt the Code of Principles of Good Corporate Governance (the 'Code' or 'Principles') embodied in Appendix 5.1 of the Capital Markets Rules. In terms of Capital Markets Rule 5.94 and the Code's Preamble, the bank is obliged to disclose how it complies with the provisions of the said Code. In terms of paragraph 28 of Banking Rule 07 (BR/07/2024), the bank is also obliged to explain how it complies with the requirements of paragraphs 14 to 18, and paragraph 86 of Banking Rule 24 on Internal Governance. Some of the disclosures made in this Statement of Compliance are being made in virtue of this obligation.

The bank strives to maintain the highest standards of disclosure in reporting the effective measures adopted to ensure compliance with the Principles, and to explain instances of non-compliance.

## Compliance with the Code

### Principle 1: The Board

The Board plays a key role in effective governance as it lies at the top-end of a system of control that is focused on overseeing and challenging management and control functions in order to ensure effective and prudent management of the bank.

The bank is headed by an effective Board that leads the bank, directs the business and promotes the company's values and standards. It reinforces the tone from the top by setting corporate values. It creates expectations that all business should be conducted in a legal and ethical manner.

The Board is composed of members who are honest, competent and solvent, and have been considered to be fit and proper to direct the business of the bank. The criteria considered when carrying out the individual fit and proper assessment relate to time commitment, knowledge, skills and experience, independence and reputation, honesty and integrity. Directors, individually and collectively, are deemed to be of the appropriate calibre, having the necessary skills and experience to provide leadership, integrity and judgement in directing the bank. The courageous integrity, honesty and diligence of the Directors guarantee that the bank adheres to HSBC Group's (the 'Group') highly ethical business values and this is reflected in the bank's decision and policy-making process. Through their knowledgeable contribution, Directors enhance shareholder value, protect the bank's assets and safeguard the interest of third parties. The letter of appointment issued to Non-Executive Directors stipulates the minimum time commitment expected to be dedicated to the bank. Directors undertake to have sufficient time to meet what is expected of them. Any other significant commitments are disclosed

to the Board before their appointment and subsequent changes are notified as they arise.

All Directors ensure that they are informed about the overall activity, financial and risk situation of the bank, taking into account the economic environment. They are also cognisant of decisions that have a major impact on the bank's business.

Board Members are accountable for their performance and that of their delegates to shareholders and other relevant stakeholders. Besides having a broad knowledge of the bank's business, they are also knowledgeable of the statutory and regulatory requirements regulating this business. Directors attend Board meetings regularly and allocate sufficient time to perform their duties. An annual assessment on time commitment of each Board member is undertaken to confirm this.

The Board determines and oversees the implementation of the bank's strategic objectives, risk strategy and internal governance. It regularly reviews senior management performance and ensures that the bank has the appropriate financial and human resources to meet its objectives.

Moreover, it exercises prudent and effective controls, which enable risk to be appropriately assessed and managed in order to achieve the short and long-term sustainability of the business. As part of a larger international Group, the Board assesses the compatibility of HSBC Group policy with local legal and regulatory requirements, and where appropriate, adapts those policies.

The Board ensures the integrity of the bank's accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards.

During the year, the Board delegated specific responsibilities to a number of Committees, namely the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. Further detail in relation to the Committees and their responsibilities can be found under Principle 4 of this Statement.

The process of appointment of Directors is conducted in terms of the company's Memorandum and Articles of Association. It states that the Board is to consist of not more than nine Directors who are appointed/elected by the shareholders, or appointed by the Board members in the event of a Board vacancy. Every shareholder owning 11% of the Ordinary Share Capital is entitled to appoint one Director for each 11% shareholding. The majority shareholder therefore is entitled to appoint six Directors. Furthermore, any excess fractional shareholding not so utilised may be used to participate in the voting for the election of further Directors. Shareholders who own less than 11% of the ordinary share capital participate in the election of the remaining three Directors. The largest single shareholder (subject to a minimum 33% holding of the ordinary issued share capital of the bank) is entitled to appoint a Chairman from among the Directors appointed or elected to the Board.

### Principle 2: Chairman and Chief Executive Officer

The positions of the Chairman and of the Chief Executive Officer ('CEO') are occupied by different individuals. There is a clear division of responsibilities between the running of the Board and the Chief Executive Officer's responsibility in managing the bank's business. This separation of roles of the Chairman and Chief Executive Officer avoids concentration of authority and power in one individual. It differentiates the function of leadership of the Board from that of running the business.

# Statement of compliance with the Code of Principles of Good Corporate Governance

The Chairman and the CEO acknowledge that it is imperative to have a constructive relationship with each other and that a certain level of independence is maintained.

The letter of appointment of the Chairman clearly establishes the responsibilities of the Chairman, including the time commitment expected. A description of the responsibilities of the Chairman and the CEO are incorporated in the bank's Internal Governance Policy. This Policy, together with the Corporate Governance Framework define the bank's internal governance arrangements that ensure effective and prudent management of the bank, including the segregation of duties in the organisation, the bank's strategic objectives and risk strategy. Both policies, including the description of responsibilities of the Chairman and the CEO are reviewed and approved by the Board of Directors annually.

The Chairman, who was independent on appointment and still meets the independence criteria, leads the Board. The Chairman sets the Board's meeting agenda and ensures that decisions of the Board are taken on a sound and well-informed basis. The Chairman ensures that the Directors receive precise, timely and objective information and at the same time ensures effective communication with shareholders. During Board meetings, the Chairman encourages active engagement by all Board Members and ensures that Directors constructively challenge senior management. The Chairman also facilitates the effective contribution of Non-Executive Directors thus ensuring constructive relations between Executive and Non-Executive Directors.

The Chairman encourages and promotes open and critical discussion, ensuring that any dissenting views are expressed and discussed within the decision-making process. Moreover, the Chairman contributes to the efficient flow of information within the Board, as well as between the Board and its Committees. The Chairman is responsible for an effective overall functioning of the Board.

The Chief Executive Officer advises the Board, formulates policies and makes recommendations to the Board. The Chief Executive Officer develops, drives and delivers performance within strategic ambitions, commercial objectives and business plans agreed by the Board. The Chief Executive Office is responsible for executing strategy and implementing plans. The Chief Executive Office effectively leads the senior management in the day-to-day running of the bank, ensures compliance with appropriate policies and procedures and maintains an effective framework of internal controls over risk in relation to the business. The Chief Executive Office makes decisions on all matters affecting the operations, performance and strategy of the business, except for those matters reserved for the Board or specifically delegated by the Board to its Committees. The Chief Executive Office interfaces between the Board and employees and between the bank and other stakeholders.

## Principle 3: Composition of the Board

Experience has shown that the size of the Board is appropriate to facilitate effective oversight over the bank's operations. Each of the Directors is skilful, competent, knowledgeable and experienced to fulfil his/her role diligently. The Directors who held office during the year, possess the requisite ability to assess business risk, to identify key performance indicators and participate in critical debate in the decision-making process.

Ethnicity, age, culture, and gender diversity, underpinned by meritocracy, are areas of strategic focus for the employee base. The same principle is applied to the composition of the Board in accordance with the Board Diversity Policy.

The benefits of diversity, including that in educational and professional backgrounds, continue to influence the Remuneration and Nomination Committee's Board succession planning and Board candidates' selection process. This has resulted in a diverse Board composition which meets the diversity criteria. The right mix of Board Members ensures diverse perspectives, experience and knowledge.

By the end of 2025, the Board was composed of a Non-Executive Chairman, two Executive Directors, one Non-Executive Director and four independent Non-Executive Directors.

Whereas the Executive Directors are involved in the day-to-day running of the business, ensuring adherence to the four-eye principle, the Non-Executive Directors bring an external perspective to the Board when they constructively challenge and help develop proposals on strategy, scrutinise the performance of management, and monitor the risk profile and the reporting of performance.

They are proactive in ensuring that financial controls and risk management systems are well established and in satisfying themselves with the integrity of financial information.

The appointment of Directors requires the 'no objection' of the European Central Bank. No appointment is considered effective unless and until such no objection is received. This non-objection has been granted to all of the bank's appointed Directors.

Apart from the minimum time commitment expected to be dedicated to the bank being stipulated in the letter of appointment and which is assessed on an annual basis, each Director annually confirms that he/she is able to commit sufficient time to effectively fulfil the responsibilities as a Director of the bank.

In accordance with the Code Provision 3.2, the independent Non-Executive Directors as at 31 December 2025 were the following:

Manfred Galdes, Louis Cassar Pullicino, Alexiei Dingli, Elvia George and Malcolm Miller.

In determining the independence or otherwise of its Directors, the Board has considered, inter alia, the principles relating to independence embodied in the Code, the local group's own practice as well as general principles of good practice. The Board has concluded that the above-mentioned Directors are independent in character and judgement and that none have relationships or circumstances that are likely to affect or could appear to affect the director's judgement.

Malcolm Miller is an Executive Chairman of a group of entities, some of which are customers of the bank. However, after following the guidance set out in the Board Conflicts of Interest Policy, the Board determined that this was not a significant business relationship neither for the bank nor the customer and therefore did not impede on his independence.

Furthermore, any relationships and engagements have been declared, included and recorded in the Board's Conflict of Interest Register together with the relevant controls that are in place.

In accordance with Code Provision 3.2.1, the Board had decided that the employment of Yvonne Steyn-Adams with the HSBC Group rendered her non-independent from the bank. This did not however, in any manner, detract from this Director's ability to maintain independence of free judgement and character at all times. She was deemed able to make her own sound, objective judgement and independent decisions when performing her functions and responsibilities.

In terms of Principle 3.4, each Non-Executive Director has confirmed in writing to the Board that he/she undertook:

- to maintain in all circumstances his/her independence of analysis, decision and action;
- not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- to clearly express his/her opposition in the event that he/she finds that a decision of the Board may harm the bank.

## Principle 4: The Responsibilities of the Board

The Board sets and reviews the bank's strategy, major operational and financial plans, policies and business plans and performance objectives. Different areas of the bank's strategy are discussed on a regular basis at Board meetings. The Board of Directors monitors the implementation by management of strategy and corporate performance within the parameters of all relevant laws, regulations and codes of best practice. The Board ensures that a balance is maintained between enterprise and control. The Board recognises and supports innovation within the management of the bank and it remains accountable to the shareholders for its performance and also ensures effective communication with the different groups of stakeholders.

The Board actively oversees the affairs of the bank and stays attuned to material changes in the bank's business and the external environment, as well as acts in a timely manner to protect the long-term interests of the bank. It plays a leading role in establishing the bank's corporate culture and values. The Board, after considering senior management and the Chief Risk Officer advice, establishes the bank's risk appetite, taking into account the commercial and regulatory landscape and the bank's long-term interests, risk exposure and ability to manage risk effectively. It also oversees the bank's adherence to the Risk Appetite Statement, risk policy and risk limits.

The Board is also responsible for approving the approach and overseeing the implementation of key policies pertaining to the bank's capital adequacy assessment process, capital and liquidity plans, compliance policies and obligations and the internal control system. The Board, oversees the integrity, independence and effectiveness of the bank's policies and procedures for Whistleblowing. Whistleblowing also falls under the remit of the Audit Committee.

The regular evaluation of management's implementation of corporate strategy and financial obligations is based on the use of key performance indicators enabling the bank to adopt expedient corrective measures. These key business risk and performance indicators are benchmarked against industry norms to ensure that the bank's performance is effectively evaluated.

The Board ensures that the bank has appropriate policies and procedures in place that guarantee that the bank and its employees adhere to the highest standards of corporate conduct and comply with the applicable laws, regulations, business and ethical standards.

The Board has approved a Fit and Proper Policy for Board Members and Key Function Holders, which includes a succession policy. The Remuneration and Nomination Committee has also reviewed and approved a succession plan for the future composition of the Board.

An effective reporting system that enables the Directors to have relevant and timely information, such that the Board can discharge its duties, exercise objective judgement and take pertinent decisions, is implemented through:

- presentations delivered by senior management during Board meetings;
- updates provided by the CEO and senior management during intervals between Board/Committees' meetings; and
- accessibility to a common electronic platform hosting bank information, including Board/Committees' documentation and minutes of meetings.

The Board ensures that its level of authority is known by all Directors and the senior management of the bank. Any delegation of responsibility and function is clearly documented and requires Board approval.

The Board delegates specific responsibilities to its Committees, which operate under their respective formal Terms of Reference which are embodied in the Corporate Governance Framework which the Board reviews and approves on an annual basis.

## Audit Committee

The Terms of Reference of this Committee are compliant with the Capital Markets Rules and Banking Rule 12, the European Banking Authority Guidelines on Internal Governance.

The Board of Directors has delegated to this Committee the oversight of matters relating to financial reporting and internal controls. It carries out its duties by reviewing the integrity of the bank's financial statements, formal announcements/disclosures and supplementary regulatory information relating to the bank's financial performance. It also reviews the effectiveness of Internal Audit and the external audit process and the effectiveness of internal control systems, with input from the Risk Committee.

This Committee reviews, inter alia, the bank's annual financial resource plan, capital expenditure and the capital plan. Moreover, it reviews and considers changes to significant accounting policies and disclosure practices, as applicable. Significant accounting judgements and adjustments are reviewed and reported to the Board. It considers the effectiveness of model risk management for financial reporting and reviews the going concern assumptions, any qualifications and provides confirmation to the Board of the bank's profitability.

An important function of the Audit Committee is to monitor and assess the effectiveness, performance, resourcing, independence and standing of the Internal Audit Function, consider significant findings of internal investigations and management's response, and other matters as advised by internal audit, any other function or the external auditor.

With regard to the annual report and accounts, the Audit Committee reviews any significant or unusual items that may need to be highlighted and advises whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the bank's position and performance.

This Committee reviews the internal audit charter and approves the internal audit work plan, which is a rolling plan, ensuring it is aligned to the key risks of the business.

The Audit Committee also has the responsibility to review and monitor the external auditor's independence, objectivity and the quality and effectiveness of the audit, considering relevant professional, regulatory and other requirements. In this regard, the Committee also has to satisfy itself that there is the appropriate co-ordination between the internal and external auditors.

With regard to internal controls, the Audit Committee, reviews the effectiveness of the bank's internal controls, to ensure the effective embedding and maintaining of a strong control environment. It considers and follows through on any findings of major investigations of internal controls.

This Committee reviews related party transactions and obtains sufficient comfort that these transactions are carried out on an arm's length basis and that the bank is adhering to the requirement stipulated in the Capital Markets Rules as applicable.

The Committee annually reviews the operation and effectiveness of the bank's Whistleblower Policy to ensure confidentiality, protection and fair treatment of whistleblowers. It reviews any reports setting out local cases, the key themes and trends, and actions taken to address these.

The Committee met seven times during 2025 and is currently composed of Elvia George as Chairperson, Anthony Doublet and Malcolm Miller as Members. During the financial year ended 31 December 2025, Elvia George was appointed Chairperson of the Committee on 3 October 2025, following Maria Micallef's resignation on 26 August 2025. Anthony Doublet was appointed Member with effect from 19 February 2026. In the interim period, Louis Cassar Pullicino was attending the Audit Committee meetings.

# Statement of compliance with the Code of Principles of Good Corporate Governance

## Member attendance at Audit Committee meetings (2025)

|                | Attended   |
|----------------|------------|
| Elvia George   | 7 out of 7 |
| Maria Micallef | 4 out of 5 |
| Malcolm Miller | 6 out of 7 |

During the year, regular informal meetings were held between the Chairperson/Members of this Committee and Members of Senior Management especially the Head of Internal Audit, the Chief Financial Officer and the external auditors.

Senior Managers of the bank are invited to attend any of the Audit Committee's meetings as directed by the Committee's Chairperson.

The Chief Risk Officer, the Chief Financial Officer and representatives of the external auditors are invited to attend all the meetings. In line with Capital Markets Rule 5.131, the Head of Internal Audit is present for all the Audit Committee meetings and always has a right of direct access to the Chairperson of the Committee.

In terms of Capital Markets Rule 5.117, the bank has an Audit Committee that is composed of three non-executive Directors, all of whom have been deemed to be independent. Elvia George replaced Maria Micallef as Chairperson of the Audit Committee. She was appointed by the Board as the Chairperson of the Committee. She is independent and competent in accounting on the basis that she is a Certified Public Accountant and is a Fellow of the Malta Institute of Accountants, as well as her career experience.

In terms of Capital Markets Rule 5.127.5, the Audit Committee is responsible for developing and implementing policy on the engagement of the external auditor to supply non-audit services. The provision of non-audit services to EU Public Interest Entities ('PIEs') and to parent and controlled undertakings in the EU are regulated in terms of EU rules.

In addition, since HSBC Holdings plc is a Securities Exchange Commission ('SEC') registered company, non-audit services provided by the external auditor are also regulated in terms of the SEC rules.

## Risk Committee

This Committee is responsible for overseeing and advising the Board on risk-related matters, comprising both financial and non-financial risks, impacting the bank and its subsidiaries. In providing such oversight and advice to the Board, the Committee reviews and provides independent challenge on risk management reports, including the bank's enterprise risk reports. Through this, the Committee is able to assess the bank's risk exposure, risk profile of the bank and how such risks are controlled, monitored and mitigated by management. The Committee looks at current and forward-looking risks to assess the bank's vulnerability and resilience to potential risks.

The Risk Committee reviews the effectiveness of the bank's conduct framework designed to deliver fair outcomes for customers, preserve the orderly and transparent operation of financial markets, and protect the bank against adverse outcomes (including reputational damage) to the bank's financial and non-financial condition and prospects.

The Risk Committee also reviews and advises the Board on risk appetite framework, risk appetite statement and risk tolerance related matters, the bank's risk data aggregation and risk reporting framework.

The Committee reviews and recommends material regulatory submissions to the Board for approval, including the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process, satisfying itself with regards to the completeness of the submissions and their consistency with the principles of the bank's Risk Appetite.

The Committee reviews and advises the Board on the effective management of risk relating to the bank's Operational and IT Resilience, including risks relating to the execution of the technology aspects of the approved HSBC Group or bank strategy, cyber security and serious, large scale, organised crime relating to information security.

The Committee also reviews and satisfies itself that the bank's stress testing framework, governance and related internal controls are robust. It reviews, challenges and where appropriate approves the key assumptions, vulnerabilities and scenario themes identified and expanded metrics to be used in both internal and regulatory bank-wide stress tests and regulatory submissions.

The Risk Committee reviews how effectively management is embedding and maintaining effective risk management and control systems culture to foster compliance with HSBC Group and bank policies and compliance requirements, by also considering any material findings from regulators relating to risk governance, conduct of business, risk assessment or management processes.

The Committee reviews the bank's controls relating to compliance risks and satisfies itself that they are adequate and that the bank is maintaining an appropriate relationship with its regulators. It considers risk management reports and internal Audit reports relating to weaknesses in risk management and control systems.

The Risk Committee is tasked with monitoring the effectiveness and independence of the Chief Risk and Compliance Officers and with reviewing the composition and effectiveness of the Risk and Compliance functions including that they are of sufficient stature, independent of the business and adequately resourced.

With regard to the Annual Report and Accounts, the Risk Committee reviews and endorses the content of the Risk Committee report in the annual report and accounts, such as any risk-related disclosures.

The Committee met six times during 2025 and is currently composed of Louis Cassar Pullicino as Chairperson, and Alexiei Dingli and Elvia George as Members. Elvia George was appointed member on 22 January 2025.

## Member attendance at Risk Committee meetings (2025)

|                        | Attended   |
|------------------------|------------|
| Louis Cassar Pullicino | 6 out of 6 |
| Alexiei Dingli         | 6 out of 6 |
| Elvia George           | 6 out of 6 |

During the year, regular informal meetings were held between the Chairperson/Members of this Committee and Members of Senior Management especially the Head of Internal Audit, the Chief Risk Officer, the Chief Compliance Officer and the external auditors.

Senior managers of the bank are invited to attend any of the meetings as directed by the Committee.

The Chief Risk Officer, the Chief Compliance Officer and the Head of Internal Audit are standing attendees at the meetings. The Chief Financial Officer attends as and when required.

## Remuneration and Nomination Committee ('RemNom' Committee)

The remuneration aspect of this Committee, its composition and information relating to its meetings during 2025 are dealt with under the Remuneration Report, which also includes, inter alia, the Remuneration Statement in terms of Code Provision 8.A.4 and information required in terms of Appendix 12.1 of the Capital Markets Rules.

In its nomination function, the Committee is primarily tasked with assisting the bank's Chairman in keeping the composition of the Board and its Committees under review and to lead the process for nominations to the Board and its committees. It oversees a continuous and proactive process for planning and assessment of candidates to ensure plans are in place for the orderly succession for executive and non-executive directors and other senior appointments within the bank and its subsidiaries. In so doing, the Committee reviews the structure and composition of the Board and its committees and makes recommendations to the Board on appointments based on merit and against objective criteria, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. This, bearing in mind the ambition for the representation of the underrepresented gender in the board.

# Statement of compliance with the Code of Principles of Good Corporate Governance

The Committee continued to perform its role regarding 'fit and proper' assessments of present and prospective Board Members, with power of rejection of any proposed Board candidate on the basis of unsuitability.

The Committee assesses the knowledge, skills and experience of individual members of the Board and of the Board collectively at least on an annual basis, and reports to the Board accordingly. The suitability of Key Function Holders is also carried out at least annually, thereby ensuring regular oversight of senior management. The process of the fit and proper assessment exercises for both the Board and Key Function Holders is documented within the bank's Fit and Proper Policy, which is reviewed annually by RemNom and the Board.

The Committee also assesses the independence of the non-executive directors and reviews and monitors the training and continuous professional development of directors.

Letters of appointment issued to Non-Executive Directors set out the expected time commitment and by their acceptance thereof the Directors undertake that they will have sufficient time to discharge their duties as Directors. For the attendance details please refer to the Remuneration report.

Time commitment is also considered when carrying out the fit and proper assessment of the Board members. Furthermore, each Director is requested to confirm his commitment on an annual basis through a declaration.

## Disclosure Management Meeting ('DMM')

Following HSBC Continental Europe's request to the bank to seek authorisation from its shareholders to enable the bank to share information, including unpublished price-sensitive information, to bona fide offerors, in connection with a potential transaction involving a substantial shareholding in the bank, the bank's Board established a Disclosure Management Meeting.

The purpose of the DMM is to support the discharge of the bank's obligations (including those of its subsidiaries) under applicable legislation and regulation, specifically those arising under the European Union's Market Abuse Regulation ('MAR'), Malta's Capital Market Rules, and any other legal and regulatory requirements that shall be applicable to the bank and its subsidiaries from time to time. When appropriate, in the performance of its obligations and responsibilities, the DMM will escalate relevant matters to the Board so that the Board will determine whether or not to approve recommended classification of information by the DMM and any ancillary action that may be required in line with such classification.

The DMM is empowered to

- determine whether new information, a new event or circumstance constitutes inside information and should this be the case, whether such information be publicly disclosed or the public disclosure thereof be delayed for justified reasons; and
- review all material disclosures made or to be made by the bank in relation to the Strategic Review and/or as requested by the CEO or the Board, in each case with a view to ensuring that the bank's disclosure obligations are satisfied.

The DMM's authority does not extend beyond the executive authority of individual members.

Membership and Quorum of the DMM:

- Company Secretary (Chairperson)
- Head of Global Markets
- Chief Compliance Officer
- General Counsel Or their nominated alternate.

A quorum for the DMM shall be three members, two of whom must be the Head of Global Markets, Chief Compliance Officer, Company Secretary or General Counsel, and not a delegate.

## Executive Committee ('ExCo')

This Committee is a management meeting and its purpose is to support the bank's Chief Executive Officer in the performance of the CEO's duties and exercise of powers, authorities and discretions in relation to the management and day-to-day running of the bank and its subsidiaries and to support the CEO in the discharge of his responsibilities to the Board. This Committee is designed to strengthen decision-making by ensuring collective input to decisions, while also supporting the CEO in discharging his responsibilities.

The members of the Committee have individual responsibility for the development and implementation of the strategy for the business or function they represent in accordance with their role profiles and powers delegated to them, directly or indirectly by the CEO and subject to any limitations on their authority.

This Committee is chaired by the CEO and its membership is composed of the Head of International Wealth and Premier Banking, the Head of Corporate and Institutional Banking, the Head of Global Markets, the Chief Financial Officer, the Chief Operating Officer, the Chief Risk Officer, the General Counsel, the Chief Compliance Officer, the Head of Human Resources, the Head of Communications and the Company Secretary. As the Head of Internal Audit is independent from management, the holder of said role is not a member of the Committee but is a standing attendee.

Meetings are held with such frequency and at such times as the Chairman may determine. However, it is expected that the Committee formally meets at least six times per annum. In 2025, there were 6 formal meetings while ExCo met informally on a weekly basis.

Decision-making authority in relation to all matters considered by the Committee remains with the Chief Executive Officer of the bank pursuant to the authority delegated by the Board.

Whilst oversight remains the responsibility of ExCo, the Committee may delegate more particular oversight, consideration and/or management of any matter within the scope of its authority to a sub-committee, forum or individual, as appropriate. It has in fact delegated authority to the following Committees:

## The Risk Management Meeting ('RMM')

The RMM met eight times during the year. It is chaired by the Chief Risk Officer, with the Chief Executive Officer, or any member designated by the Chief Risk Officer as alternate chairperson, in his/her absence. During 2025, all the meetings were chaired by the Chief Risk Officer. The objective of the RMM is to exercise oversight of the risk/reward framework for the bank and its subsidiaries.

The RMM is a formal governance meeting that provides recommendations and advice to the bank Chief Risk Officer ('CRO') on enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the bank. It supports the CRO's individual accountability for the oversight of enterprise risk as set out in the Group's Risk Management Framework ('RMF'). The management of risk in the context of all three lines of defence is covered in the RMM. First line of defence risk management issues are owned by Risk Owners and Control Owners, and therefore the respective business head will be the Accountable Executive for first line of defence decision making at the RMM. The RMM serves as the governance body for enterprise-wide risk management with particular focus on risk culture, risk appetite, risk profile and integration of risk management into the bank's strategic objectives, including the management of all financial crime risks. Additionally, this governance meeting considers and manages any reputational risks referred to the committee. The Chief Risk Officer is also invited to attend Board meetings and meetings of the Audit and Risk Committees in which representations are made about the overall risk profile associated with the business including a comprehensive assessment of the bank's management of risk.

# Statement of compliance with the Code of Principles of Good Corporate Governance

## Climate & Environmental Social and Governance ('ESG') Steering Committee

The Committee met six times in 2025. It is co-chaired by the CRO and the CFO and was established to provide recommendations and make decisions as and when necessary, working in conjunction with Lines of Business and make any necessary escalations and submissions to the bank's RMM. It supports the CRO's and CFO's individual accountability for the oversight of enterprise risks and disclosures as set out in HSBC Group's Risk Management Framework ('RMF').

The bank's Climate & ESG Steering Committee is responsible for the management of Climate and ESG risks, including CSRD, to ensure adequate focus on the risks (physical and transitional, nature risks) associated with climate change, ESG criteria, and compliance with Group policies, European Union requirements, ECB Regulations and guidance, any specific Local legislation and any bank policies.

## The Asset and Liability Management Committee ('ALCO')

ALCO is responsible for managing the balance sheet with a view to achieve efficient allocation and utilisation of all resources.

This Committee, which is chaired by the Chief Financial Officer, reviews the asset and liability risks of the local group and oversees the prudent management of interest rate risk, liquidity and funding risk, capital, foreign exchange risk, and solvency risk. Furthermore, ALCO monitors the external environment and measures the impact on profitability of factors such as interest rate volatility, market liquidity, exchange rate volatility, monetary and fiscal policies and competitor banks' activity. ALCO monitors the funding and capital adequacy, making use of forecasts as well as stress tests to ensure the sustainability of the business model and ensuring that sufficient resources are available at all times to meet the demand arising from business activities and regulation.

ALCO is responsible for ensuring that the local group has the appropriate recovery plan in place so that it is prepared to restore viability in a timely manner under stress. It is also responsible for resolution planning, detailing the bank's preferred resolution strategy and approving the respective plans.

The Chief Executive Officer has primary responsibility for ensuring an efficient deployment of the bank's Asset and Liability Management strategy. Membership consists of senior executives with responsibility for the following functions: Commercial Banking, International Wealth and Premier Banking, Markets Treasury, Risk, Finance, Asset and Liability Capital Management, Customer Value Management and Global Payments Services. ALCO, met eleven times in 2025 and is chaired by the Chief Financial Officer and deputised by the Chief Executive Officer.

## Principle 5: Board meetings

The Board meets as often and as frequently required to discharge its duties effectively. During the period under review, the Board met twenty-five times: twenty-two were formal Board meetings and three were for structured training purposes.

The Chairman ensures that all relevant issues are on the agenda and supported by all the available information. The agenda strikes a balance between long-term strategic objectives and short-term performance issues. Notice of the dates of Board meetings together with supporting materials are circulated to the Directors in advance of the meetings, where possible, giving enough time for Directors to review the material.

During the meetings, Board Members are given the opportunity to discuss issues set on the Board agenda, convey their opinions and constructively challenge management. The Chairman facilitates presentation of views pertinent to the relevant issues on the agenda by promoting a culture of openness and debate. Moreover, Directors are encouraged to discuss any issue, which they deem appropriate.

Minutes are taken during Board meetings that faithfully record attendance, discussed matters, tracked actions and decisions. These minutes are subsequently circulated to all the Directors as soon as practicable after the meeting. Besides attending formal Board

meetings and Committee meetings of which they form part, Directors attend, on a frequent and regular basis, meetings where their presence is required for the proper discharge of their duties. All the Directors dedicate the necessary time and attention to their duties as Directors of the bank. The holding of other directorships in other companies is in line with regulatory provisions.

### Directors' attendance at Board Meetings in 2025

|                        | Attended     |
|------------------------|--------------|
| Manfred Galdes         | 21 out of 22 |
| Geoffrey Fichte        | 22 out of 22 |
| Louis Cassar Pullicino | 21 out of 22 |
| Charlotte Cilia        | 20 out of 21 |
| Alexiei Dingli         | 21 out of 22 |
| Elvia George           | 22 out of 22 |
| Maria Micallef         | 12 out of 14 |
| Malcolm Miller         | 19 out of 22 |
| Yvonne Steyn-Adams     | 10 out of 10 |

## Principle 6: Information and professional development

The Board appoints the Chief Executive Officer of the bank upon guidance and recommendation by HSBC Group and by the RemNom Committee. The Board, through the RemNom Committee, is actively involved in the appointment of members of senior management, including the Chief Executive Officer.

Full, formal and tailored induction programmes, with particular emphasis on the systems of risk management and internal controls, are arranged for newly appointed Directors. The programmes consist of a series of meetings with senior executives to enable new Directors to familiarise themselves with the bank's strategy, risk appetite, operations and internal controls. Directors also receive comprehensive guidance on Directors' duties and liabilities. Directors are also given the opportunity to request further training on specific topics. Relevant materials are made available and regularly updated for Directors' reference throughout their tenure.

A structured Board training and development programme is organised for the Directors. Training organised and delivered by external parties is also provided. The key objective of the programme is to improve the Board's awareness in risk, regulation, and compliance developments in the financial services and banking sector.

Topics covered during these awareness sessions related to ESG: Nature & Biodiversity, ESG: Social and ESG Risk, Artificial Intelligence, Cybersecurity and Resilience Testing and Capital Requirements Directive VI. Directors also participate in the Group's mandatory training, which covers conduct, conflicts of interest, data quality, health safety and wellbeing, risk management, cybersecurity, sustainability and financial crime compliance topics.

Directors are given opportunities to update and develop their skills and knowledge through briefings by senior executives and externally-run seminars throughout their directorship. Moreover, Directors have access to independent professional advice, at the bank's expense.

Directors also have access to the advice and services of the Company Secretary who is responsible for advising the Board through the Chairman on all governance matters and for adherence to Board procedures as well as for effective information flows within the Board, its Committees and with senior management.

The Chairman of the Board and Chairpersons of the Audit and Risk Committees attend a number of Chairpersons' fora organised throughout the year by the HSBC Group. The bank's Audit Committee and Risk Committee Chairpersons also attended engagement sessions together with other HSBC Audit Committee and Risk Committee Chairpersons. During these meetings the Directors are updated on the latest topical issues.

To enable the Company Secretary to organise such training sessions, including induction training, for the Board of Directors, adequate human and financial resources are made available.

# Statement of compliance with the Code of Principles of Good Corporate Governance

The succession plan for senior management is discussed with RemNom. As part of succession planning and talent management, the Board and the Chief Executive Officer ensure that the bank implements appropriate schemes to recruit, retain and motivate high-quality executive officers. They also encourage members of management to move to the higher ranks within the organisation and seek to maintain high engagement and morale among the bank's personnel.

## Principle 7: Evaluation of the Board performance

On an annual basis, the Board carried out an evaluation of its performance. Through this evaluation, the Board monitors and assesses the effectiveness of the bank's governance arrangements. Through this exercise, the Directors are also requested to reflect and assess the structure, size, composition and performance of the Board of Directors, including the Chairman.

In 2024, the Board engaged the HSBC Bank plc Company Secretary to undertake an evaluation of its performance, the Chairman's performance and that of its Committees through a thorough document review, Board and Committee meetings observation sessions and interviews/meetings with Board Members and regular Board and Committee meetings attendees. All recommendations were implemented throughout 2025. In 2025, the Board and its Committees carried out a self-evaluation of their performance.

This process was driven and overseen by the RemNom Committee through the support of the Company Secretary. Based on the outcome of this evaluation, the Board and Committees reviewed and agreed on recommendations for improvement. The bank's governance arrangements were deemed effective and no material changes in the governance structures and organisation resulted from this Board evaluation exercise.

## Principle 8: Committees

Details on the Committees is covered under Principle 4. The Remuneration and Nomination Committee is covered under Principle 4 and in the Remuneration Report, which also includes the Remuneration Statement in terms of Code provisions 8.A.4.

## Principles 9 and 10: Relations with the shareholders, with the market and with institutional shareholders

The Board oversees the process of disclosures to and communications with external stakeholders. The bank maintains ongoing communication with its shareholders and the market on its strategy and performance in order to enhance trust and confidence in the bank. During the period under review, the bank issued various company announcements and media releases to explain ongoing corporate developments and material events and transactions that have taken place and their impact on the financial position of the bank.

The bank (overseen by the Board) communicates with shareholders in the following ways:

- through the 'Annual Report and Accounts' which is made available on the bank's website, a printed version of which is provided to shareholders upon request;
- through the publication of company announcements and media releases; and
- at the Annual General Meeting and Extraordinary General Meetings (further detail is provided under the section 'General Meetings').

The bank also holds meetings for stockbrokers, financial intermediaries, the Malta Association of Small Shareholders and the media to explain the salient features of the interim and annual financial results.

The bank maintains an open channel of communication with its shareholders through the Corporate Governance and Secretariat Function and its General Meetings.

As the Board always endeavours to protect the interests of both the bank and its shareholders, present and future, the Board takes into account that shareholders are constantly changing. This is reflected in the Board's decisions on long-term sustainability objectives to safeguard the interests of future shareholders. Moreover, Board members are available to answer questions during the Annual General Meeting. The conduct of the meeting is conducive to valid discussion and appropriate decision making. In terms of the bank's Articles of Association, the Directors shall, on the request of members of the company holding not less than one-tenth of the paid-up share capital, duly proceed to convene an Extraordinary General Meeting of the bank.

## Principle 11: Conflicts of interests

Directors are aware that their primary responsibility is always to act in the interest of the bank and its shareholders as a whole, irrespective of who appointed them to the Board. This requires that Directors avoid conflicts of interest at all times and that their personal interests never take precedence over those of the bank and its shareholders.

In line with HSBC Group best practice, the Board defines and oversees a Board Conflicts of Interest Policy. In terms of this policy, a Director is to avoid situations in which he or she has or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the bank. Without prejudice to Articles 136A (3)(C) and 143 of the Companies Act, this policy stipulates that a director must obtain an authorisation from the Board before a situational conflict arises. Notably, in accordance with this policy, all directorships and other non-bank appointments should be authorised by the Board. Furthermore, the bank's policies and procedures in relation to loans and transactions also apply to Directors and their connected parties, which includes having all loans and advances at arms' length and not given on favourable terms and conditions. All loans and transactions above the threshold established by the Board, always require Board approval.

By virtue of the bank's Articles of Association, a Director is bound not to vote at a Board meeting on any contract or arrangement or any other proposal in which such Director has a material interest, either directly or indirectly. Moreover, in terms of the Board's Conflicts of Interest Policy, a Director having a continuing material interest that conflicts with the interests of the bank, should take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning.

On joining the Board and regularly thereafter, Directors are informed and reminded of their obligations on dealing in securities of the bank within the parameters of law and the Capital Markets Rules and the Market Abuse Regulations. A proper procedure of reporting advance notices to the Chairman by a Director who intends to deal in the bank's shares has been endorsed by the Board in line with the Principles, the Capital Markets Rules and the internal Code of Dealing.

Furthermore, the bank has a Conflicts of Interest Policy and controls in place to identify, and prevent or manage Conflicts of Interests, and this to ensure effective and prudent management of the bank. The Board is also presented with the Staff Conflicts of Interest Policy on an annual basis for their consideration and approval.

## Principle 12: Corporate Social Responsibility

The bank's Corporate Sustainability ('CS') strategy takes into account the Group-wide strategy. The Board continues to recognise that the bank has a responsibility towards people and the community. The bank has continued to utilise its resources in order to carry out a series of initiatives and projects designed to provide value to various sectors for the bank's key stakeholders (i.e. customers, employees, and the community). In Malta, the bank fulfils the Group's CS strategy primarily through its Corporate Sustainability function and the HSBC Malta Foundation (the 'Foundation'). The HSBC Malta Foundation seeks to unlock the full potential of individuals and the community to shape a sustainable future. The focus areas of the HSBC Malta Foundation are Community – which includes Employability, Financial Capability and Developing Resilience; Environment which includes Nature, Sustainable Energy and Climate Innovation and local projects.

# Statement of compliance with the Code of Principles of Good Corporate Governance

The bank remains committed to making a difference in the areas of child welfare and education, the environment and heritage. The bank has pledged long-term support to help people access education and training, so as to acquire the skills needed to succeed today and in the future at the place of work. There is close collaboration with several stakeholders including governmental organisations, policymakers, local businesses, other banks and financial institutions, charities, non-profit organisations and non-governmental organisations. The bank takes pride in HSBC colleagues who contribute to the charities and causes they feel passionate about and employees are encouraged to take an active role in initiatives supported by the HSBC Malta Foundation. HSBC Bank Malta p.l.c. is also one of the founding members of the Malta ESG Alliance.

The focus of the Sustainability function continues to be placed on creating a sustainable future that leaves a positive impact on society, the environment and the economy. HSBC Group's ambition is to become a net zero bank by 2050. Supporting our customers is core to our strategy and financing their transition is both critical to them and aligned to our net zero ambition. We want to be our customers' most trusted financial partner through the transition, creating long-term value for them and our shareholders. The HSBC Group's ambition is to support its customers to transition by providing or facilitating lending of \$750bn - \$1tn by 2030. With this ambition in mind, the bank has been very active locally during 2025 to drive initiatives aligned with this strategy.

## Non-compliance with the Code

### Principle 9 (Code Provision 9.3 and Code Provision 9.4)

This Code Provision recommends the bank to have in place a mechanism to resolve conflicts between minority shareholders and controlling shareholders. Although the bank does not have such a mechanism in place, there is ongoing open dialogue between the bank's senior management and the Non-Executive Directors to ensure that no such conflicts arise.

In terms of Code Provision 9.4, minority shareholders should be allowed to formally present an issue to the Board of Directors. The bank does not have a policy in terms of this code provision. However, the bank maintains an open dialogue with the Malta Association of Small Shareholders.

## Internal control Capital Markets Rule 5.97.4

The Board is ultimately responsible for the bank's system of internal control and for reviewing its effectiveness. Such procedures are designed to achieve business objectives and to manage and mitigate, rather than to eliminate, the risk of failure. They can only provide reasonable and not absolute assurance against material error, losses or fraud.

The Group has established the risk management and internal control structure referred to as the 'Three Lines of Defence' to ensure they achieve the commercial aims while meeting regulatory, legal, as well as Group requirements. It is a key part of the local group operational risk management framework.

The First Line of Defence has ultimate ownership of risk and controls, including read across assessments of identified issues, events, and near misses, and the delivery of good conduct outcomes. Risk Owners are accountable for identifying, assessing, managing and reporting key existing and emerging risks that they own for their business or function in line with the risk appetite set by the Board.

The Second Line of Defence reviews and challenges the First Line of Defence'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 Line of Defence is independent of the risk-taking activities undertaken by the First Line of Defence and includes the CRO, Risk Stewards and the Operational and Resilience Risk function.

Risk Stewards are accountable for setting policy and control standards to manage risks, providing advice and guidance to support these policies, and challenging the First Line of Defence to ensure it is managing risk effectively.

The Third Line of Defence is Internal Audit, which provides independent assurance to management and the non-executive Risk and Audit Committees that the bank's risk management, governance and internal control processes are designed and operating effectively.

The local group's key risk management and internal control procedures include the following:

- Global standards: Functional, operating, financial reporting and certain management reporting standards are established by global function management Committees, for application throughout HSBC globally. These are supplemented by operating standards set by functional and local management as required for the type of business and geographical location of each subsidiary.
- Delegation of authority within limits set by the Board: The Board has delegated specific, clear and unequivocal authority to the Chief Executive Officer to manage the day-to-day affairs of the business for which he is accountable within limits set by the Board. Delegation of authority from the Board requires the CEO to maintain appropriate apportionment of significant responsibilities and to oversee the establishment and maintenance of systems of control that are appropriate to the business.
- Risk identification and monitoring: Systems and procedures are in place to identify, control and report on the major risks facing the bank including, credit, market, liquidity, capital, financial management, model, reputational, strategic, sustainability and operational (including accounting, tax, legal, compliance, fiduciary, information, external fraud, internal fraud, political, physical, business continuity, systems operations, project and people risk). Exposure to these risks is monitored by the Risk Management Meeting, Asset and Liability Committee and Executive Committees as relevant.
- Changes in market conditions/practices: Processes are in place to identify new risks arising from changes in market conditions/practices or customer behaviours, which could expose the bank to heightened risk of loss or reputational damage. Further improvements have been, and will continue to be, implemented to combat the inherent challenges posed by financial crime. In addition, the focus has remained on regulatory developments and engagement, including the ongoing supervisory review and evaluation process under the ECB's Single Supervisory Mechanism; challenges to balance business growth and risk management imperatives; internet crime and fraud; level of change creating operational complexity and heightened execution risk; and information security risk.
- IT operations: Centralised Regional and Group functional reporting and governance is exercised over all IT operations, with overarching local bank's Reporting and Governance.
- In order to ensure consistency and benefit from economies of scale, common Group systems are employed for similar business processes, wherever practicable.
- Various Controls and Key Controls Indicators are applied in order to assess and monitor IT Operational and Cyber resilience in order to assess effectiveness on a regular basis, and, where needed, define and oversee remediation activities.
- Comprehensive annual financial plans are prepared, reviewed and approved by the Board. Results are monitored and progress reports are prepared on a monthly basis to enable comparisons with plan. Financial accounting and management reporting standards have been established.
- Responsibilities for financial performance against plans and for capital expenditure, credit exposures and market risk exposures are delegated with limits to executive management. In addition, functional management in the bank has been given the responsibility to implement HSBC policies, procedures and standards for business and product lines and functions, including: legal, financial crime and regulatory compliance, internal audit, human resources, credit risk, market risk, operational risk, computer systems and operations, and property management.

# Statement of compliance with the Code of Principles of Good Corporate Governance

---

- The Chief Risk Officer is responsible for the management of specific risks within the bank, including credit risk in the corporate and retail portfolios, market risk and operational risk. Risks are monitored via the Risk Management Meeting, which meets regularly, and via reporting to the Executive Committee, the Risk Committee and the Board as relevant. .
- Internal Audit: The establishment and maintenance of appropriate systems of risk management and internal control is primarily the responsibility of management. The Internal Audit function reports to the Audit Committee and to the Board. It provides independent and objective assurance in respect of the adequacy of the design and operating effectiveness of the bank's framework of risk management, control and governance processes, using a risk-based approach. The Head of Internal Audit also reports to the Audit Committee on matters concerning the operation of the Internal Audit function, including independence and resourcing and approval of the Annual Audit Plan.
- Internal Audit issues: Executive management is responsible for ensuring that any issues raised by the Internal Audit function are remediated within an appropriate and agreed timeframe. Confirmation to this effect must be provided to Internal Audit, which subsequently independently validates the remediation as relevant.
- The bank's Compliance Department undertakes Regulatory Compliance and Financial Crime Compliance. From a regulatory perspective it ensures that the local group continues to maintain the highest standards of corporate conduct, including compliance with all the local and international regulatory obligations and HSBC Group standards and regulations. With regard to financial crime compliance, it is responsible for the oversight of Anti-Money Laundering and Terrorist Financing, Sanctions, Anti-Bribery and Corruption, Fraud and Tax Evasion risks. Particular attention is given to the proactive management of identified Financial Crime Compliance risk issues. Routine governance is managed via the Risk Management Meeting and reported to the Executive Committee, the Risk Committee and to the Board as relevant.
- Through the Audit Committee and the Risk Committee, the Board reviews the processes and procedures to ensure the effectiveness of the system of internal control of the bank and its subsidiaries, which are subject to periodic Third Line of Defence review by Internal Audit.

---

## Capital Markets Rule 5.97.5

The information relating to the Shareholders' Register required by this Capital Markets Rule is found in the Directors' Report.

---

## General meetings

The General Meeting is the highest decision-making body of the bank. A General Meeting is called by 21 days' notice and it is conducted in accordance with the Articles of Association of the bank.

The Annual General Meeting deals with what is termed as 'ordinary business', namely the receiving or adoption of the annual financial statements, the declaration of a dividend, the appointment and remuneration of the Board (which may or may not involve an election), the appointment of the external auditors, and the granting of the authority to the Board to fix the external auditors' emoluments. Other business which may be transacted at a General Meeting will be dealt with as Special Business.

All shareholders registered in the Shareholders' Register on the record date as defined in the Capital Markets Rules, have the right to attend, participate and vote in the General Meeting. A shareholder or shareholders holding not less than 5% in nominal value of all the shares entitled to vote at the General Meeting may request the bank to include items on the agenda of a General Meeting and/or table draft resolutions for items included in the agenda of a General Meeting. Such requests are to be received by the bank at least 46 calendar days before the date set for the relative General Meeting. A shareholder who is unable to participate in the General Meeting can appoint a proxy by written or electronic notification to the bank. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the General Meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for that purpose.

By means of a company announcement dated 11 September 2024, the bank had announced that it had been informed by HSBC Holdings plc ("HSBC Holdings") that HSBC Holdings would be undertaking a strategic review of its indirect 70.03% shareholding in the bank. An extraordinary general meeting ('EGM') was convened on 13 February 2025 and the following Ordinary Resolution - Special Business was approved:

"That the Company be and is hereby authorised and empowered, in connection with a potential transaction involving a Substantial Shareholding (as defined in Capital Markets Rule 5.174) (a "Substantial Shareholding" in the Company, to furnish, in confidence, information, including unpublished price sensitive information, to a bona fide offeror(s), the corresponding bona fide transferor, as may be necessary to enable the bona fide offeror(s) and the bona fide transferor and their respective advisers to make, confirm, withdraw or modify any offer(s) for a Substantial Shareholding."

The Annual General Meeting was held on 13 May 2025, where all ordinary resolutions and ordinary resolutions special business were approved.

# Remuneration Report

## Governance

### Role of the Remuneration Committee

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. It also assures 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 Committee carries out its role in line with The Code of Principles of Good Corporate Governance, as presented within Appendix 5.1 to the Capital Markets Rules and Banking Rule 21 (BR21/2022) – Remuneration Policies and Practices – issued by the Malta Financial Services Authority. The disclosures presented herein are also being made in terms of the requirements emanating from paragraph 28 of Banking Rule 07 (BR07/2024).

The Committee is responsible for recommending to the HSBC Bank Malta p.l.c. Board of Directors (the 'Board') approvals of the total compensation spend within the Financial Resource Plan. The Committee works in conjunction with the HSBC Group Remuneration Committee. However, it has its own Terms of Reference, which sets out its key responsibilities.

The Chief Risk Officer attends meetings as necessary to report to the Committee on the alignment of the bank's remuneration policy and proposals with the bank's risk profile and risk management. Other members of senior management who are sometimes in attendance are the Chief Financial Officer and the Head of Human Resources. The Chief Financial Officer reports on the alignment of the bank's Remuneration Policy and proposals with the bank's capital profile. The Head of Human Resources attends meetings when the Remuneration Policy or remuneration matters are considered.

The Committee seeks advice from the bank's Risk Committee and the bank's Chief Risk Officer, on the alignment of risk and remuneration and, as necessary, any relevant adjustments for risk to be considered in respect of the variable pay pool and remuneration outcomes. The Board, via the Committee's recommendation, uses these updates when considering the risk-related adjustments necessary when setting the variable pay pool, to ensure that return, risk and remuneration are aligned.

### Membership and meetings

The Committee met nine times during 2025 and was initially composed of Alexiei Dingli as Chairperson, Manfred Galdes and Maria Micallef as Members.

On 26 August 2025, Maria Micallef resigned as Member of the Board and the RemNom Committee. Malcolm Miller replaced her as a RemNom Committee Member from 3 October 2025.

#### Members attendance at Remuneration and Nomination Committee meetings

|   | Attended   |
|---|------------|
| Maria Micallef (resigned 26 August 2025)  | 6 out of 6 |
| Alexiei Dingli <sup>1</sup>               | 9 out of 9 |
| Manfred Galdes                            | 9 out of 9 |
| Malcolm Miller (appointed 3 October 2025) | 2 out of 2 |

<sup>1</sup> Alexiei Dingli was appointed as Designate Chairperson on 19 November 2024, and was later formally appointed as Chairperson on 30 January 2025.

During the year, the Chief Executive Officer, the Head of Human Resources, the Chief Risk Officer and the Chief Financial Officer attended some of the meetings of the Committee when deemed appropriate.

None of the executives participated in the discussion regarding their own remuneration.

In 2025 the Committee did not engage any external advisor. It only seeks specific legal and/or remuneration advice independently as and when it considers this to be necessary.

## Remuneration Statement

### HSBC Bank Malta p.l.c. Remuneration Policy

The bank's remuneration strategy is designed to competitively reward the achievement of sustainable performance and to attract, retain and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience in line with the bank's Diversity and Inclusion Policy. The aim is to retain those who are committed to a long-term career with the HSBC Group in the long-term interests of shareholders. It is also aligned with the EU's Capital Requirements Directive ('CRD') V, particularly with respect to those employees identified as having a material impact on the bank's risk profile, hereinafter referred to as 'Identified Staff', in accordance with Commission Delegated Regulation (EU) 2021/923, which came into effect during 2021 following its publication in the Official Journal of the European Union. Accordingly, the classification of Identified Staff within the bank's Remuneration Policy is aligned with this regulation.

During 2025, the bank's Remuneration Policy has been updated with the inclusion of a clause for retention payments.

In determining remuneration levels for 2025, the Committee applied the bank's Remuneration Policy, which takes into account the interests of shareholders, the HSBC Group and the broader external context.

Key principles of the remuneration framework include the following:

- Assessment of performance with reference to clear and relevant objectives set within a performance scorecard framework;
- The use of Behaviour Gateway (a framework requiring minimum behaviour and conduct expectations) and performance ratings for all employees which directly influence pay outcomes;
- Positive adjustments to variable pay for individuals who have exhibited exemplary conduct and who went the extra mile to courageously do the right thing;
- Negative adjustment to variable pay for individuals who do not complete mandatory learnings or do not demonstrate the right values and behaviours which may put the bank, its customers and stakeholders at risk;
- A global recognition program, where the employees can recognise peers and reward positive behaviour in real-time;
- A focus on total compensation (fixed plus variable pay) with variable pay (namely annual bonus) differentiated by performance and adherence to HSBC values;
- The use of discretion to assess the extent to which performance has been achieved; and
- Deferral of a significant proportion of variable pay (where appropriate) to tie recipients to the future performance of the bank and align the relationship between risk and reward.

Within this framework, risk alignment of the remuneration structure is achieved through the following measures:

- Assessment of risk and compliance is a critical part of the process to determine the performance of all employees, especially Identified Staff;

# Remuneration Report

- Adherence to HSBC values is a prerequisite for any employee to be considered for variable pay. HSBC values are key to the running of a sound, sustainable bank. Employees have a separate HSBC values rating which directly influences their overall performance rating, and is therefore considered for their variable pay determinations;
- For Executive Directors, Senior Management and certain Identified Staff, part of their variable pay is deferred (where appropriate) and thereby subject to malus, which allows unvested/unpaid deferred awards to be reduced or cancelled if warranted. Similarly, for paid/ vested awards, these are subject to clawback for a minimum period of seven years from date of grant;
- Employees must not use personal hedging strategies or remuneration or liability-related contracts of insurance in connection with any unvested deferred remuneration awards or any vested awards subject to a retention period; and
- Instances of non-compliance with risk procedures or with expected behaviours are escalated for consideration in variable pay decisions, including variable pay adjustments for that performance year and malus of unpaid awards granted in prior years. For Identified Staff, the Committee and the Board have oversight of such decisions and can make recommendations to the HSBC Group Remuneration Committee to reduce or cancel all or part of any unpaid deferred award.

These elements are designed to ensure that the bank attains its ambitions by including both short-term and long-term incentives in the reward package. This strategy promotes the employees' remuneration with the bank's risk alignment of framework, risk outcomes and values. The personal conduct of the bank's people is critical to the bank's ability to live up to these commitments. The bank recognises and rewards exceptional conduct demonstrated by its employees. Poor conduct and inappropriate behaviour not in line with HSBC values, or which exposes the bank to financial, regulatory or reputational risk, is strongly discouraged and may attract consequence.

For senior employees, where appropriate, part of their reward is deferred, and thereby subject to malus, that is, it can be cancelled if warranted by events. In order to ensure alignment between what the bank pays its employees and the bank's business strategy, individual performance is assessed against annual and long-term financial and non-financial objectives summarised in performance scorecards. This assessment also takes into account adherence to the HSBC values as follows: 'We value difference; We succeed together; We take responsibility and We get it done'. Altogether, performance is therefore judged not only on what is achieved over the short- and long-term but also importantly on how it is achieved, as the bank believes the latter contributes to the soundness and sustainability of the business.

The Remuneration Policy is available in full on the bank's website: <https://www.about.hsbc.com.mt/investor-relations>

## The bank's reward strategy

To attract, retain and motivate the very best people, HSBC's reward package comprises three key elements:

- Fixed Remuneration;
- Benefits; and
- Variable Remuneration.

## Structure of remuneration

The following table shows the purpose and relevant features of each of the three key elements of HSBC's reward package. The following structure applies to all employees including Executive Directors and Senior Management (i.e. members of the Executive Committee).

| Description                     | Purpose, relevant features and link to strategy  |
|---------------------------------|--|
| Fixed Pay                       | <p>Fixed pay reflects the individual's role, experience and responsibility. It comprises the base salary and in some cases a fixed pay allowance and/or a pension.</p> <p>Base salary</p> <p>Base salaries are paid in cash on a monthly basis and are benchmarked on an annual basis against relevant comparator groups.</p> <p>Fixed pay allowance</p> <p>This is typically paid in cash on a monthly basis.</p> <p>Pensions</p> <p>These consist of cash allowances in lieu of personal/occupational pension arrangements of international assignees appointed to Executive Director or Senior Management positions. An employee pension plan scheme is offered to all local employees subject to the terms and conditions of the scheme.</p>   |
| Benefits                        | <p>Benefits take account of local market practices and include the provision of medical insurance, health assessment, life assurance, and tax assistance where appropriate.</p>  |
| Variable Pay – annual incentive | <p>Variable pay award is discretionary, and is determined and paid in line with internal bank policies and procedures. Variable pay awards are made to drive and reward performance against annual financial and non-financial measures and adherence to HSBC values which are consistent with the medium to long-term strategy and aligns to shareholder interests.</p> <p>Performance ambitions are set taking into account the economic environment, strategic priorities and risk appetite. The bank has two rating scales to measure performance of employees: a three-point rating scale measuring performance targets achieved and another two-point rating scale measuring and assessing whether (or not) employees achieved HSBC's behavioural standards and values. Performance is therefore assessed not only on what is achieved but also how it is achieved. Different areas of the bank come together every year to ensure a fair, consistent and bias free employee assessment. This exercise ensures that the process is transparent and fair across the bank. Performance reporting tools are available to all line managers for the purpose of undertaking an analytical review of the variable pay decisions for them. Variable pay is delivered in the form of cash and/or shares in HSBC Bank Holdings p.l.c., if applicable.</p> <p>Individuals in control functions are assessed according to the objectives specific to the functional role they undertake, to ensure their remuneration is determined independent of the performance of the business areas they control.</p> <p>Where variable pay for Identified Staff is more than €50,000 or where variable pay is greater than 33% of Total Compensation, a minimum of 50% of awards are made in shares. Variable pay is restricted to a maximum of 100% of fixed pay.</p> <p>If Variable Pay is more than €50,000 or greater than 33% of Total Compensation, 40% of the variable remuneration component is subject to deferral and vested over a period which is not less than four years for Non Senior Management and not less than five years for Senior Management. This portion is correctly aligned with the nature of the business, its risks and the activities of the staff members concerned.</p> <p>The award is non-pensionable.</p> |

# Remuneration Report

## Variable pay funding

Funding of the bank's annual variable pay pool is determined in the context of profitability and affordability. The Committee considers many factors in approving the overall variable pay pool. These include, but are not limited to, individual performance, the performance of the bank and the performance of the HSBC Group. These are all considered within the context of the bank's risk appetite. The variable pay pool is also shaped by risk considerations and factors that may arise from any local or Group-wide notable events. The commercial requirement to remain competitive in the market is also taken into account in line with the bank's Financial Resource Plan. Through the variable pay, the bank aims to attract, retain and motivate the very best people in a competitive market while at the same time acting in the best interest of customers and stakeholders.

## Performance measurement and risk adjustment

Under the bank's remuneration framework, decisions relating to remuneration of individuals are based on a combination of performance against objectives; general individual performance of the

role; and adherence to the HSBC values, business principles, Group risk-related policies and procedures and Global Standards.

In order to reward genuine performance, individual awards are made on the basis of a risk-adjusted view of both financial and non-financial performance. In light of this, the bank has discretion to adjust an employee's current year variable pay in such cases as set out in the following table.

The Committee can also seek advice from the Group Remuneration Committee, at the level of HSBC Holdings plc, to reduce or cancel all or part of any unvested deferred award under the applicable malus and clawback provisions. Appropriate circumstances include (but are not limited to) the examples set out in the table below. The Group Remuneration Committee can also recommend the forfeiture of unvested awards granted in prior years.

Adjustments would generally be made to the current year variable pay before application of malus and clawback is considered. Details of the circumstances where an adjustment, malus and/or clawback will be considered are set out in the following table:

| Type of action | Type of variable pay award affected             | Circumstances where action may apply (including, but not limited to):   |
|----------------|---|---|
| Adjustment     | Current year variable pay                       | <ul style="list-style-type: none"> <li>– Detrimental conduct, including conduct that brings HSBC into disrepute.</li> <li>– Involvement in events resulting in significant operational losses, or events that have caused or have the potential to cause significant harm to HSBC.</li> <li>– Non-compliance with the values-aligned behaviours and other mandatory requirements or policies.</li> <li>– Rewarding positive conduct may take the form of use of our global recognition programme, At Our Best, or positive adjustments to variable pay awards.</li> </ul> |
| Malus          | Unvested deferred awards granted in prior years | <ul style="list-style-type: none"> <li>– Detrimental conduct, including conduct that brings the business into disrepute.</li> <li>– Past performance being materially worse than originally reported.</li> <li>– Restatement, correction or amendment of any financial statements.</li> <li>– Improper or inadequate risk management.</li> </ul>  |
| Clawback       | Vested or paid awards                           | <ul style="list-style-type: none"> <li>– Participation in or responsibility for conduct which results in significant losses.</li> <li>– Failing to meet appropriate standards of fitness and propriety.</li> <li>– Reasonable evidence of misconduct or material error that would justify, or would have justified, summary termination of a contract of employment.</li> <li>– A material failure of risk management within the context of Group risk management standards, policies and procedures.</li> </ul>  |

## Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules

The Directors' Remuneration Policy was last approved by the shareholders at the Annual General Meeting of the bank held on 18 April 2024. The Resolution relating to the Directors' Remuneration Policy was passed by show of hands. The Meeting voted all in favour, with no abstentions, except for one shareholder voting against. The Chairman declared the resolution approved.

The Policy is divided into three major sections: one relating to Executive Directors; another dedicated to Non-Executive Directors; and the other containing provisions common to all directors. The said Policy and its implementation are reviewed annually by RemNom. In terms of Capital Markets Rule 12.26I, any material amendments to the Policy shall be submitted to a vote by the General Meeting before their adoption and in any case at least every four years. Therefore, unless there are material changes proposed, the Directors' Remuneration Policy shall be next presented for approval at the 2028 General Meeting (Ordinary Resolution - Special Business). There were no material changes to the policy this year.

The Directors' Remuneration Policy is available in full on <https://www.about.hsbc.com.mt/investor-relations/annual-general-meetings>.

There were no deviations from the procedure for the implementation of the Directors' Remuneration Policy.

## Information on Directors' Remuneration in terms of Appendix 12.1 of the Capital Markets Rules

### Executive Directors

As stated in the Directors' Remuneration Policy, Executive Directors' total remuneration as salaried employees is regulated in terms of the bank's Remuneration Policy and Group's Standard Employment Contracts. Therefore, Executive Directors are treated in a similar manner to all other employees. Hence, their remuneration is comprised of fixed remuneration, variable remuneration and other benefits as outlined above. These elements of remuneration support the achievement of the bank's objectives through balancing reward for both short-term and long-term sustainable performance. Remuneration is designed to reward success and is aligned with the bank's risk framework and risk outcomes. Executive Directors are expected to reflect the bank's values in their behaviour and business conduct. Personal conduct is critical to the ability of living up to these commitments. Exceptional conduct and behaviour are recognised and at the same time poor conduct and inappropriate behaviour which may expose the bank to financial, regulatory, or reputational risk are strongly discouraged and where necessary attracts consequence.

## Remuneration Report

Total awards of Executive Directors are subject to deferral and vest over a period of not less than five years or such other period as determined by the Committee, and hence subject to malus or clawback provisions as outlined earlier. On termination of an executive directorship, Executive Directors are not entitled to any retirement benefits, supplementary pensions or termination benefits related to the said termination as Directors. Upon retirement from their employment, local Executive Directors shall be subject to the same conditions of any employee's Early/Voluntary Retirement Scheme.

Remuneration of Executive Directors for the year ended 31 December 2025:

|                                 | Geoffrey Fichte       |                       | Charlotte Cilia <sup>1</sup> |                       | Michel Cordina <sup>2</sup> |           |
|---------------------------------|-----------------------|-----------------------|------------------------------|-----------------------|-----------------------------|-----------|
|                                 | 2025<br>€             | 2024<br>€             | 2025<br>€                    | 2024<br>€             | 2025<br>€                   | 2024<br>€ |
| Fixed pay                       | 430,939               | 415,666               | 151,000                      | 158,556               |                             |           |
| Variable pay:                   |                       |                       |                              |                       |                             |           |
| – Immediate Cash                | 75,000                | 75,000                | 50,000                       | —                     |                             |           |
| – Immediate Shares <sup>3</sup> | 75,000                | 75,000                | —                            | —                     |                             |           |
| – Deferred Cash                 | 50,000                | 50,000                | —                            | —                     |                             |           |
| – Deferred Shares <sup>3</sup>  | 50,000                | 50,000                | —                            | —                     |                             |           |
| Benefits                        | 4,368                 | 2,769                 | 13,584                       | 13,780                |                             |           |
| <b>Aggregate</b>                | <b>685,307</b>        | <b>668,435</b>        | <b>214,584</b>               | <b>172,336</b>        |                             |           |
| Effective period                | 01/01/25-<br>31/12/25 | 01/01/24-<br>31/12/24 | 10/02/25-<br>31/12/25        | 01/01/24-<br>10/12/24 |                             |           |

- Charlotte Cilia was appointed as an Executive Director effective from 10 February 2025. However, the figures in the table above reflect the remuneration of the full year.
- Michel Cordina resigned from the Board of Directors with effect from 10 December 2024. However, the figures in the table above reflect the remuneration of the full year. No variable remuneration was awarded to Michel Cordina in respect of the financial year ended 31 December 2024.
- The value of shares awarded to Geoffrey Fichte relating to performance year 2025 amounts to €125,000. The number of shares to be awarded in this respect will be formally communicated on 9 March 2026 and determined on the share price as at that date.

The number of shares awarded during 2025 in relation to performance year 2024 are disclosed in a subsequent table 'Share Awards and Share Options awarded in 2025'.

For the purposes of the disclosure requirements emanating from Appendix 12.1 of the Capital Markets Rules relating to former directors, the latter are defined as individuals who held the position of Director at any point during any given financial year. In this respect, payments made to an individual who only held the position of Director in a prior financial year are not included in the table above.

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules the following table presents the annual change of remuneration of the Executive Directors, of the bank's performance, and of average remuneration on a full-time equivalent basis of the bank's employees (other than directors) over the five most recent financial years.

|  | 2025/<br>2024 | 2024/<br>2023 | 2023/<br>2022 | 2022/<br>2021 | 2021/<br>2020 |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Percentage annual change in remuneration<sup>1</sup></b>  |               |               |               |               |               |
| Geoffrey Fichte <sup>2</sup>   | 3%            | (5)%          | n/a           | n/a           | n/a           |
| Michel Cordina <sup>3</sup>  | N/A           | (19)%         | 6%            | 4%            | 10%           |
| <b>Percentage annual change of the bank's performance<sup>4</sup></b>  | <b>(29)%</b>  | 9%            | 144%          | 76%           | 47%           |
| <b>Percentage annual change of the average remuneration of the bank's employees, on a full-time equivalent basis<sup>5</sup></b> | <b>8%</b>     | 8%            | 8%            | 6%            | 5%            |

- Executive Directors who were appointed after 1 January 2025 are not included in the table above. In this respect, information about Charlotte Cilia, who was appointed as an Executive Director of the bank with effect from 10 February 2025, is not presented in the table above.
- Geoffrey Fichte was appointed as an Executive Director and Chief Executive Officer of the bank part way during 2023. In this respect, for the purpose of the table above, the aggregate remuneration paid to him in respect of the financial year ended 31 December 2023 was annualised to allow for a meaningful comparison. The reduction observed between 2024 and 2023 is due to a relocation benefit and long term incentive which was awarded in 2023 but not in 2024.
- Michel Cordina resigned from the Board of Directors with effect from 10 December 2024. Therefore, no percentage comparative between 2025 and 2024 is presented in the table above. No variable remuneration was awarded to Michel Cordina in respect of the financial year ended 31 December 2024, explaining the decrease in remuneration compared to the prior year.
- The percentage annual change of the bank's performance included in the above table is based on the bank's profit before tax, as this is deemed by management to be the most appropriate basis for measuring performance.
- In order to allow for a meaningful comparison, new joiners employed during the second year of each two-year comparative period are excluded from the calculation; the remuneration paid to terminated employees during the second year of each two-year comparative period is being annualised to enable comparison with the annual remuneration paid in the first year; and the remuneration paid to new joiners employed during the first year of each two-year comparative period is annualised to enable comparison with the annual remuneration paid in the second year. The annual remuneration paid to employees who were in employment for the full calendar years across each two-year comparative period is compared as normal.

## Shares and Share Options awarded in 2025

|                  | Grant Date | Share Value<br>€ | Number<br>of Shares | Performance<br>Period |
|------------------|------------|------------------|---------------------|-----------------------|
| Immediate Shares | 4/3/2025   | 75,000           | 6,845               | 2024                  |
| Deferred Shares* | 4/3/2025   | 50,000           | 5,523               | 2024                  |

\* The exact value of shares awarded will only be established on the date of issuance. The value of shares is indicative at the time of the award being reported. The deferred shares will vest in 2030.

None of the Executive Directors received any remuneration from the bank's subsidiaries or the HSBC Group.

## Determining Executive Directors' performance

Awards made to Executive Directors reflected the assessment of each of their performance against scorecard objectives and the strategic priorities and risk appetite of the bank. This assessment was conducted by the bank's RemNom after considering inputs from the Chief Executive Officer, HSBC Continental Europe.

The performance assessment of the Chief Executive Officer involved the evaluation of the targets achieved against a number of pre-set objectives. These objectives align with the bank's strategy and commitments with clear measurable targets. The objectives for the Chief Executive Officer include driving business growth, customer satisfaction, employee engagement, driving the Group's ambitions as stated in the Group's Net Zero Transition Plan, effective management of risk and compliance and implementation of the bank's digital strategy.

# Remuneration Report

The extent to which the Chief Executive Officer would have reached each objective is discussed and reviewed by the bank's RemNom following an evaluation by the Chief Executive Officer, HSBC Continental Europe. These objectives are reviewed on a quarterly basis to ensure ongoing review and alignment with expected performance.

The variable pay of the Chief Executive Officer is reviewed and approved by the bank's RemNom on a discretionary basis taking into account the performance and behaviours demonstrated during the year in relation to the achievement of the objectives referred to above. This is also approved by the HSBC Group Remuneration Committee with due consideration of the bank's and individual performance results, with the focus on total compensation comparative to the internal peer group and the external market where appropriate. In line with the bank's Remuneration Policy, the percentage of variable pay received by Geoffrey Fichte during 2025, which amounts to 58% of his fixed pay (excluding benefits), is lower than the 100% fixed pay threshold. In addition, 50% of the variable remuneration is made in shares in line with the bank's policy and the HSBC Group deferral requirements applied for all variable pay awards are explained in the table below.

| Value of Total Variable Pay   | Deferral % of variable pay is subject to variance and is split between cash and shares |
|---|--|
| Up to €50,000, provided that total variable pay does not exceed 33% of the Total Compensation.                      | 0%   |
| Above €50,000 up to €500,000 or amounts below €50,000 where variable pay is greater than 33% of Total Compensation. | 40%  |
| Above €500,000  | 60%  |

The deferred remuneration of Geoffrey Fichte represents 40% of the variable pay component and vests over a period of not less than five years. As explained in previous sections, variable pay is subject to malus and clawback provisions in certain circumstances, which allow unvested/unpaid deferred remuneration awards and vested remuneration awards to be reduced or cancelled if warranted. No use has been made of provisions allowing the bank to reclaim variable remuneration during the financial year ended 31 December 2025. This mechanism ensures that the remuneration of the bank's Executive Directors aligns with achieving the long-term objectives of the bank.

## Non-Executive Directors

Non-Executive Directors are not employees of the bank and are not eligible to receive a base salary, fixed pay allowance, benefits, pension or any variable pay. Non-Executive Directors receive a fee for their services and may be reimbursed for reasonable and documented expenses incurred in performing their role. The appointment of Non-Executive Directors is governed by a letter of appointment that sets out the terms of the appointment. This appointment is not a contract of employment and is subject to all the terms and conditions of the Company's Memorandum and Articles of Association. Non-Executive Directors do not receive any retirement benefits, supplementary pension or termination payments for termination or loss of office, whether in terms of the letter of appointment or otherwise. The appointment may be terminated before expiry of the term, by either party giving to the other party at least one month's prior written notice, where possible, or in any manner allowed by law.

The fee levels payable reflect the time commitment and responsibilities required of a Non-Executive Director. Fees are determined by reference to other Maltese companies and comparable entities within the HSBC Group.

The Non-Executive Directors' fees are approved in aggregate by the shareholders at the Annual General Meeting. The aggregate Directors' fee pool, as approved by a simple majority at the last Annual General Meeting held on 13 May 2025 by way of Ordinary Resolution – Special Business, amounted to €480,000. No change will be proposed at the forthcoming Annual General Meeting to this aggregate amount. None of the said Directors received any remuneration from HSBC Life Assurance (Malta) Ltd, HSBC Global Asset Management (Malta) Limited, or HSBC Group.

The Board reviews each component of the fees periodically to assess whether, individually and in aggregate, they remain competitive and appropriate in light of changes in roles, responsibilities, and/or the time commitment required for the Non-Executive Directors and to ensure that individuals of the appropriate calibre are retained or appointed. The Board may approve changes to the fees within the aggregate amount approved by shareholders at the Annual General Meeting. The Board may also introduce any new fee component for Non-Executive Directors subject to the principles, parameters and other requirements set out in the Directors' Remuneration Policy. No RemNom Member is present while their remuneration is being discussed.

Details of Non-Executive Directors' Committee and Board fees for the financial years ended 31 December 2025 and 2024 were as follows:

|                                     | 2025 Fees<br>€ | 2024 Fees<br>€ |
|-------------------------------------|----------------|----------------|
| John Bonello <sup>1</sup>           | –              | 27,109         |
| Yiannos Michaelides <sup>2</sup>    | –              | 3,300          |
| Ingrid Azzopardi <sup>3</sup>       | –              | 44,743         |
| Manfred Galdes <sup>4</sup>         | 81,004         | 75,143         |
| Maria Micallef <sup>5</sup>         | 38,936         | 56,796         |
| Alexiei Dingli                      | 51,600         | 37,998         |
| Malcolm Miller <sup>6</sup>         | 42,083         | 32,267         |
| Louis Cassar Pullicino <sup>7</sup> | 53,464         | 30,169         |
| Elvia George <sup>8</sup>           | 50,498         | N/A            |
| <b>Total</b>                        | <b>317,585</b> | 307,525        |

- John Bonello retired from the position of Chairman and Board member on 23 April 2024.
- Yiannos Michaelides resigned on 23 January 2024.
- Ingrid Azzopardi resigned on 1 October 2024.
- Manfred Galdes was appointed bank Chairman on 23 April 2024.
- Maria Micallef resigned from her position as Non-Executive Director, as well as RemNom Committee member and Audit Committee Chairperson/ member, on 26 August 2025.
- Malcolm Miller was appointed RemNom member as from 3 October 2025.
- Louis Cassar Pullicino served as interim Audit Committee member as from 2 September 2025.
- Elvia George was appointed to the Board on 22 January 2025. She was appointed Chair of Audit Committee as from 3 October 2025.

|  | 2025/<br>2024 | 2024/<br>2023 | 2023/<br>2022 | 2022/<br>2021 | 2021/<br>2020 |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Percentage annual change in remuneration<sup>1</sup></b>  |               |               |               |               |               |
| Manfred Galdes   | 8%            | 48%           | 1%            | —%            | n/a           |
| Maria Micallef <sup>2</sup>  | 6%            | 21%           | —%            | n/a           | n/a           |
| Alexiei Dingli   | 27%           | —%            | n/a           | n/a           | n/a           |
| Malcolm Miller   | 18%           | —%            | n/a           | n/a           | n/a           |
| Louis Cassar Pullicino   | 24%           | —%            | n/a           | n/a           | n/a           |
| <b>Percentage annual change of the bank's performance<sup>3</sup></b>  | <b>(29)%</b>  | 9%            | 144%          | 76%           | 47%           |
| <b>Percentage annual change of the average remuneration of the bank's employees, on a full-time equivalent basis<sup>4</sup></b> | <b>8%</b>     | 8%            | 8%            | 6%            | 5%            |

- Directors who were appointed after 1 January 2025 are not included in the table above. In this respect, information about Elvia George, who was appointed as Director on 22 January 2025, is not presented in the table above.
- Maria Micallef resigned 26 August 2025, therefore the percentage change is based on an annualised figure for 2025.
- The percentage annual change of the bank's performance included in the above table is based on the bank's profit before tax, as this is deemed by management to be the most appropriate basis for measuring performance.
- In order to allow for a meaningful comparison, new joiners employed during the second year of each two-year comparative period are excluded from the calculation; the remuneration paid to terminated employees during the second year of each two-year comparative period is being annualised to enable comparison with the annual remuneration paid in the first year; and the remuneration paid to new joiners employed during the first year of each two-year comparative period is annualised to enable comparison with the annual remuneration paid in the second year. The annual remuneration paid to employees who were in employment for the full calendar years across each two-year comparative period is compared as normal.

# Remuneration Report

In terms of the requirements within Appendix 12.1 of the Capital Markets Rules, the bank is required to disclose the annual and percentage change of remuneration of the Non-Executive Directors, of the bank's performance, and of average remuneration on a full-time equivalent basis of the bank's employees (other than directors) over the five most recent financial years.

The fees shown in the table above represent fees paid in 2025 until the effective date of resignation. There were no revisions of directors' fees in 2025.

John Bonello retired from Chairman of the Board, Member of the RemNom Committee and Director on 23 April 2024. Similarly, Yiannos Michaelides and Ingrid Azzopardi relinquished their positions as Directors, including Committee memberships, with effect from 23 January 2024 and 10 October 2024, respectively. In this respect, information relating to the percentage change in remuneration of these former Directors is not being presented in the table above.

The percentage increase in remuneration of Manfred Galdes in 2025 compared to 2024 is related to the fact that he was appointed as Chairperson of the Board of Directors in April 2024, resulting in higher fees paid commensurate with the increase in responsibilities.

Maria Micallef relinquished her position as Director, including Committee memberships, with effect from 26 August 2025. The percentage increase relates to the fact that Maria was appointed as Audit Committee Chairperson part way during 2024, which position was held until her resignation date, resulting in higher annualised fees paid in 2025.

Alexiei Dingli, Malcolm Miller and Louis Cassar Pullicino were appointed Directors on 24 January 2024, 8 March 2024 and 11 June 2024, respectively, being the dates when regulatory approvals were obtained. In this respect, the percentage change for 2025 vs. 2024 in the table above is based on an annualised figure.

The percentage increase in the fees paid to Alexiei Dingli, Malcolm Miller and Louis Cassar Pullicino reflect the additional responsibilities assumed by these three Directors during 2025. Specifically, Alexiei Dingli was appointed as Designate Chairperson of the RemNom Committee on 19 November 2024, being later formally appointed on 30 January 2025; Malcolm Miller replaced Maria Micallef on the RemNom Committee on 3 October 2025; whereas Louis Cassar Pullicino was appointed as Risk Committee Chairman in October 2024 and became an attendee on the Audit Committee with effect from 2 September 2025 until the appointment of Anthony Doublet as Director and Audit Committee Member (refer to detail below).

Elvia George was appointed as Director on 22 January 2025, which represents the date when regulatory approval was obtained. She was also appointed Audit Committee and Risk Committee Member as at the same date. Subsequently, she replaced Maria Micallef as Chairperson of the Audit Committee on 3 October 2025.

Fees shown in the above table in respect of newly appointed Directors reflect the amounts paid from each Director's date of regulatory approval. In this respect, Elvia George also received €1,743 in fees for her attendance to Board and Committee meetings, induction and mandatory trainings, covering the period from the beginning of the year until regulatory approval was obtained.

Anthony Doublet was appointed Director on 19 February 2026, which represents the date when regulatory approval was obtained. Fees paid to Anthony Doublet in respect of his attendance to Board meetings held prior to this date amounted to €5,382.

The aggregate amount paid in Directors' fees in respect of the financial year ended 31 December 2025 does not exceed the maximum aggregate amount approved at the last Annual General Meeting.

Yvonne Steyn-Adams, who was appointed as Director on 6 August 2025 and is employed within the HSBC Group in the role of Managing Director – Head of Business Risk and Resilience, International Wealth and Premier Banking has not received any fees for holding the office of Director, neither by the bank nor by the HSBC Group. In this respect, the Directors believe that the requirements emanating from paragraph (c) of Appendix 12.1 of the Capital Markets Rules, which

requires the disclosure of "any remuneration from any undertaking belonging to the same group where the term group means parent undertaking and all its subsidiary undertakings" applies at the level of HSBC Bank Malta p.l.c., the parent bank, and its subsidiary undertakings respectively, taking cognisance of her role as Non-Executive Director of the bank. Accordingly, no disclosure in respect of her remuneration for her services at HSBC Group level is being made within this report. The bank has complied in full with the procedure for the implementation of the Directors' Remuneration Policy as defined in Chapter 12 of the Capital Markets Rules.

The Directors' Remuneration Report for 2024 was put forward to an advisory vote at the Annual General Meeting held on 13 May 2025 with the Resolution being passed by show of hands. There were no issues raised on the Report during the said Annual General Meeting.

This Directors' Remuneration Report in terms of Chapter 12 of the Capital Markets Rules is being put forward to an advisory vote of the 2026 Annual General Meeting in accordance with the requirements of the Capital Markets Rule 12.26 L.

In accordance with the requirements emanating from Appendix 12.1 of the Capital Markets Rules, the contents of the Directors' Remuneration Report within this Remuneration Report have been reviewed by the external auditor to ensure compliance with such requirements.

## Additional remuneration disclosures

The following section of the Remuneration Report presents additional disclosures in respect of the bank's Remuneration Policy required under:

- The Capital Markets Rules issued by the Malta Financial Services Authority; and
- Banking Rule 21 (BR21/2022) – Remuneration Policies and Practices – issued by the Malta Financial Services Authority.

## The bank's Remuneration Policy – Identified Staff including Executive Directors and Senior Management

Individuals have been classified as Identified Staff based on qualitative and quantitative criteria set out in the Commission Delegated Regulation (EU) 2021/923 that came into force in March 2021. Identified Staff include:

- Executive Directors, presented under 'MB Management function' in the table below;
- Senior Management, defined as members of the bank's Executive Committee (excluding Executive Directors), as well as members of the subsidiaries' Executive Committees, and presented under 'Other senior management' in the table below; and
- Other employees who are not members of the Executive Committee but are identified as having a material impact on the bank's risk profile, referred to as 'Other Identified Staff in the table below.

For the purposes of the disclosure requirements in respect of senior executives in accordance with Code Provisions 8.A.4.9 and 8.A.5 within The Code of Principles of Good Corporate Governance forming part of the Capital Markets Rules, 'senior executives' shall be deemed to comprise the Executive Directors as well as Senior Management.

Accordingly, the figures disclosed in the tables below relating to the MB Supervisory function also include the remuneration relating to the Non-Executive Directors disclosed in the 'Information on Directors' Remuneration in terms of Appendix 12.1 of the Capital Markets Rules' within the Remuneration Report.

Members of the Asset and Liabilities Management Meeting and the Risk Management Meeting, as well as employees that have the authority to approve or veto a decision on any credit transaction representing 0.5% of the bank's CET1 capital, are classified as Identified Staff.

## Remuneration Report

Remuneration information for individuals classified as Identified Staff at the level of subsidiaries is also reflected in the tables below.

Standard contracts for all Identified Staff employed locally would generally be indefinite. Normal retirement from the bank would be in line with local legislation. A minimum three-month notice period is required for Executive Directors and Senior Management employed

by the bank, who would similarly be entitled to a notice period of a minimum of three months in the event that the bank terminates their employment on grounds of redundancy. Meanwhile, termination of international assignees appointed to Senior Management positions requires a notice period of up to six months. All Identified Staff are remunerated less than €1 million per annum.

### Remuneration amounts – Identified Staff

Remuneration awarded for the financial year (REM1)

|        |  |   | MB<br>Supervisory<br>function | MB<br>Management<br>function | Other senior<br>management | Other<br>Identified Staff |
|--------|--|---|-------------------------------|------------------------------|----------------------------|---------------------------|
| 1      | Fixed remuneration   | Number of Identified Staff <sup>1</sup>                     | 6                             | 2                            | 16                         | 35                        |
| 2      |  | Total fixed remuneration (€000)                             | 321                           | 604                          | 2,454                      | 2,348                     |
| 3      |  | – of which: cash-based (€000)                               | 321                           | 582                          | 2,120                      | 2,073                     |
| EU-5x  |  | – of which: other instruments (€000)                        | –                             | 4                            | 54                         | 69                        |
| 7      |  | – of which: other forms (€000)                              | –                             | 18                           | 280                        | 206                       |
| 9      | Variable remuneration  | Number of Identified Staff <sup>1</sup>                     | 6                             | 2                            | 16                         | 35                        |
| 10     |  | Total variable remuneration (€000)                          | –                             | 300                          | 1,338                      | 248                       |
| 11     |  | – of which: cash-based (€000)                               | –                             | 175                          | 1,128                      | 248                       |
| 12     |  | – of which: deferred (€000)                                 | –                             | 50                           | 84                         | –                         |
| EU-13a |  | – of which: shares or equivalent ownership interests (€000) | –                             | 125                          | 210                        | –                         |
| EU-14a |  | – of which: deferred (€000)                                 | –                             | 50                           | 84                         | –                         |
| 17     | <b>Total remuneration for the year ended 31 December 2025 (€000)</b> |   | <b>321</b>                    | <b>904</b>                   | <b>3,792</b>               | <b>2,596</b>              |

1 The number of Identified Staff is calculated using the full-time equivalent approach.

The bank continued its strategy to develop and promote local talent whilst at the same time enhancing diversity and inclusion across its workforce. The bank has 2 international assignees, including the Chief Risk Officer and the Strategy Adviser who are both employed on time specific contracts. Employees on international assignment do not receive the collective agreement financial and non-financial benefits.

The bank continues to provide our people with opportunities to realise their career aspirations and the knowledge and tools to safeguard their well-being whilst championing the highest professional standards of meritocracy and inclusion. Employee engagement and personal growth are key drivers for the provision of excellent customer service.

Throughout 2025, HR also focused on understanding the implications of the European Pay Transparency Directive whilst partially transposed locally. The need for a fresh approach to Fixed Pay (salary) review is acknowledged taking into consideration the provisions of the Directive. The final aim is to ensure fairness and competitiveness, whilst aligning to pay legislation.

The bank remains committed to an inclusive culture where our people can be confident that their views matter, their workplace is an environment free from bias, discrimination and harassment, and where they can see that advancement is based on merit. Diversity and Inclusion policies and principles are embedded in all activities including recruitment processes, learning programmes and various initiatives across the bank and Malta.

Throughout 2025, the bank continued to develop the skills of its employees with extensive training and development. Employees continued participating in Group-led programmes relating a broad range of topics including financial crime, leadership and sustainability through the HSBC University. These programmes will ensure continued professional development of our employees whilst at the same time safeguarding the wellbeing of our customers and key stakeholders.

Deferred remuneration is typically granted through a Restricted Share Awards scheme, whereby Identified Staff are awarded ordinary shares in HSBC Holdings p.l.c. to which the employee will become entitled, generally between one and five years from the date of the award, and normally subject to the individual remaining in employment.

## Remuneration Report

### Deferred remuneration (REM3)

| Deferred and retained remuneration          | Total amount of deferred remuneration awarded for previous performance periods | of which: due to vest in the financial year | of which: vesting in subsequent financial years | Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year | Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years | Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments) | Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year | Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods |
|---|--|---|---|---|---|---|---|---|
|   |  |   |   |   |   |   |   |   |
| 7 MB Management function                    | 416  | 73  | 344   | –   | –   | 85  | 72  | 54  |
| 8 Cash-based                                | 141  | 26  | 115   | –   | –   | –   | 26  | –   |
| 9 Shares or equivalent ownership interests  | 275  | 47  | 229   | –   | –   | 85  | 46  | 54  |
| 13 Other senior management                  | 633  | 125   | 508   | –   | –   | 114   | 124   | 34  |
| 14 Cash-based                               | 207  | 43  | 164   | –   | –   | –   | 43  | –   |
| 15 Shares or equivalent ownership interests | 426  | 82  | 344   | –   | –   | 114   | 81  | 34  |
| 18 Other forms                              | –  | –   | –   | –   | –   | –   | –   | –   |
| 25 <b>Total amount as at 31 Dec 2025</b>    | <b>1,049</b>   | <b>198</b>                                  | <b>852</b>                                      | <b>–</b>  | <b>–</b>  | <b>199</b>  | <b>196</b>  | <b>88</b>   |

### Information on remuneration of staff whose professional activities have a material impact on the bank's risk profile (Identified Staff) (REM5)

|   | Management body remuneration |                        |          |                    | Business areas |                  |                     |  | All other | Total as at 31 Dec 2025 |
|---|------------------------------|------------------------|----------|--------------------|----------------|------------------|---------------------|--|-----------|-------------------------|
|   | MB Supervisory function      | MB Management function | Total MB | Investment banking | Retail banking | Asset management | Corporate functions | Independent internal control functions |           |                         |
| 1 Total number of Identified Staff <sup>1</sup> | 6                            | 2                      | 8        | 3                  | 4              | 13               | 13                  | 12                                     | 6         | 59                      |
| 2 – of which: members of the MB (€000)          | 6                            | 2                      | 8        | –                  | –              | –                | –                   | –                                      | –         | 8                       |
| 3 – of which: other senior management (€000)    | –                            | –                      | –        | 1                  | 2              | 2                | 6                   | 2                                      | 3         | 16                      |
| 4 – of which: other Identified Staff (€000)     | –                            | –                      | –        | 2                  | 2              | 11               | 7                   | 10                                     | 3         | 35                      |
| 5 Total remuneration of Identified Staff (€000) | 321                          | 904                    | 1,225    | 355                | 619            | 881              | 2,129               | 1,067                                  | 1,337     | 7,613                   |
| 6 – of which: variable remuneration (€000)      | –                            | 300                    | 300      | 71                 | 131            | 123              | 847                 | 144                                    | 269       | 1,885                   |
| 7 – of which: fixed remuneration (€000)         | 321                          | 604                    | 925      | 284                | 488            | 758              | 1,282               | 923                                    | 1,068     | 5,728                   |

1 The number of Identified Staff is calculated using the full-time equivalent approach.

# Remuneration Report

## Sign-on and severance payments

In line with Annex XXXIII of the EBA Implementing Technical Standards on institutions' public disclosures of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013, the bank is required to disclose information in respect of special payments made to Identified Staff.

During 2025, no sign-on payments were made. During 2025 a severance payment was made to an Identified Staff and, in this respect, the REM2 table is being disclosed in this Remuneration Report.

### Additional information on remuneration of identified staff (REM2)

|  | <b>MB Supervisory function</b> | <b>MB Management function</b> | <b>Other senior management</b> | <b>Other identified staff</b> |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|  | <b>€000</b>                    | <b>€000</b>                   | <b>€000</b>                    | <b>€000</b>                   |
| 4 Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff |                                |                               | <b>1</b>                       |                               |
| 5 Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount               |                                |                               | <b>633</b>                     |                               |

## Payments of €1 million and above

In line with Annex XXXIII of the EBA Implementing Technical Standards on institutions' public disclosures of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013, the bank is required to disclose information in respect of remuneration payments in excess of €1 million.

During 2025 and 2024, no payments of €1 million and over were made and, in this respect, the REM4 table is not being disclosed in the Remuneration Report.

## Payments to past Directors

During 2025 a severance payment was made to a former executive director upon the cessation of employment under a voluntary redundancy arrangement. The individual had relinquished their position as a director in the previous year and the payment is attributable solely to termination of employment in accordance with standard terms applicable to voluntary redundancy to compensate for loss of future income.

No payments were made to past Directors in 2024.

# Financial statements

## Income statements

for the year ended 31 December

|   | Notes | Group        |              | Bank         |              |
|---|-------|--------------|--------------|--------------|--------------|
|   |       | 2025<br>€000 | 2024<br>€000 | 2025<br>€000 | 2024<br>€000 |
| <b>Interest and similar income</b>  |       |              |              |              |              |
| – on loans and advances to banks and customers and other financial assets                                     | 7     | 145,323      | 192,533      | 145,323      | 192,533      |
| – on debt and other fixed income instruments  | 7     | 53,274       | 39,554       | 53,274       | 39,554       |
| Interest expense  | 8     | (23,223)     | (26,001)     | (23,223)     | (26,001)     |
| <b>Net interest income</b>  |       | 175,374      | 206,086      | 175,374      | 206,086      |
| Fee income  |       | 24,162       | 23,635       | 20,336       | 19,973       |
| Fee expense   |       | (2,830)      | (2,778)      | (2,374)      | (2,395)      |
| <b>Net fee income</b>   | 9     | 21,332       | 20,857       | 17,962       | 17,578       |
| Insurance service revenue   |       | 20,433       | 25,110       | –            | –            |
| Insurance service expense   |       | (10,777)     | (8,207)      | –            | –            |
| Net expenses from reinsurance contracts   |       | (6,025)      | (2,784)      | –            | –            |
| <b>Insurance service result</b>   | 10    | 3,631        | 14,119       | –            | –            |
| Net income from assets and liabilities of insurance businesses, measured at fair value through profit or loss | 11    | 32,493       | 39,730       | –            | –            |
| Insurance finance expense   | 10    | (24,837)     | (38,628)     | –            | –            |
| Net trading income  | 12    | 9,186        | 9,654        | 9,186        | 9,654        |
| Dividend income from subsidiaries   | 13    | –            | –            | 1,231        | 1,077        |
| Other operating income  | 14    | 2,231        | 781          | 1,508        | 509          |
| <b>Net operating income before change in expected credit losses and other credit impairment charges</b>       |       | 219,410      | 252,599      | 205,261      | 234,904      |
| Change in expected credit losses and other credit impairment charges  | 15    | 9,507        | 14,644       | 9,507        | 14,644       |
| <b>Net operating income</b>   |       | 228,917      | 267,243      | 214,768      | 249,548      |
| Employee compensation and benefits  | 16    | (45,229)     | (42,298)     | (43,313)     | (41,044)     |
| General and administrative expenses   | 17    | (59,232)     | (60,459)     | (57,172)     | (58,766)     |
| Depreciation and impairment of property, plant and equipment and right-of-use assets                          | 31,30 | (4,854)      | (3,226)      | (4,851)      | (3,226)      |
| Amortisation and impairment of intangible assets  | 32    | (10,558)     | (6,768)      | (10,435)     | (6,680)      |
| <b>Total operating expenses</b>   |       | (119,873)    | (112,751)    | (115,771)    | (109,716)    |
| <b>Profit before tax</b>  | 17    | 109,044      | 154,492      | 98,997       | 139,832      |
| Tax expense   | 18    | (37,452)     | (54,385)     | (34,580)     | (49,378)     |
| <b>Profit for the year</b>  |       | 71,592       | 100,107      | 64,417       | 90,454       |
| <b>Earnings per share</b>   | 20    | €0.20        | €0.28        |              |              |

The notes on pages 87 to 192 are an integral part of these financial statements.

Statements of comprehensive income  
for the year ended 31 December

|   | Notes | Group          |              | Bank           |              |
|---|-------|----------------|--------------|----------------|--------------|
|   |       | 2025<br>€000   | 2024<br>€000 | 2025<br>€000   | 2024<br>€000 |
| <b>Profit for the year</b>  |       | <b>71,592</b>  | 100,107      | <b>64,417</b>  | 90,454       |
| <b>Other comprehensive income</b>   |       |                |              |                |              |
| <b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b> |       |                |              |                |              |
| Debt instruments measured at fair value through other comprehensive income:                             |       | <b>3,609</b>   | 6,157        | <b>3,609</b>   | 6,157        |
| – fair value gains  | 42    | <b>5,552</b>   | 9,472        | <b>5,552</b>   | 9,472        |
| – income taxes  | 42    | <b>(1,943)</b> | (3,315)      | <b>(1,943)</b> | (3,315)      |
| <b>Items that will not be reclassified subsequently to profit or loss:</b>                              |       |                |              |                |              |
| Properties:   |       | <b>857</b>     | (3,526)      | <b>857</b>     | (3,526)      |
| – surplus/(loss) arising on revaluation   | 42    | <b>952</b>     | (3,918)      | <b>952</b>     | (3,918)      |
| – income taxes  | 42    | <b>(95)</b>    | 392          | <b>(95)</b>    | 392          |
| Post employment benefit obligations:  |       | <b>273</b>     | (318)        | <b>273</b>     | (318)        |
| – remeasurement of post employment benefit obligations  | 38    | <b>420</b>     | (489)        | <b>420</b>     | (489)        |
| – income taxes  |       | <b>(147)</b>   | 171          | <b>(147)</b>   | 171          |
| Equity instruments designated at fair value through other comprehensive income:                         |       | <b>1</b>       | 1            | <b>1</b>       | 1            |
| – fair value gains  | 42    | <b>2</b>       | 2            | <b>2</b>       | 2            |
| – income taxes  | 42    | <b>(1)</b>     | (1)          | <b>(1)</b>     | (1)          |
| <b>Other comprehensive income for the year, net of tax</b>  |       | <b>4,740</b>   | 2,314        | <b>4,740</b>   | 2,314        |
| <b>Total comprehensive income for the year</b>  |       | <b>76,332</b>  | 102,421      | <b>69,157</b>  | 92,768       |

The notes on pages [87](#) to [192](#) are an integral part of these financial statements.

## Financial statements

### Statements of financial position at 31 December

|  | Notes | Group                     |                           | Bank                      |                           |
|--|-------|---------------------------|---------------------------|---------------------------|---------------------------|
|  |       | At 31 Dec<br>2025<br>€000 | At 31 Dec<br>2024<br>€000 | At 31 Dec<br>2025<br>€000 | At 31 Dec<br>2024<br>€000 |
| <b>Assets</b>  |       |                           |                           |                           |                           |
| Balances with Central Bank of Malta, Treasury Bills and cash               | 21    | 1,293,104                 | 1,073,670                 | 1,293,104                 | 1,073,670                 |
| Items in the course of collection from other banks                         |       | 4,628                     | 4,061                     | 4,628                     | 4,061                     |
| Financial assets mandatorily measured at fair value through profit or loss | 22    | 721,107                   | 714,949                   | —                         | —                         |
| Derivatives  | 23    | 6,213                     | 17,242                    | 6,213                     | 17,242                    |
| Loans and advances to banks  | 24    | 678,783                   | 615,367                   | 654,182                   | 601,032                   |
| Loans and advances to customers  | 25    | 2,762,163                 | 2,873,158                 | 2,762,163                 | 2,873,158                 |
| Financial investments  | 26    | 2,537,460                 | 2,291,180                 | 2,537,458                 | 2,291,178                 |
| Prepayments, accrued income and other assets                               | 27    | 37,423                    | 35,424                    | 33,815                    | 33,547                    |
| Current tax assets   |       | 1,999                     | 2,569                     | 1,854                     | 88                        |
| Reinsurance contract assets  | 10    | 1,307                     | 2,912                     | —                         | —                         |
| Non-current assets held for sale   | 28    | 1,844                     | 3,738                     | 1,844                     | 3,738                     |
| Investments in subsidiaries  | 29    | —                         | —                         | 30,859                    | 30,859                    |
| Right-of-use assets  | 30    | 2,086                     | 2,620                     | 2,086                     | 2,620                     |
| Property, plant and equipment  | 31    | 63,667                    | 58,771                    | 63,663                    | 58,764                    |
| Intangible assets  | 32    | 19,271                    | 23,185                    | 19,085                    | 22,964                    |
| Deferred tax assets  | 33    | 20,072                    | 22,880                    | 19,759                    | 22,604                    |
| <b>Total assets</b>  |       | <b>8,151,127</b>          | <b>7,741,726</b>          | <b>7,430,713</b>          | <b>7,035,525</b>          |
| <b>Liabilities</b>   |       |                           |                           |                           |                           |
| Deposits by banks  | 34    | 1,429                     | 2,398                     | 1,429                     | 2,398                     |
| Customer accounts  | 35    | 6,527,886                 | 6,158,270                 | 6,547,547                 | 6,175,829                 |
| Items in the course of transmission to other banks                         |       | 11,837                    | 10,872                    | 11,837                    | 10,872                    |
| Liabilities under investment contracts                                     | 36    | 162,550                   | 162,718                   | —                         | —                         |
| Derivatives  | 23    | 4,852                     | 13,747                    | 4,852                     | 13,747                    |
| Accruals, deferred income and other liabilities                            | 37    | 41,924                    | 55,525                    | 37,242                    | 48,932                    |
| Current tax liabilities  |       | 677                       | 35,901                    | —                         | 31,568                    |
| Insurance contract liabilities   | 10    | 535,510                   | 522,136                   | —                         | —                         |
| Reinsurance contract liabilities   | 10    | 1,341                     | —                         | —                         | —                         |
| Provisions   | 38    | 19,147                    | 20,808                    | 18,233                    | 20,054                    |
| Deferred tax liabilities   | 33    | 3,418                     | 3,429                     | 3,418                     | 3,429                     |
| Borrowings from a group undertaking  | 39    | 150,000                   | 90,000                    | 150,000                   | 90,000                    |
| Subordinated liabilities   | 40    | 65,000                    | 65,000                    | 65,000                    | 65,000                    |
| <b>Total liabilities</b>   |       | <b>7,525,571</b>          | <b>7,140,804</b>          | <b>6,839,558</b>          | <b>6,461,829</b>          |
| <b>Equity</b>  |       |                           |                           |                           |                           |
| Called up share capital  | 41    | 108,092                   | 108,092                   | 108,092                   | 108,092                   |
| Revaluation reserve  | 42    | 15,182                    | 11,513                    | 15,182                    | 11,513                    |
| Retained earnings  |       | 502,282                   | 481,317                   | 467,881                   | 454,091                   |
| <b>Total equity</b>  |       | <b>625,556</b>            | <b>600,922</b>            | <b>591,155</b>            | <b>573,696</b>            |
| <b>Total liabilities and equity</b>  |       | <b>8,151,127</b>          | <b>7,741,726</b>          | <b>7,430,713</b>          | <b>7,035,525</b>          |
| <b>Memorandum items</b>  |       |                           |                           |                           |                           |
| Guarantees and other contingent liabilities                                | 43    | 243,480                   | 215,899                   | 243,480                   | 215,849                   |
| Commitments  | 43    | 1,157,832                 | 963,371                   | 1,157,832                 | 963,371                   |

The notes on pages 87 to 192 are an integral part of these financial statements.

The financial statements on pages 81 to 86 were approved and authorised for issue by the Board of Directors on 25 February 2026. The financial statements were signed on behalf of the bank's Board of Directors by Manfred Galdes (Chairman) and Geoffrey Fichte (Chief Executive Officer) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report and Accounts 2025.

Statements of changes in equity  
for the year ended 31 December

|  | Notes | Group                 |                             |                           |                      |
|--|-------|-----------------------|-----------------------------|---------------------------|----------------------|
|  |       | Share capital<br>€000 | Revaluation reserve<br>€000 | Retained earnings<br>€000 | Total equity<br>€000 |
| <b>At 1 Jan 2025</b>   |       | <b>108,092</b>        | <b>11,513</b>               | <b>481,317</b>            | <b>600,922</b>       |
| Profit for the year  |       | —                     | —                           | 71,592                    | 71,592               |
| <b>Other comprehensive income</b>  |       |                       |                             |                           |                      |
| Financial investments measured at fair value through other comprehensive income:           |       |                       |                             |                           |                      |
| – fair value gains, net of tax   | 42    | —                     | 3,610                       | —                         | 3,610                |
| Properties:  |       |                       |                             |                           |                      |
| – surplus arising on revaluation, net of tax   | 42    | —                     | 857                         | —                         | 857                  |
| Post employment benefit obligations:   |       |                       |                             |                           |                      |
| – remeasurement of post employment benefit obligations, net of tax                         |       | —                     | —                           | 273                       | 273                  |
| <b>Total other comprehensive income</b>  |       | —                     | <b>4,467</b>                | <b>273</b>                | <b>4,740</b>         |
| <b>Total comprehensive income for the year</b>   |       | —                     | <b>4,467</b>                | <b>71,865</b>             | <b>76,332</b>        |
| <b>Other movements</b>   |       |                       |                             |                           |                      |
| Properties:  |       |                       |                             |                           |                      |
| – transfer of revaluation surplus on disposal of property to retained earnings, net of tax | 42    | —                     | (798)                       | 798                       | —                    |
| <b>Transactions with owners, recognised directly in equity</b>                             |       |                       |                             |                           |                      |
| Contributions by and distributions to owners:  |       |                       |                             |                           |                      |
| – share-based payment arrangements, net of tax   |       | —                     | —                           | (174)                     | (174)                |
| – dividends  | 19    | —                     | —                           | (51,524)                  | (51,524)             |
| <b>Total contributions by and distributions to owners</b>                                  |       | —                     | —                           | <b>(51,698)</b>           | <b>(51,698)</b>      |
| <b>At 31 Dec 2025</b>  |       | <b>108,092</b>        | <b>15,182</b>               | <b>502,282</b>            | <b>625,556</b>       |
| At 1 Jan 2024  |       | 108,092               | 10,408                      | 424,533                   | 543,033              |
| Profit for the year  |       | —                     | —                           | 100,107                   | 100,107              |
| Other comprehensive income   |       |                       |                             |                           |                      |
| Financial investments measured at fair value through other comprehensive income:           |       |                       |                             |                           |                      |
| – fair value gains, net of tax   | 42    | —                     | 6,158                       | —                         | 6,158                |
| Properties:  |       |                       |                             |                           |                      |
| – loss arising on revaluation, net of tax  | 42    | —                     | (3,526)                     | —                         | (3,526)              |
| Post employment benefit obligations:   |       |                       |                             |                           |                      |
| – remeasurement of post employment benefit obligations, net of tax                         |       | —                     | —                           | (318)                     | (318)                |
| <b>Total other comprehensive income</b>  |       | —                     | <b>2,632</b>                | <b>(318)</b>              | <b>2,314</b>         |
| <b>Total comprehensive income for the year</b>   |       | —                     | <b>2,632</b>                | <b>99,789</b>             | <b>102,421</b>       |
| Other movements  |       |                       |                             |                           |                      |
| Properties:  |       |                       |                             |                           |                      |
| – transfer of revaluation surplus on disposal of property to retained earnings, net of tax | 42    | —                     | (1,527)                     | 1,527                     | —                    |
| <b>Transactions with owners, recognised directly in equity</b>                             |       |                       |                             |                           |                      |
| Contributions by and distributions to owners:  |       |                       |                             |                           |                      |
| – share-based payment arrangements, net of tax   |       | —                     | —                           | (34)                      | (34)                 |
| – dividends  | 19    | —                     | —                           | (44,498)                  | (44,498)             |
| <b>Total contributions by and distributions to owners</b>                                  |       | —                     | —                           | <b>(44,532)</b>           | <b>(44,532)</b>      |
| <b>At 31 Dec 2024</b>  |       | <b>108,092</b>        | <b>11,513</b>               | <b>481,317</b>            | <b>600,922</b>       |

The notes on pages 87 to 192 are an integral part of these financial statements.

## Financial statements

### Statements of changes in equity (continued)

for the year ended 31 December

|  | Notes | Bank                  |                             |                           | Total equity<br>€000 |
|--|-------|-----------------------|-----------------------------|---------------------------|----------------------|
|  |       | Share capital<br>€000 | Revaluation reserve<br>€000 | Retained earnings<br>€000 |                      |
| <b>At 1 Jan 2025</b>   |       | <b>108,092</b>        | <b>11,513</b>               | <b>454,091</b>            | <b>573,696</b>       |
| Profit for the year  |       | —                     | —                           | <b>64,417</b>             | <b>64,417</b>        |
| <b>Other comprehensive income</b>  |       |                       |                             |                           |                      |
| Financial investments measured at fair value through other comprehensive income:           |       |                       |                             |                           |                      |
| – fair value gains, net of tax   | 42    | —                     | <b>3,610</b>                | —                         | <b>3,610</b>         |
| Properties:  |       |                       |                             |                           |                      |
| – surplus arising on revaluation, net of tax   | 42    | —                     | <b>857</b>                  | —                         | <b>857</b>           |
| Post employment benefit obligations:   |       |                       |                             |                           |                      |
| – remeasurement of post employment benefit obligations, net of tax                         |       | —                     | —                           | <b>273</b>                | <b>273</b>           |
| <b>Total other comprehensive income</b>  |       | —                     | <b>4,467</b>                | <b>273</b>                | <b>4,740</b>         |
| <b>Total comprehensive income for the year</b>   |       | —                     | <b>4,467</b>                | <b>64,690</b>             | <b>69,157</b>        |
| <b>Other movements</b>   |       |                       |                             |                           |                      |
| Properties:  |       |                       |                             |                           |                      |
| – transfer of revaluation surplus on disposal of property to retained earnings, net of tax | 42    | —                     | <b>(798)</b>                | <b>798</b>                | —                    |
| <b>Transactions with owners, recognised directly in equity</b>                             |       |                       |                             |                           |                      |
| Contributions by and distributions to owners:  |       |                       |                             |                           |                      |
| – share-based payment arrangements, net of tax   |       | —                     | —                           | <b>(174)</b>              | <b>(174)</b>         |
| – dividends  | 19    | —                     | —                           | <b>(51,524)</b>           | <b>(51,524)</b>      |
| <b>Total contributions by and distributions to owners</b>                                  |       | —                     | —                           | <b>(51,698)</b>           | <b>(51,698)</b>      |
| <b>At 31 Dec 2025</b>  |       | <b>108,092</b>        | <b>15,182</b>               | <b>467,881</b>            | <b>591,155</b>       |
| At 1 Jan 2024  |       | 108,092               | 10,408                      | 406,960                   | 525,460              |
| Profit for the year  |       | —                     | —                           | 90,454                    | 90,454               |
| Other comprehensive income   |       |                       |                             |                           |                      |
| Financial investments measured at fair value through other comprehensive income:           |       |                       |                             |                           |                      |
| – fair value gains, net of tax   | 42    | —                     | 6,158                       | —                         | 6,158                |
| Properties:  |       |                       |                             |                           |                      |
| – loss arising on revaluation, net of tax  | 42    | —                     | (3,526)                     | —                         | (3,526)              |
| Post employment benefit obligations:   |       |                       |                             |                           |                      |
| – remeasurement of post employment benefit obligations, net of tax                         |       | —                     | —                           | (318)                     | (318)                |
| <b>Total other comprehensive income</b>  |       | —                     | 2,632                       | (318)                     | 2,314                |
| <b>Total comprehensive income for the year</b>   |       | —                     | 2,632                       | 90,136                    | 92,768               |
| Other movements  |       |                       |                             |                           |                      |
| Properties:  |       |                       |                             |                           |                      |
| – transfer of revaluation surplus on disposal of property to retained earnings, net of tax | 42    | —                     | (1,527)                     | 1,527                     | —                    |
| <b>Transactions with owners, recognised directly in equity</b>                             |       |                       |                             |                           |                      |
| Contributions by and distribution to owners:   |       |                       |                             |                           |                      |
| – share-based payment arrangements, net of tax   |       |                       |                             | (34)                      | (34)                 |
| – dividends  | 19    | —                     | —                           | (44,498)                  | (44,498)             |
| <b>Total contributions by and distributions to owners</b>                                  |       | —                     | —                           | (44,532)                  | (44,532)             |
| <b>At 31 Dec 2024</b>  |       | <b>108,092</b>        | <b>11,513</b>               | <b>454,091</b>            | <b>573,696</b>       |

The notes on pages [87](#) to [192](#) are an integral part of these financial statements.

Statements of cash flows

for the year ended 31 December

|  | Notes | Group            |                  | Bank             |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2025<br>€000     | 2024<br>€000     | 2025<br>€000     | 2024<br>€000     |
| <b>Cash flows from operating activities</b>  |       |                  |                  |                  |                  |
| Interest, fees, loan recoveries and premium receipts   |       | 269,893          | 292,449          | 184,908          | 216,726          |
| Interest, fees and claims payments   |       | (95,770)         | (117,604)        | (17,642)         | (20,752)         |
| Payments to employees and suppliers  |       | (121,629)        | (102,349)        | (110,769)        | (92,677)         |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> |       | <b>52,494</b>    | <b>72,496</b>    | <b>56,497</b>    | <b>103,297</b>   |
| (Increase)/decrease in operating assets:   |       |                  |                  |                  |                  |
| – financial assets mandatorily measured at fair value through profit or loss                   |       | 27,027           | 26,330           | —                | —                |
| – reserve deposit with Central Bank of Malta   |       | (2,103)          | (1,135)          | (2,103)          | (1,135)          |
| – loans and advances to banks and customers  |       | 76,172           | 220,322          | 76,172           | 220,322          |
| – Treasury Bills   |       | (67,382)         | 160,838          | (67,381)         | 160,838          |
| – other assets   |       | 1,525            | (1,694)          | 1,514            | (1,438)          |
| (Decrease)/increase in operating liabilities:  |       |                  |                  |                  |                  |
| – deposits by banks and customer accounts  |       | 369,514          | 13,628           | 371,969          | 332              |
| – other liabilities  |       | (2,009)          | (4,893)          | (2,020)          | (4,795)          |
| <b>Net cash from operating activities before tax</b>   |       | <b>455,238</b>   | <b>485,892</b>   | <b>434,648</b>   | <b>477,421</b>   |
| – tax paid   |       | (71,401)         | (50,000)         | (66,741)         | (47,571)         |
| <b>Net cash from operating activities</b>  |       | <b>383,837</b>   | <b>435,892</b>   | <b>367,907</b>   | <b>429,850</b>   |
| <b>Cash flows from investing activities</b>  |       |                  |                  |                  |                  |
| Dividends received   |       | —                | —                | 800              | 700              |
| Interest received from financial investments   |       | 21,945           | 20,820           | 21,945           | 20,820           |
| Purchase of financial investments  |       | (838,710)        | (1,135,668)      | (838,710)        | (1,135,668)      |
| Proceeds from maturity of financial investments  |       | 621,893          | 192,619          | 621,893          | 192,619          |
| Purchase of property, plant and equipment and intangible assets                                |       | (14,873)         | (23,173)         | (14,683)         | (23,124)         |
| <b>Net cash from investing activities</b>  |       | <b>(209,745)</b> | <b>(945,402)</b> | <b>(208,755)</b> | <b>(944,653)</b> |
| <b>Cash flows from financing activities</b>  |       |                  |                  |                  |                  |
| Dividends paid   |       | (51,524)         | (44,498)         | (51,524)         | (44,498)         |
| Interest paid on subordinated liabilities and borrowings from a group undertaking              |       | (8,170)          | (8,405)          | (8,170)          | (8,405)          |
| Proceeds from borrowings from a group undertaking  |       | 60,000           | —                | 60,000           | —                |
| <b>Net cash from financing activities</b>  |       | <b>306</b>       | <b>(52,903)</b>  | <b>306</b>       | <b>(52,903)</b>  |
| <b>Net decrease in cash and cash equivalents</b>   |       | <b>174,398</b>   | <b>(562,413)</b> | <b>159,458</b>   | <b>(567,706)</b> |
| <b>Cash and cash equivalents at beginning of year</b>  |       | <b>1,237,299</b> | <b>1,825,691</b> | <b>1,227,640</b> | <b>1,821,340</b> |
| Effect of exchange rate changes on cash and cash equivalents                                   |       | (46,887)         | (25,979)         | (46,890)         | (25,994)         |
| <b>Cash and cash equivalents at end of year</b>  | 45    | <b>1,364,810</b> | <b>1,237,299</b> | <b>1,340,208</b> | <b>1,227,640</b> |

The notes on pages 87 to 192 are an integral part of these financial statements.

# Notes on the financial statements

## 1 Reporting entity

HSBC Bank Malta p.l.c. (the 'bank') is a limited liability company domiciled and incorporated in Malta.

The bank and its subsidiaries, namely HSBC Life Assurance (Malta) Ltd. ('the insurance subsidiary') and HSBC Global Asset Management (Malta) Limited ('the asset management subsidiary'), are included in the scope of consolidation as at and for the year ended 31 December 2025 and are referred to as the 'local group' in these financial statements. In addition, the local group forms part of the global HSBC group consolidation, referred to as the 'HSBC Group' in these financial statements. For the purposes of tabular disclosures, the term 'Group' refers to the local group.

In this respect, the consolidated financial statements of the local group as at and for the year ended 31 December 2025 comprise the bank and its subsidiaries, whereas the standalone financial statements of HSBC Bank Malta p.l.c. reflect the financial results of the bank. All amounts have been rounded to the nearest thousand, unless otherwise stated.

## 2 Basis of preparation

### (a) Compliance with International Financial Reporting Standards as adopted by the EU

These consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU'). At 31 December 2025, there were no unendorsed standards effective for the year ended 31 December 2025 affecting these consolidated and separate financial statements, and the local group's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

These financial statements have also been drawn up in accordance with the provisions of the Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386), enacted in Malta.

### IFRS Accounting Standards adopted during the year ended 31 December 2025

There were no new standards, amendments to standards or interpretations that had a significant effect on these financial statements. Accounting policies have been applied consistently.

### (b) Historical cost convention

These financial statements have been prepared on the historical cost basis, except for insurance and reinsurance contract assets/liabilities measured in accordance with IFRS 17 and the following items that are measured at fair value:

- Derivatives;
- Treasury Bills;
- Financial assets mandatorily measured at fair value through profit or loss;
- Financial investments;
- Property within 'Property, plant and equipment'; and
- Liabilities under investment contracts.

### (c) Future accounting developments

#### Minor amendments to IFRS Accounting Standards

The IASB has published a number of minor amendments to IFRS Accounting Standards that are effective from 1 January 2026, which have been endorsed by the EU. The local group expects they will have an insignificant effect, when adopted, on the consolidated financial statements of the local group and the separate financial statements of the bank.

#### Other amendments and new IFRS Accounting Standards

##### Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The local group is undertaking an assessment of the potential impact.

##### IFRS 18 'Presentation and Disclosure in Financial Statements'

IFRS 18 'Presentation and Disclosure in Financial Statements', which was issued by the IASB in April 2024 and endorsed for use in the European Union on 16 February 2026, is effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information. While IFRS 18 will not change recognition criteria or measurement bases, it may have an impact on presenting information in the financial statements, in particular the income statement and to a lesser extent the cash flow statement. The local group is currently assessing impacts and data readiness before developing a more detailed implementation plan.

### (d) Foreign currencies

The functional currency of the bank is euro, which is also the presentation currency of the consolidated financial statements of the local group.

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the reporting date. Any resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any foreign exchange component of a gain or loss on a non-monetary item is recognised either in other comprehensive income or in profit or loss depending on where the gain or loss on the underlying non-monetary item is recognised.

### (e) Critical estimates and judgements

The preparation of financial information in accordance with the requirements of IFRSs as adopted by the EU requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted within Note 52 'Critical estimates and judgements', it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of the 2025 Financial Statements. Management's selection of the local group's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied, the high degree of judgement and estimation of uncertainty involved.

Further information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment, are detailed in Note 52.

Management has considered the impact of climate-related risks on the local group's financial position and performance. While the effects of climate change are a source of uncertainty, as at 31 December 2025 management does not consider there to be a material impact on critical judgements and estimates from the physical, transition and other climate-related risks in the short to medium term.

In management's view, apart from judgements involving estimations as reflected within Note 52, there are no significant or critical judgements made in the process of applying the local group's accounting policies that have a more significant effect on the amounts recognised in the financial statements.

### (f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the local group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

These considerations include stressed scenarios that reflect the uncertainty in the macroeconomic environment, including the possibility that geopolitical risks relating to the escalation of trade wars and rising tariffs might lead to tighter monetary policy decisions and higher inflation rates, resulting in impacts to the local group's and bank's operations, as well as considering potential impacts from local jurisdiction risks as well as other top and emerging risks, including exposure to extreme climate change and environmental risk events, and the related impact on profitability, capital and liquidity.

### Ongoing developments in respect of the announced proposed change in control process

On 23 December 2025, the bank announced that HSBC Continental Europe ('HBCE') and CrediaBank S.A. ('CrediaBank') have entered into a definitive agreement for the sale and purchase of HBCE's shareholding in the bank ('the Proposed Transaction').

The Proposed Transaction, by virtue of which HBCE would sell its 70.03% shareholding to CrediaBank and CrediaBank would become the majority shareholder in the bank, is subject to the attainment of the necessary regulatory approvals from the Malta Financial Services Authority ('MFSA'), the Bank of Greece and the European Central Bank ('ECB'). The terms of the Proposed Transaction contemplate CrediaBank paying a price per share of €0.793 for HBCE's entire shareholding in the bank amounting in total to €200,000,000 based on HBCE's shareholding. The bank, HBCE and CrediaBank have also entered into a cooperation agreement to govern their respective obligations in relation to the Proposed Transaction.

In the context of the above, the Directors are also satisfied that there are no events or conditions related to the Proposed Transaction which might cast significant doubt on the local group's and bank's ability to continue operating as a going concern for the foreseeable future.

---

## 3 Summary of material accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Consolidation and related policies

#### i Consolidation

HSBC Bank Malta p.l.c. controls and consequently consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is initially assessed based on consideration of all facts and circumstances, and is subsequently reassessed when there are significant changes to the initial setup. The local group is considered to have power over an entity when it has existing rights that give it the current ability to direct the relevant activities. For the local group to have power over an entity, it must have the practical ability to exercise those rights.

Where an entity is governed by voting rights, the local group consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power over the relevant activities or holding the power as agent or principal. The local group may have power over an entity even though it holds less than a majority of the voting rights, if it holds additional rights arising through other contractual arrangements or substantive potential voting rights which give it power.

## Notes on the financial statements

---

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the date of exchange. Acquisition-related costs are recognised as an expense in profit or loss in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are generally measured at their fair values at the date of acquisition.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are treated as transactions between equity owners of the local group and the net impact is reported within equity.

Subsidiaries are fully consolidated from the date on which control is transferred to the local group. They are deconsolidated from the date that control ceases.

### ii Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual arrangements. Structured entities often have restricted activities and a narrow and well defined objective.

Structured entities are assessed for consolidation in accordance with the local group's accounting policy set out above.

When assessing whether to consolidate HSBC managed investment funds, the local group reviews all facts and circumstances to determine whether the local group, as fund manager, is acting as agent or principal. The local group may be deemed to be a principal, and hence would control and consolidate the funds, i) when it acts as fund manager and cannot be removed without cause, ii) has variable returns through significant unit holdings and/or a guarantee provided, and iii) is able to influence the returns of the funds by exercising its power.

### iii Investments in subsidiaries

The local group classifies investments in entities which it controls as subsidiaries.

The bank's investments in subsidiaries are stated at cost less impairment losses. Impairment losses recognised in prior periods are reversed through profit or loss if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

## (b) Financial instruments

### i Initial recognition

The local group recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the local group commits to purchase or sell the asset. Accordingly, the local group uses trade date accounting for regular way contracts when recording financial asset transactions. All financial assets are initially recognised at fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the financial asset. Similarly, financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received).

However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the local group recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in profit or loss over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable or the local group enters into an offsetting transaction. The fair value of financial instruments is generally measured on an individual basis.

### ii Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics.

If a financial asset is held within a business model other than 'hold to collect' or 'hold to collect and sell', then the financial asset is required to be measured at fair value through profit or loss ('FVPL') without further analysis. For those financial assets where the contractual cash flows arising on specified dates are solely payments of principal and interest ('SPPI') on the principal amount outstanding, classification at amortised cost or fair value through other comprehensive income ('FVOCI') will depend on whether the business model is to hold financial assets for the collection of contractual cash flows or whether the objective of the business model is achieved by both the collection of contractual cash flows and from the sale of financial assets. If an instrument contains contractual cash flows which do not represent solely payments of principal and interest, then the classification to be used is FVPL.

The business model of the local group's portfolios is determined by key management personnel and reflects the strategic purpose and intention for the portfolios and how the performance of the portfolios is assessed. Since the business model is set at a portfolio level, the classification assessment for this criterion is accordingly performed at that level. Because the key distinction between the two business models identified in IFRS 9 is whether or not 'sales' are intrinsic to achieving the desired objectives, it is important to identify what is meant by 'sales'. For the purposes of the business model assessment, these are transfers which would result in derecognition.

For those assets where the intention of the business model is to hold the financial assets to collect the contractual cash flows or to hold to collect contractual cash flows and to sell, the local group assesses whether the cash flow characteristics of these assets meet the SPPI requirements of IFRS 9. 'Principal' is the fair value of the financial asset at initial recognition. It is not the amount that is due under the contractual terms of an instrument. 'Interest' is the compensation for time value of money and credit risk of a basic lending-type return. A basic lending-type return could also include consideration for other basic lending risks (for example, liquidity risk) and consideration for costs associated with holding the financial asset for a particular period of time (for example, servicing or administrative costs) and/or a profit margin.

## Notes on the financial statements

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

- variable interest rates and modified relationships with the time value of money;
- leverage, being a contractual cash flow characteristic of some financial assets that increases the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;
- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract;
- changes to contractual cash flows may be caused by an underlying contingent event (a trigger) such as contractual term resetting interest to a higher amount in the event of a missed payment; and
- contractual changes in interest rates.

### Financial assets measured at amortised cost

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets comprise primarily loans and advances to banks and customers and debt securities classified within 'Financial Investments' measured at amortised cost.

The local group may commit to underwriting loans on fixed contractual terms for specified periods of time. When the local group intends to hold the loan, the loan commitment is included in the impairment calculations set out in Note 3(b)(iv).

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

### Financial assets measured at fair value through other comprehensive income

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities and other fixed income securities classified within 'Financial Investments' and Treasury Bills classified within 'Balances with Central Bank of Malta, Treasury Bills and cash'.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in profit or loss. Financial assets measured at FVOCI are included in the impairment calculations set out in Note 3(b)(iv) and impairment is recognised in profit or loss.

### Financial assets mandatorily measured at fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or FVOCI, such as if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at FVPL.

The portfolios of all financial assets attributable to the local group's insurance business are managed and performance is evaluated on a fair value basis. The insurance subsidiary is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the debt securities are solely payments of principal and interest. However, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the business model's objective. The subsidiary has not taken the option to irrevocably designate any equity securities as FVOCI. Consequently, all investments attributable to insurance business are mandatorily measured at FVPL.

### Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are initially measured at fair value net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost using the effective interest rate method to amortise the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

Financial liabilities measured at amortised cost comprise principally deposit by banks, customer accounts, borrowings from a group undertaking and subordinated liabilities.

### Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so irrevocably designated at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial liability contains one or more non-closely related embedded derivatives.

Under this criterion, the financial instruments designated by the local group comprise financial liabilities under unit-linked investment contracts.

Liabilities to customers under investment contracts are determined based on the fair value of the assets held in the linked funds, with changes recognised in profit or loss. Designation at fair value of the financial liabilities under investment contracts allows the changes in fair values of these financial liabilities to be recorded in profit or loss and presented in the same line as the changes in fair value of the assets held in the linked funds. These financial assets are mandatorily measured at FVPL. If no fair value designation was made for the customer liabilities, an accounting mismatch would arise. The related financial assets and financial liabilities are managed and reported to management on a fair value basis.

## Notes on the financial statements

Subsequent changes in fair values are recognised in profit or loss in 'Net income/(expense) from assets and liabilities of insurance business measured at fair value through profit or loss'.

### Derivatives

Derivatives are financial instruments that derive their value from the price of underlying items such as currency forwards or interest rate swaps. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

When derivatives are not part of fair value designated relationships, these financial instruments are designated as held for trading. Accordingly, all gains and losses from changes in the fair values of such derivatives are recognised immediately in profit or loss. These gains and losses are reported in 'Net trading income', except where derivatives are managed in conjunction with financial instruments measured at fair value through profit or loss in which case gains and losses are reported in 'Net income/(expense) from assets and liabilities of insurance business measured at fair value through profit or loss'.

### Fair value hedge accounting

Fair value hedge accounting does not change the recording of gains and losses on derivatives and other hedging instruments, but results in recognising changes in the fair value of the hedged assets or liabilities attributable to the hedged risk that would not otherwise be recognised in profit or loss. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued and the cumulative adjustment to the carrying amount of the hedged item is amortised to profit or loss on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in profit or loss immediately.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Derivatives are designated in hedge accounting relationships where the required criteria for documentation and hedge effectiveness are met.

The local group applies fair value hedging to hedge separate hedged positions on an individual asset basis, generally fixed interest securities, by utilising interest rate swaps as hedging instruments. The gain or loss relating to the effective portion of interest rate swaps hedging fixed interest loans and securities is recognised in profit or loss within interest income, together with changes in the fair value of the hedged fixed interest securities attributable to interest rate risk.

The gain or loss relating to the ineffective portion is also recognised in profit or loss within 'Interest and similar income on debt and other fixed income instruments' and disclosed separately.

### iii Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the assets have expired or when the local group has transferred its contractual right to receive the cash flows of the financial assets, and either:

- substantially all the risks and rewards of ownership have been transferred; or
- the local group has neither retained nor transferred substantially all the risks and rewards, but has not retained control.

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

### iv Impairment of amortised cost and FVOCI financial assets

Expected credit losses ('ECL') are recognised for loans and advances to banks and customers, other financial assets measured at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts.

At initial recognition, an allowance (or provision in the case of loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months (12-month ECL).

In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk ('SICR') are classified as 'stage 2'; and financial assets for which there is objective evidence of impairment, and which are so considered to be in default or otherwise credit impaired, are classified as 'stage 3'. The local group does not have purchased or originated credit impaired ('POCI') financial assets.

#### Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible within the next 12 months (12-month ECL) are recognised for financial instruments that remain in stage 1.

#### Significant increase in credit risk (SICR or stage 2)

The general principle of IFRS 9 ECL accounting requires that the credit risk of financial instruments within the scope of impairment be assessed for significant increase since initial recognition at each balance sheet date. If there is a SICR, the financial instruments are transferred into stage 2 and lifetime ECL is recognised. The principle of SICR is achieved by performing an assessment to compare the risk of default occurring at the reporting date with the risk of default occurring at the date of initial recognition.

Accordingly, 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. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a SICR, and these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due for the wholesale portfolio and 1 day past due for the retail portfolio. In addition, wholesale loans that are individually assessed, typically corporate and commercial customers, and included on a 'Watch or Worry' list, are included in stage 2.

## Notes on the financial statements

Wholesale exposures are usually managed on an individual basis for credit purposes, through relationship managers who have access to the customers and their financial information. A Customer Risk Rating ('CRR') is assigned to each customer and is reviewed at least annually.

Although the CRR is assigned on an obligor/counterparty level rather than at the financial instrument level, it can still be used to assess SICR as long as it meets the underlying principles.

In applying the above, the CRR of the counterparty is inferred onto the outstanding financial instruments. For example, if a customer has a CRR of 3 when a loan is underwritten, the loan will have on initial recognition a CRR of 3. If at the subsequent period end, the customer's CRR has deteriorated to 5 and a second loan is being granted to the customer, both loans will have a CRR of 5 on that day. For the first loan, the CRR has increased from 3 to 5. If this is considered significant, it will be transferred to stage 2. For the second loan, the initial recognition CRR is 5. It will remain in stage 1 until the CRR increases significantly in subsequent periods. While all outstanding loans to the same obligor/counterparty will have the same CRR at the reporting date, the respective loans might be in different stages depending on the initial recognition CRR, unless the obligor is in the 'Watch or Worry' status and/or past due by more than 30 days, in which case all associated facilities (excluding those cases on the list for non-credit related reasons) will be transferred to stage 2 immediately. Moreover, if an obligor is in stage 2, being marked as performing forborne, and becomes 30 days past due, then the obligor is downgraded to default status.

A CRR on its own is not a measure that meets all the requirements of IFRS 9 (e.g. it does not incorporate forward-looking information). However, within the HSBC Group, CRRs are used to determine regulatory Probabilities of Default ('PDs'), and with appropriate adjustments, these PDs are used for IFRS 9 purposes. Each CRR is associated with an external rating grade by reference to long-run default rates for that grade, represented by the average of issuer-weighted historical default rates. This mapping between internal and external ratings is indicative and may vary over time. Therefore regulatory PD models calibrated at the level of HSBC Group are leveraged to derive a measure that is appropriate to assess SICR under IFRS 9.

As regulatory PDs are generally calculated over 12 months, one of the adjustments required is to incorporate the term structure into the PD to obtain the lifetime PD. The lifetime PD is determined by calculating the PD for each year over the life of the financial instrument. For example, for a five-year loan, PDs are calculated for each of the five years. The year-1 PD is calculated as the probability of the loan defaulting within the first year of it being issued. The year-2 PD is calculated as the probability of the loan surviving the first year but defaulting in the second year. The same principle of survival applies to the PDs of years 3-5. These yearly PDs are added together to arrive at the cumulative lifetime PD. As each year passes, the cumulative lifetime PD reduces in line with the reduction in the residual life of the loan. Albeit, SICR is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at reporting date. For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime PD which encompasses a wide range of information including the obligor's CRR, macroeconomic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, SICR is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date. The quantitative measure of significance varies depending on the credit quality at origination as follows:

| Origination CRR | Significance trigger – PD to increase by |
|-----------------|--|
| 0.1-1.2         | 15bps                                    |
| 2.1-3.3         | 30bps                                    |

For CRRs greater than 3.3 that are not impaired, SICR is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PDs must be approximated assuming through-the-cycle ('TTC') PDs and TTC migration probabilities, consistent with the instrument's underlying modelling approach and the CRR at origination. For these loans, the quantitative comparison is supplemented with additional CRR deterioration-based thresholds, as set out in the table below:

| Origination CRR | Additional significance criteria – number of CRR grade notches deterioration required to identify as significant credit deterioration (stage 2) (>or equal to) |
|-----------------|--|
| 0.1             | 5 notches  |
| 1.1-4.2         | 4 notches  |
| 4.3-5.1         | 3 notches  |
| 5.2-7.1         | 2 notches  |
| 7.2-8.2         | 1 notch  |
| 8.3             | 0 notch  |

Retail exposures, unlike wholesale exposures, are not managed on a credit by credit basis (e.g. through relationship managers), due to the high volume of relatively low value and homogeneous exposures. As a result, it is not feasible to replicate the wholesale approach for retail exposures. The retail methodology takes into account the nature of the retail exposures and the underlying credit risk management practices. The retail portfolio comprises mortgages, personal loans and overdrafts, as well as credit cards.

The retail methodology to determine whether a SICR has occurred is applied to exposures within segments with a similar credit risk profile and takes into consideration any increase in credit risk against a pre-defined threshold which also considers forward looking information.

Given how retail customers are accepted and managed for credit risk, retail customers within a particular segment will have similar credit risk at initial recognition. The measure, or threshold, used to assess SICR for the retail portfolios is the average PD twelve months prior to exposures falling more than 30 days past due. Portfolio segments whose 12-month default rate is higher than this threshold would be classified as stage 2 (the look back method). Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgement is that no prior increase in credit risk is significant. This portfolio-specific threshold identifies loans with a PD higher than would be expected from loans that are performing as originally expected, and higher than what would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

For staging purposes, exposures classified within the mortgage portfolio are segmented on the basis of current delinquency, past delinquency in the past 12 months, and a behaviour score determined at borrower level, whereas exposures classified within the other unsecured portfolios are segmented on the basis of current delinquency only. The behavioural score comprises a number of different indicators designed to capture certain credit risk characteristics and is used by the local group as an Early Warning Indicator ('EWI') to identify early signs of distress in relation to retail customers whose creditworthiness has deteriorated due to financial difficulties.

## Notes on the financial statements

---

For portfolios of debt securities where external market ratings are available and internal credit ratings are not used in credit risk management, the debt securities will be classified in stage 2 if their credit risk increases to the extent they are no longer considered investment grade. Investment grade is where the financial instrument has a low risk of incurring losses, the structure has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil their contractual cash flow obligations.

### Credit impaired (stage 3)

IFRS 9 requires an assessment of the extent of increase in credit risk of a financial instrument since initial recognition. This assessment is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument. As a result, the definition of default is important.

IFRS 9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments and requires consideration of qualitative factors where appropriate. In addition, IFRS 9 also introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate.

In this respect, the local group determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay, such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

With respect to wholesale exposures, the local group has incorporated evidence of credit impairment/default into the internal CRR used to rate wholesale exposures. A defaulted or credit impaired financial asset is assigned a CRR of 9 or 10. These exposures are usually managed by the local group's special credit unit ('SCU').

With respect to retail exposures, evidence of credit impairment/default is also incorporated into the PD model. A retail exposure with a PD of 1 (i.e. 100% probability) is considered defaulted and credit impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

### Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

### Recoveries

It is generally not expected to recover any amount following a full write off. As a result, most recoveries occurring subsequent to a write-off are recognised only when cash is received. However, under rare circumstance, it is possible for an amount to be recoverable subsequent to a write-off due to the emergence of new information. As a contract is not usually cancelled following a write-off, the local group retains the contractual right to recover the amount. In this situation, a recovery asset can be recognised in the period when credit risk assessed that the amount is recoverable, rather than only when cash is received, taking into account reasonable and supportable information that is available without undue cost or effort at the reporting date.

### Forborne loans

A 'forborne loan' is a loan where the contractual payment terms have been renegotiated or otherwise modified because the local group has significant concerns about the borrower's ability to meet contractual payments when due. In general, forborne loans are regarded as credit impaired upon renegotiation unless the renegotiation is strictly limited to non-payment related concessions (e.g. covenant waivers) and there are no other indicators of impairment. Moreover, loans are considered forborne irrespective of whether the modification is significant or not. Thus, de-recognition or otherwise of the financial asset would not have a bearing on whether the financial asset remains classified in the respective stage allocation. A range of forbearance strategies are employed upon the renegotiation of a loan in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. They include extended payment terms, a reduction in interest or principal repayments, approved external debt management plans, debt consolidations, the deferral of foreclosures, and other forms of loan modifications and re-ageing (re-ageing is an account action where the customer account is reclassified as being up to date without the customer having paid the arrears in full).

The local group's policies and practices are based on criteria which enable local management to judge whether repayment is likely to continue. Forbearance measures typically provide a customer with terms and conditions that are more favourable than those provided initially. Forbearance is only granted in situations where the customer has shown a willingness to repay the borrowing and is expected to be able to meet the revised obligations.

Accordingly, loans are identified as forborne and classified as credit impaired when the contractual payment terms are modified due to significant credit distress of the borrower. Forborne loans remain classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows.

A forborne loan is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the forborne loan is a substantially different financial instrument. Any new loans that arise following derecognition events in these circumstances are considered to be Purchased or originated credit impaired ('POCI') and will continue to be disclosed as forborne loans.

Other than originated credit impaired loans, all other modified loans classified within the wholesale portfolio could be transferred out of stage 3 if they no longer exhibit any evidence of being credit impaired and, in the case of forborne loans, there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows over the minimum observation period, and there are no other indicators of

## Notes on the financial statements

impairment. This is assessed on the basis of historical and forward-looking information and an assessment of the credit risk over the expected life of the asset, including information about the circumstances that led to the forbearance. These loans could be transferred to stage 1 or 2 based on the mechanism as described in the section called 'Movement between stages' below by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed.

Similarly, retail forbore loans are also classified as stage 3 assets. Retail forbore loans cure out of the credit impaired status if the customers meet the new payment requirements for 12 months following the date on which the loan was forbore and remain classified as stage 2 assets until maturity or derecognition, unless a new default event occurs.

### **Movement between stages**

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment. Renegotiated loans that are not POCI will continue to be in stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment. For loans that are assessed for impairment on a portfolio basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate in the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

### **Measurement of ECL**

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the local group calculates ECL using three main components: a probability of default ('PD'), a loss given default ('LGD'), and the exposure at default ('EAD'). The local group calculates the ECL for the wholesale portfolio at an instrument level, whilst the ECL for retail portfolios is calculated at portfolio segment level.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively. PDs are point in time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD). The lifetime PDs are determined by projecting the 12-month PD using a term structure.

With respect to the wholesale portfolio, given the local group's inherent lack of history of defaults to derive coherent PDs, proxy PDs are used as part of a Smaller Site Methodology. Proxy through-the-cycle ('TTC') PDs are derived from regulatory PDs determined at HSBC Group level. These proxy TTC PDs are then converted to point-in-time ('PiT') PDs on the basis of the PiT correction applied in respect of portfolios within the HSBC Group having the most similar characteristics to the local group's wholesale portfolio, and are adjusted for a scalar and a management overlay, where required to reflect the economic realities of the market the local group operates in. The scalar denotes a risk parameter that helps translate the regulatory PDs into PDs relevant to the local scenario. For the wholesale methodology, the lifetime PD also takes into account credit migration, i.e. a customer migrating through the CRR bands over its life. In contrast, PDs for the retail portfolio are based on internally developed statistical models using the local group's historical model development data based on the local group's own experience.

The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money. It incorporates the impact of discounting back from point of default to balance sheet date using the original effective interest rate of the loan. Costs associated with obtaining/selling collateral are reflected.

The LGD used for the wholesale portfolio is driven by the loan-to-value ratio of the individual facilities, and takes into account other assumptions, including market value haircut (which includes costs to sell), time to sell and discounting the collateral from the date of realisation back to the date of default. Expected LGD is based on estimate of loss given default including the expected impact of future economic conditions. The LGD for the mortgage portfolio is also driven by the loan-to-value ratio of exposures, taking into account similar assumptions as those in the wholesale portfolio. In contrast, the LGD for the remaining retail portfolios (personal loans, overdrafts and credit cards) is based on the local group's recovery history.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities.

The ECL for wholesale stage 3 exposures is determined on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on the credit risk officer's estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on the estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate.

For significant cases, cash flows under different scenarios are probability-weighted by reference to the three economic scenarios applied more generally by the local group and the judgement of the credit risk officer in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases, the effect of different economic scenarios and work-out strategies is approximated and applied as an adjustment to the most likely outcome.

### **Period over which ECL is measured**

The ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the local group is exposed to credit risk. With respect to non-revolving credit facilities, the contractual life of the facility is considered. In contrast, in respect of revolving credit facilities, the local group distinguishes between individually managed exposures and collectively managed exposures. For individually managed exposures, which mostly form part of the wholesale portfolio, credit risk management actions are taken no less frequently than on an annual basis and therefore this period is to the expected date of the next substantive credit review. The date of the substantive credit review also represents the initial recognition of the new facility. In contrast, with respect to the remaining revolving credit facilities, the lifetime of such exposures is defined as the point where 95% of the defaults have materialised by reference to the local group's own historical experience – thus, the lifetime of such assets may be longer than 12 months.

## Notes on the financial statements

Where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the local group's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the local group remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between three and five years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

### Forward-looking economic inputs

The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation, including in the formulation and incorporation of multiple forward-looking economic conditions into the ECL estimates to meet the measurement objective of IFRS 9.

The local group applies multiple forward-looking economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased ECLs in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate.

The recognition and measurement of ECL involves the use of significant judgement and estimation. In this respect, multiple forward-looking scenarios are determined based on macroeconomic forecasts and applied to credit risk models to estimate expected credit losses. Probability weights are applied to the scenarios in order to determine an unbiased ECL estimate. Management judgemental adjustments are used to address late breaking events, data and model limitations, model deficiencies and expert credit judgements.

A Forward Economic Guidance ('FEG') methodology has been developed to generate the economic inputs to help drive the IFRS 9 ECL models used for credit risk. Within this methodology, four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of potential outcomes. Scenarios produced to calculate ECL are aligned to the local group's top and emerging risks.

Three of the scenarios are drawn from consensus forecasts and distributional estimates. The Central scenario is deemed to represent the 'most likely' scenario, and usually attracts the largest probability weighting, while the outer consensus scenarios represent the tails of the distribution, which are less likely to occur. The Central scenario is created using the average of a panel of external forecasters. Consensus Upside and Downside scenarios are created with reference to distributions that capture forecasters' views of the entire range of outcomes. In the later years of the scenarios, projections revert to long-term consensus trend expectations. In the consensus outer scenarios, reversion to trend expectations is done mechanically with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario – the Downside 2 scenario – is designed to represent management's view of severe downside risks. It is a narrative-driven scenario that explores more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations. They may instead explore alternative states of equilibrium, where economic activity moves permanently away from past trends. The consensus Downside and the consensus Upside scenarios are each constructed to be consistent with a 10% probability. The Downside 2 is constructed with a 5% probability. The Central scenario is assigned the remaining 75%. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, the local group may depart from this probability-based scenario weighting approach when the economic outlook is determined to be particularly uncertain and risks are elevated.

### Presentation of ECL in statement of financial position

For financial assets that are measured at amortised cost, the ECL allowance is presented against the carrying amount of the assets on the balance sheet, thereby reducing the carrying amount.

For financial assets measured at fair value through other comprehensive income, the ECL allowance is presented within other comprehensive income and not against the carrying amount of the assets. The carrying amount of the asset is always the fair value.

## (c) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously (the offset criteria).

## (d) Intangible assets

Intangible assets are recognised when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. Where intangible assets have a finite useful life, they are stated at cost less accumulated amortisation and impairment losses.

Intangible assets with finite useful lives, such as purchased computer software, are amortised, on a straight line basis, over their estimated useful lives. Estimated useful life is the lower of legal duration and expected useful life. The estimated useful life of purchased software ranges between 3-5 years. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred. The estimated useful life of intangible assets is reviewed when there is an indication that circumstances have changed. If expectations differ from previous estimates, the useful life is revised accordingly.

Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

## (e) Property, plant and equipment

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

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

## Notes on the financial statements

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

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

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

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

- long leaseholds, freehold buildings and improvements: 50 years;
- short leaseholds and improvements to rented property over term of lease; and
- equipment, furniture and fittings: 3-10 years.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 3(g)).

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

### (f) Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the local group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the local group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the local group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

### (g) Impairment of non-financial assets

The carrying amounts of the local group's non-financial assets, which comprise property, plant and equipment, intangible assets and right-of-use assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash inflows (cash-generating units). In this respect, non-financial assets are tested for impairment at the individual asset level when there is indication of impairment at that level, or at the cash-generating unit ('CGU') level for assets that do not have a recoverable amount at the individual asset level. The local group also tests for impairment at the CGU level when there is indication of impairment at that level. For this purpose, CGUs are considered to be the principal operating legal entities divided by global business.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss, unless the asset is carried at a revalued amount.

The carrying amount of a CGU comprises the carrying value of its assets and liabilities, including non-financial assets that are directly attributable to it and non-financial assets that can be allocated to it on a reasonable and consistent basis. Non-financial assets that cannot be allocated to an individual CGU are tested for impairment at an appropriate grouping of CGUs.

The recoverable amount of non-financial assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss on non-financial assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (h) Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use, they are available for sale in their present condition and their sale is highly probable. Immediately before the initial classification as held for sale, the carrying amount of the assets and liabilities is measured in accordance with the local group's accounting policies. Non-current assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less cost to sell except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', such as those measured in accordance with IFRS 9.

### (i) Insurance and reinsurance contracts

#### i Definition and classification

A contract is classified as an insurance contract where the local group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. An insurance contract may also transfer financial risk, but is accounted for as an insurance contract if the insurance risk is significant. In addition, the local group issues investment contracts with discretionary participation features ('DPF'), which are also accounted under IFRS 17 'Insurance Contracts'.

The local group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the local group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

The local group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The local group's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the local group as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the local group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the local group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria are assessed at the individual contract level based on the local group's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. The variability in the cash flows is assessed over the expected duration of a contract. The duration of a contract takes into account all cash flows within the boundary.

Investment components in Savings and Participating products comprise policyholder account values less applicable surrender fees.

The local group uses judgement to assess whether the amounts expected to be paid to the policyholder constitute a substantial share of the fair value returns on the underlying items.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the amount of the local group's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn annually from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders), less the fulfilment cash flows ('FCF') that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the Variable Fee Approach ('VFA') upon meeting the eligibility criteria. The VFA modifies the accounting model in IFRS 17 to reflect that the consideration that an entity receives for the contracts is a variable fee.

Direct participating contracts issued by the local group are contracts with direct participation features where the local group holds the pool of underlying assets and accounts for these groups of contracts under the VFA.

All other insurance contracts originated by the local group, are without direct participation features and, together with reinsurance contracts held, are measured under the General Measurement Model ('GMM').

#### ii Aggregation of insurance contracts

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management, and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks. Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts. These profitability groups are then divided by issue date, with most contracts the local group issues after the transition date being grouped into calendar quarter cohorts.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and includes fulfilment cash flows (including risk adjustment) as well as the Contractual Service Margin ('CSM') representing the unearned profit if the respective group is deemed to be profitable. The local group has elected to update the estimates used in the measurement on a year-to-date basis.

For each portfolio of contracts, the local group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines groups of contracts. The local group uses judgement to determine at what level of granularity the local group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. In applying the grouping requirements to reinsurance contracts held, the local group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The local group tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently. Given the local group's reinsurance structure, there is less judgement in determining the grouping of reinsurance contracts.

## Notes on the financial statements

Before the local group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

The local group applies IFRS 17 to all remaining components of the contract. The local group does not have any contracts that require further separation or combination of insurance contracts.

### iii Reinsurance contracts held

The local group purchased reinsurance in the normal course of business for the purpose of limiting its net loss potential. Reinsurance arrangements do not relieve the local group from its direct obligations to its policyholders.

The measurement of reinsurance contracts held follows the same principles and consistent assumptions as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes; and
- The local group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.

The local group recognises both net gain and net cost on purchasing reinsurance at initial recognition in the statement of financial position as CSM and releases this to profit or loss as the reinsurer renders services, except for the net cost that relates to events before initial recognition.

### iv Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the local group determines that a group of contracts becomes onerous.

Investment contracts with DPF are initially recognised at the date when the local group becomes a party to the contract.

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
  - the beginning of the coverage period of the group; and
  - the initial recognition of any underlying insurance contract.
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the groups of reinsurance contracts held. This applies unless the local group entered into a reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the group. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the group in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

### v Accounting for contract modifications and derecognition

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the local group as a result of an agreement with the counterparties or due to a change in regulations, the local group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The local group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- if the modified terms had been included at contract inception and the local group would have concluded that the modified contract:
  - is not within the scope of IFRS 17;
  - results in different separable components;
  - results in a different contract boundary; or
  - belongs to a different group of contracts;
- the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- the original contract was accounted for under the Premium Allocation Approach ('PAA'), but the modification means that the contract no longer meets the eligibility criteria for that approach. The local group does not account for any contracts under the PAA.

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, component separation requirements and aggregation requirements.

## Notes on the financial statements

---

When an insurance contract accounted for under the GMM and VFA is derecognised from within a group of insurance contracts, the local group:

- adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
- adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the liability for remaining coverage ('LRC') of the group) in the following manner, depending on the reason for the derecognition:
  - if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
  - if the contract is transferred to a third party, in the amount of the FCF adjustment in the first bullet point less the premium charged by the third party; or
  - if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in the first sub-bullet point adjusted for the premium that the local group would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification; when recognising the new contract in this case, the local group assumes such a hypothetical premium as actually received; and
- adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

### vi Contract Boundary

The local group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the local group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- the local group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:
  - the local group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the local group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Insurance riders represent add-on benefits to an insurance policy. The rider forms part of the single insurance contract with all of the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the local group to deliver cash at a present or future date.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the local group that exist during the reporting period in which the local group is compelled to pay amounts to the reinsurer or in which the local group has a substantive right to receive insurance contract services from the reinsurer.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

### vii Insurance acquisition costs

The local group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Where applicable, insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- to that group; and
- to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group. The local group does not incur the latter.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Before a group of insurance contracts is recognised, the local group could pay (or recognise a liability, applying a standard other than IFRS 17) for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flows assets within the carrying amount of insurance contracts issued and are subsequently derecognised (in full or to the extent that insurance contracts expected to be in the group have been recognised at that date) when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the local group's measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used. The local group does not incur directly attributable acquisition costs before a group of insurance contracts are recognised.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

## Notes on the financial statements

The recoverability assessment is performed in two steps, as follows:

- an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts.
- in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised in the first step above.

### viii Other pre-recognition cash flows within the contract boundary

Before a group of insurance contracts is recognised, the local group could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held. The local group does not recognise such assets or liabilities.

### ix Fulfilment cash flows ('FCF')

The fulfilment cash flows comprise the following:

#### Best estimates of future cash flows

These cash flows include amounts expected to be collected from premiums, policy fees and surrender charges and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the local group's demographic and operating experience along with external mortality data where the local group's own experience data is not sufficiently large in size to be credible.

The estimates of future cash flows:

- are based on a probability-weighted mean of the full range of possible outcomes;
- are determined from the perspective of the local group, provided that the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

The local group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

#### Adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks to derive an expected present value. The local group generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees.

A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

### x Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is estimated using a Value at Risk approach applying a one-off 75th percentile level of stress that endures over all future years. The level of the stress is determined by reference to external regulatory stresses. Areas of judgement pertain to the selected level of confidence as well as with the Solvency II Capital Requirement ('SII SCR') starting basis together with the distributions used to convert the regulatory 99.5% stress factors to 75% log normal distributions (for most stresses).

The full term 75th percentile level of stress corresponds to 60% (2024: 59%) percentiles based on an ultimate view of risk over all future years.

The local group does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in insurance service result.

### xi Initial measurement

#### CSM and coverage units

The CSM represents the unearned profit and results in no income or expense at initial recognition when the group of contracts is profitable. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (e.g. changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in 'insurance service expense' immediately.

For groups of contracts measured using the VFA, changes in the local group's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM, but are recognised in profit or loss as they arise.

### xii Subsequent measurement – groups of contracts measured under the GMM and VFA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- the Liability for Remaining Coverage ('LRC'), comprising:
  - the FCF related to future service allocated to the group at that date; and
  - the CSM of the group at that date; and
- the Liability for Incurred Claims ('LIC'), comprising the FCF related to past service allocated to the group at the reporting date.

## Notes on the financial statements

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- the remaining coverage, comprising:
  - the FCF related to future service allocated to the group at that date; and
  - the CSM of the group at that date; and
- the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

### Changes in fulfilment cash flows

The FCF are updated by the local group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

- experience adjustments – arising from premiums and other fees received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
- changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments in the first, second and fourth point above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

- changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- changes in the FCF relating to the LIC;
- experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

- changes in the amount of the local group's share of the fair value of the underlying items; and
- changes in the FCF that do not vary based on the returns of underlying items:
  - changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
  - experience adjustments arising from premiums and other fees received in the period that relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes;
  - changes in estimates of the present value of future cash flows in the LRC;
  - differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
  - changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments from the second until the fifth sub-bullet points above are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not adjust the CSM:

- changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- changes in the FCF that do not vary based on the returns of underlying items:
  - changes in the FCF relating to the LIC;
  - experience adjustments arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
  - experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The local group does not use derivatives as economic hedges of the guarantee risks.

### Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the local group to reflect the effect of the following changes:

- The effect of any new contracts added to the group.
- For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
- Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in 'insurance service expenses' and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.

## Notes on the financial statements

- The amount recognised as ‘insurance service revenue’ for insurance contract services provided during the period, determined after all other adjustments above.

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the local group to reflect the effect of the following changes:

- The effect of any new contracts added to the group.
- Interest accreted on the carrying amount of the CSM.
- Income recognised in profit or loss when the local group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.
- Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.
- Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.
- The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

### Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items.

### Release of CSM to the Income Statement

The CSM is systematically recognised in ‘insurance service revenue’ to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts. The local group identifies the quantity of the benefits provided as follows:

- For insurance coverage - based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund value or surrender value.
- For investment services (including both investment-return service and investment-related service) - based on a constant measure basis which reflects the provision of access for the policyholder to the facility.

For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period.

### Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the local group recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

Decreases in the FCF relating to future service in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to future service in subsequent periods increase the loss component.

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the local group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the local group expects to recover from the group of reinsurance contracts held.

## xiii Insurance service results

Insurance revenue reflects the consideration to which the local group expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services.

## xiv Insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For VFA contracts, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses.

## (j) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation which has arisen as a result of past events, and for which a reliable estimate can be made. A provision for restructuring is recognised when the local group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

### (k) Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- payments, less any lease incentives receivable;
- amounts expected to be payable by the local group under residual value guarantees;
- the exercise price of a purchase option if the local group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the local group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the local group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### (l) Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, as well as contingent liabilities related to legal proceedings or regulatory matters, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the local group; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

### (m) Financial guarantee contracts and loan commitments

Financial guarantees are contracts that require the local group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Liabilities under financial guarantee contracts are recorded initially at their fair value, which is generally the fee received or present value of the fee receivable. Financial guarantee contracts are subsequently measured at the higher of:

- the amount of the loss allowance (calculated as described in Note 3(b)(iv)); and
- the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the local group are measured as the amount of the loss allowance (calculated as described in Note 3(b)(iv)).

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

### (n) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except those measured at fair value through profit or loss, are recognised in 'Net interest income' in profit or loss, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (and groups of financial assets or financial liabilities) and of allocating the net interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the gross carrying amount of the financial asset or financial liability (i.e. amortised cost before any impairment allowance for a financial asset). When calculating the effective interest rate, the local group estimates cash flows considering all contractual terms of the financial instrument but excluding expected credit losses. The calculation includes transaction costs, premiums or discounts and all fees and points paid or received by the local group that are an integral part of the effective interest rate of a financial instrument.

Interest on credit impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

### (o) Non-interest income and expense

#### i Net fee income

The local group generates fee income from services provided at a fixed price over time, such as account service and card fees, or when the local group delivers a specific transaction at a point in time, such as broking services and import/export services. Where fees are variable, such as certain fund management and performance fees, such fees are recognised when all uncertainties are resolved. Fee income is generally earned from short-term contracts with payment terms that do not include a significant financing component.

The local group acts as principal in the majority of contracts with customers, with the exception of broking services. For brokerage trades, the local group acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

## Notes on the financial statements

---

The local group recognises fees earned on transaction-based arrangements at a point in time when it would have fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Where the local group offers a package of services that contains multiple non-distinct performance obligations, such as those included in account service packages, the promised services are treated as a single performance obligation. If a package of services contains distinct performance obligations, the corresponding transaction price is allocated to each performance obligation based on the estimated stand-alone selling prices.

### ii Dividend income

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

### iii Net income/(expense) from assets and liabilities of insurance business measured at fair value through profit or loss

Net income/(expense) from assets and liabilities of insurance business measured at fair value through profit or loss includes:

- all gains and losses from changes in the fair value of financial assets mandatorily measured at fair value through profit and loss and financial liabilities designated at fair value through profit or loss attributable to insurance and investment contracts; and
- interest and dividend income in respect of financial assets mandatorily measured at fair value through profit or loss.

The accounting policies for 'Insurance service result' and 'Insurance finance (expense)/income' are disclosed in Note 3(i).

### iv Net trading income

The line item includes income from foreign exchange activities and net income from derivatives such as cross currency swaps and forward exchange contracts.

### v Offsetting of reimbursements against costs

An item may be recognised as a reimbursement and offset against the related expense only when all of the following criteria are met:

- The expenditure must directly benefit the counterparty, such that the costs incurred by the local group are for the counterparty's benefit and not for the local group's own revenue-generating activities;
- There must be a clear and direct relationship between the expense incurred and the benefit transferred to the counterparty;
- The reimbursement amount must be based on the actual costs incurred by the local group, without any mark-up or margin; and
- The counterparty's commitment to reimburse must be unconditional, and the extent of reimbursement, whether for all or a portion of the cost, must be explicitly stipulated in the contractual arrangement. If there is a mark-up, the receipt of funds would not qualify as a reimbursement.

Any reimbursements not meeting these criteria are accounted for as other income.

## (p) Employee benefits

### i Contributions to defined contribution pension plan

The local group contributes towards the State defined contribution pension plan in accordance with local legislation in exchange for services rendered by employees and to which it has no commitment beyond the payment of fixed contributions. The local group also contributes towards a Unit-Linked Employee Pension Plan with no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised as an employee benefit in profit or loss in the periods during which services are rendered by employees.

### ii Post employment and other long-term employee benefit obligations

The local group's liabilities for long service bonuses, retirement bonuses and benefits upon retirement on medical grounds, emanating from obligations within the collective agreement, are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build the final obligation. Consideration is given to expected future salary levels, experience of employee departures and periods of service.

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The projected unit credit method requires the local group to attribute benefit to the current period in order to determine current service cost and to the current and prior periods in order to determine the present value of the defined benefit obligations.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is reflected in profit or loss.

Actuarial gains and losses in relation to retirement bonuses and benefits upon retirement on medical grounds, comprising remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions, are recognised immediately in other comprehensive income. Actuarial gains and losses in relation to the long-term bonus liability are recognised in profit or loss in the period in which they occur. Amounts recognised in profit or loss in respect of these long-term employee benefit obligations are presented within 'Employee compensation and benefits'.

### iii Termination benefits

The local group recognises a liability and expense for termination benefits when the local group can no longer withdraw the offer of those benefits. For termination benefits payable as a result of an employee's decision to accept an offer of benefits in exchange for the termination of employment, the time when the local group can no longer withdraw the offer of termination benefits is the earlier of:

- when the employee accepts the offer; and
- when a restriction on the local group's ability to withdraw the offer takes effect.

For termination benefits payable as a result of the local group's decision to terminate an employee's employment, the local group can no longer withdraw the offer when it has communicated to the affected employees a plan of termination meeting all of the following criteria:

- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made;
- the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and the expected completion date; and
- the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

### iv Share-based payments

The local group enters into equity-settled share-based payment arrangements with its employees as compensation for services provided by employees.

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense on a straight-line basis over the vesting period, with a corresponding credit to retained earnings.

Fair value is determined by using appropriate valuation models. Vesting conditions include service conditions and performance conditions; any other features of the arrangement are non-vesting conditions. Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of the award at the date of the award. Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction.

HSBC Holdings plc is the grantor of its equity instrument for all share awards and share options across the Group. The credit to retained earnings over the vesting period on expensing an award represents the effective capital contribution from HSBC Holdings. To the extent the local group will be, or has been, required to fund a share-based payment arrangement, this capital contribution is reduced and the fair value of shares expected to be released to employees is recorded within liabilities.

### (q) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the local group intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unutilised tax losses can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled based on tax rates and laws enacted, or substantively enacted, by the reporting date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the local group has a legal right to offset.

### (r) Cash and cash equivalents

Cash and cash equivalents comprise unencumbered cash balances, highly liquid investments and deposits with contractual maturity of three months or less. Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition. 'Loans and advances to banks' that are repayable on demand or have a contractual maturity of three months or less and which form an integral part of the local group's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

### (s) Segmental analysis

Measurement of segmental assets, liabilities, income and expenses is in accordance with the local group's accounting policies. Segmental income and expenses include transfers between segments and these transfers are conducted on arm's length terms and conditions. Shared costs are included in segments on the basis of the actual recharges made.

### 4 Financial risk management

#### (a) Introduction

The nature of the local group's core banking operations implies that financial instruments are extensively used in the course of its routine business. The local group's financial instruments principally include loans and advances to banks, loans and advances to customers, investment securities, derivative financial instruments, amounts due to banks and customers, liabilities under investment contracts and insurance contract liabilities.

The local group is exposed to a mixed blend of risks and hence operates a risk management strategy with the objective of controlling and minimising their impact on the local group's financial performance and position.

All of the local group's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks.

An established risk governance framework and ownership structure ensures oversight of and accountability for the effective management of risk. The local group's risk management framework fosters the continuous monitoring of the risk environment and an integrated evaluation of risks and their interactions.

The local group's risk management framework is designed to provide appropriate risk monitoring and assessment. The bank's Risk Committee focuses on risk governance and provides a forward-looking view of risks and their mitigation.

The Risk Committee is a committee of the Board and has responsibility for oversight and advice to the Board on, inter alia, the bank's risk appetite, tolerance and strategy, systems of risk management, internal control and compliance.

The Risk Committee maintains and develops a supportive culture in relation to the management of risk, appropriately embedded by executive management through procedures, training and leadership actions.

In carrying out its responsibilities, the Risk Committee is closely supported by the Chief Risk Officer, the Chief Financial Officer, the Head of Internal Audit and the Head of Compliance, together with other business functions on risks within their respective areas of responsibility.

The most important types of risk include financial risk, which comprises credit risk, market risk and liquidity risk. These categories of risk and the governance arrangement in relation to life insurance business are described in Note 4(f).

With the exception of the financial instruments relating to the insurance subsidiary company, the only major difference between the local group consolidated position and the bank's financial position relate to cash balances held by the asset management subsidiary with the bank, amounting to €3,037,000 as at 31 December 2025 (2024: €2,440,000). These balances, which are eliminated upon consolidation at local group level, are classified under 'Customer accounts' in the bank's financial statements. The risks arising from financial instruments relating to the asset management subsidiary company are deemed to be insignificant. Accordingly, with the exception of the risks attributable to the life insurance business which are disclosed in Note 4(f), the tables and figures presented within Note 4 reflect information about the financial risk management of the bank, excluding the asset management subsidiary.

In the context of the ongoing developments relating to the Proposed Transaction, specific consideration was given to possible financial risks arising therefrom. These considerations include the simulation of stressed scenarios that reflect risks relating to the integration of the local group's business processes with those of CrediaBank; liquidity and funding risks; capital and regulatory risks; and risks relating to the local group's strategic and competitive position in the market.

#### (b) Credit risk excluding Insurance credit risk which is reported under Note 4(f)

##### i Credit risk management

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 lending, trade finance and treasury business, mainly through the holdings of debt securities, but also from off-balance sheet products such as financial guarantees. The local group has standards, policies and procedures dedicated to control and monitor the risk arising from all such activities.

Within the overall framework of the local group policy, the local group has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to business units and the monitoring and reporting of exposures both on an individual and a portfolio basis which includes the management of adverse trends. Management is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality. Regular reviews are undertaken to assess and evaluate levels of risk concentrations by market sector and product.

The bank's credit risk rating systems and processes differentiate between exposures in order to highlight those with greater risk factors and higher potential severity of loss. In the case of individually significant accounts, risk ratings are reviewed regularly and any amendments are implemented promptly.

The principal objectives of the local group's credit risk management are:

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

Within the bank, the credit risk function's responsibilities include:

- formulating credit policy;
- guiding business on appetite for credit risk exposure to specified market sectors, activities and banking products and controlling exposures to certain higher-risk sectors;
- undertaking an independent review and objective assessment of risk and exposures over designated limits, prior to the facilities being committed to customers or transactions being undertaken;
- monitoring the performance and management of portfolios;

## Notes on the financial statements

---

- controlling exposure to sovereign entities, banks and other financial institutions, as well as debt securities;
- setting policy on large credit exposures, ensuring that concentrations of exposure by counterparty, sector or geography do not become excessive in relation to the capital base, and remain within internal and regulatory limits;
- maintaining and developing the risk rating framework and systems and overseeing risk rating system governance for both wholesale and retail businesses; and
- reporting on retail portfolio performance, high risk portfolios, risk concentrations, large impaired accounts, impairment allowances and stress testing results.

Special attention is paid to problem exposures in order to accelerate remedial action. The local group uses specialist units to provide customers with support in order to help them avoid default wherever possible.

Internal approval limits are in place depending on the magnitude and particular risks attached to the respective facility. The bank has set limits of authority for the business and the credit risk functions, ensuring segregation of duties so as to maintain independence during the approval process. The local group structures the level of credit risk it undertakes by placing limits in relation to products, counterparties, sectors and other parameters. Certain actual exposures are monitored against limits at end of day and on a real-time basis too.

All figures and tables relating to credit risk presented in this note exclude the local group's exposure to insurance credit risk, which is disclosed separately in Note 4(f), as well as the credit risk relating to the asset management subsidiary, which is deemed to be insignificant. Accordingly, other than for insurance credit risk, the local group's credit risk is deemed to correspond to that of the bank.

The level of economic uncertainty remained elevated during the financial year ended 31 December 2025, primarily driven by the economic tensions between the United States of America and its trading partners, which has led to the imposition of higher tariff rates on the global economy, resulting in a highly uncertain and fluid macroeconomic environment, especially due to the frequent changes in tariff rates observed over the past 12 months, as well as a slowdown in economic growth, with lower levels of private consumption and an increase in protectionist policies.

Locally, the significant economic growth registered in Malta over the last decade has resulted in a substantial increase in population (largely triggered by imported labour resources), which in turn has resulted in a sharp increase in demand and prices in the local property market. Specifically, the prices in the residential property market continues to increase at a fast pace. In this respect, the increasing reliance of the Maltese economy on specific economic sectors that are heavily dependent on foreign workers might give rise to risks potentially impacting the property demand and prices, which might have a knock-on effect on general economic activity.

Moreover, since 2022, the Maltese government has implemented price-mitigating fiscal measures to support households and firms, with energy prices in Malta remaining fixed and the production of essential foodstuffs being subsidised. These measures were retained throughout 2024 and 2025. In addition, corrections to national salary levels were also implemented through the national Cost Of Living Adjustment ('COLA') mechanism, albeit to a lower extent than in 2024 in view of the stabilisation of inflation rates.

As a result of the above, economic uncertainty continues to prevail. This uncertainty impacts the business model, income levels and/or cash flow generation capacity of a significant portion of the local group's customers.

Further information in respect of macroeconomic forecasts and management judgemental adjustments reflected within the ECL calculations is provided in Note 4(b)(iii) within the section entitled 'Forward-looking information incorporated in the ECL model'.

The local group recognises that the physical impacts of climate change and the transition to net zero economy can create significant financial risks for its customers which may impact the credit risk attributable to its lending portfolios.

During the financial year ended 31 December 2025, the local group continued to integrate climate risk into its credit risk management policies and procedures, with physical and transition risks considered to be the key climate risks impacting credit risk.

The local group performs a Malta-focused climate risk assessment and scenario analysis to assess potential credit deterioration of secured lending portfolios, specifically the wholesale and retail mortgage lending portfolios. In respect of retail mortgage lending, the local group analyses and identifies geographical locations that are more sensitive to chronic and acute physical risk events, specifically flash floodings, and sea level rise. In respect of the wholesale portfolio, a scenario analysis provides a view of potential credit deterioration for the high-emitting sectors based on different climate pathways.

Relationship managers engage with wholesale clients through a transition engagement questionnaire ('TEQ') to gather and assess information about the alignment of clients' business models to net zero and their exposure to physical and transition risk. Responses to the questionnaire are used to create a climate risk score for prioritised customers. In addition, relationship managers consider climate risk factors in credit applications and annual credit reviews in order to assign credit ratings.

For transition risk, the local group monitors the exposure of the wholesale lending portfolio to six high transition risk sectors. As at 31 December 2025, the overall exposure to the six high transition risk sectors within the wholesale portfolio was 22.2%.

Key challenges for further embedding climate risk into credit risk management relate to the availability of adequate risk data to assess impacts to clients. Whilst recognising that it is a long-term iterative process, HBMT aims to regularly review the approach to increase coverage, incorporate maturing data, climate analytics capabilities, frameworks and tools and respond to emerging industry best practice and climate risk regulations.

## Notes on the financial statements

### Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk from balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements. For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount; for financial and other guarantees granted, it is the maximum amount that the bank would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

|  | 2025<br>€000     | 2024<br>€000     |
|--|------------------|------------------|
| Balances with Central Bank of Malta and Treasury Bills                     | 1,258,499        | 1,043,512        |
| Items in course of collection from other banks                             | 4,628            | 4,061            |
| Loans and advances to banks  | 654,182          | 601,032          |
| Loans and advances to customers  | 2,762,163        | 2,873,158        |
| Debt instruments measured at fair value through other comprehensive income | 1,184,911        | 1,146,007        |
| Debt instruments measured at amortised cost                                | 1,352,502        | 1,145,128        |
| Accrued income and other assets  | 25,945           | 24,072           |
| Off-balance sheet:   |                  |                  |
| – financial guarantees   | 19,403           | 12,788           |
| – performance guarantees and similar contracts                             | 207,831          | 186,887          |
| – loan and other credit related commitments                                | 1,157,832        | 963,371          |
| <b>At 31 Dec</b>   | <b>8,627,896</b> | <b>8,000,016</b> |

The following table contains an analysis of the maximum credit risk exposure from financial assets subject to credit risk but not subject to impairment (i.e. FVPL):

|             | 2025<br>€000 | 2024<br>€000 |
|-------------|--------------|--------------|
| Derivatives | 6,213        | 17,242       |

As explained in further detail in Note 43, performance guarantees and similar contracts are deemed to fall outside the scope of the impairment requirements emanating from IFRS 9. In this respect, the figures and tables presented throughout the rest of this note exclude such contracts.

### Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

The bank's exposure to credit risk mainly arises from its lending activities. In this respect, all lending activities are classified under either wholesale or personal lending.

Wholesale lending includes both small business owners as well as the financing of corporate and non-bank financial institutions both from a working capital perspective and investing primarily in income producing assets and, to a lesser extent, construction and development of the same. The business focuses mainly on traditional core asset classes such as retail, offices, light industrial and residential building projects. In the table presented on the next page, these wholesale lending exposures are presented as exposures to corporate and commercial entities as well as exposures to non-bank financial institutions. Non-bank financial institutions are mainly financial corporations other than banks, and entities within groups of companies that are mainly engaged in financial and insurance activities including non-financial holding companies. Corporate and commercial entities are wholesale entities that have activities other than finance related.

The bank provides a broad range of secured and unsecured personal lending products to meet customer needs. Personal lending includes advances to customers for asset purchases such as residential property where the loans are secured by the assets acquired. The bank also offers loans secured on existing assets, such as first charges on residential property, and unsecured lending products such as overdrafts, credit cards and car loans.

All tables and figures within the rest of Note 4(b) on the following pages exclude 'performance guarantees and similar contracts' in view of the fact that the instruments are not subject to the impairment requirements emanating from IFRS 9, as described in more detail in Note 43.

## Notes on the financial statements

The following disclosure presents the gross carrying/nominal amount of financial instruments measured at amortised cost to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL, as well as the fair value of debt instruments measured at FVOCI and the associated allowance for ECL.

|  | 2025                              |                      | 2024                              |                      |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
|  | Gross carrying/<br>nominal amount | Allowance for<br>ECL | Gross carrying/<br>nominal amount | Allowance for<br>ECL |
|  | €000                              | €000                 | €000                              | €000                 |
| Loans and advances to customers at amortised cost                      | 2,790,869                         | (28,706)             | 2,905,333                         | (32,175)             |
| – personal   | 1,965,903                         | (13,670)             | 2,087,071                         | (17,301)             |
| – corporate and commercial   | 783,367                           | (14,090)             | 772,766                           | (14,057)             |
| – non-bank financial institutions                                      | 41,599                            | (946)                | 45,496                            | (817)                |
| Loans and advances to banks at amortised cost                          | 654,183                           | (1)                  | 601,032                           | —                    |
| Other financial assets measured at amortised cost                      | 2,338,480                         | (4,425)              | 1,987,052                         | (4,820)              |
| – balances at central banks  | 950,980                           | —                    | 808,972                           | (1)                  |
| – items in the course of collection from other banks                   | 4,628                             | —                    | 4,061                             | —                    |
| – debt instruments measured at amortised cost                          | 1,352,529                         | (27)                 | 1,145,174                         | (46)                 |
| – accrued income and other assets                                      | 30,343                            | (4,398)              | 28,845                            | (4,773)              |
| <b>Total gross carrying amount on balance sheet</b>                    | <b>5,783,532</b>                  | <b>(33,132)</b>      | <b>5,493,417</b>                  | <b>(36,995)</b>      |
| Loan and other credit-related commitments                              | 1,157,832                         | (655)                | 963,371                           | (854)                |
| – personal   | 282,776                           | (41)                 | 275,834                           | (24)                 |
| – corporate and commercial (including non-bank financial institutions) | 856,281                           | (614)                | 668,200                           | (830)                |
| – banks  | 18,775                            | —                    | 19,337                            | —                    |
| Financial guarantees   | 19,403                            | (48)                 | 12,788                            | (120)                |
| – personal   | 94                                | —                    | 102                               | —                    |
| – corporate and commercial (including non-bank financial institutions) | 9,473                             | (48)                 | 12,686                            | (120)                |
| – banks  | 9,836                             | —                    | —                                 | —                    |
| <b>Total nominal amount off balance sheet</b>                          | <b>1,177,235</b>                  | <b>(703)</b>         | <b>976,159</b>                    | <b>(974)</b>         |
| <b>Total at 31 Dec</b>   | <b>6,960,767</b>                  | <b>(33,835)</b>      | <b>6,469,576</b>                  | <b>(37,969)</b>      |

|  | Fair value   | Allowance for<br>ECL | Fair value       | Allowance for<br>ECL |
|--|--|----------------------|------------------|----------------------|
|  | €000   | €000                 | €000             | €000                 |
|  | Debt instruments measured at fair value through other comprehensive income | 1,184,911            | (33)             | 1,146,007            |
| Treasury Bills measured at fair value through other comprehensive income | 307,519  | (6)                  | 234,541          | (2)                  |
| <b>Total at 31 Dec</b>   | <b>1,492,430</b>   | <b>(39)</b>          | <b>1,380,548</b> | <b>(38)</b>          |

### ii Concentration of credit risk exposure

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. The bank uses a number of controls and measures to minimise undue concentration of exposure in its portfolios across industry, country and customer groups. These include portfolio and counterparty limits, approval and review controls, and stress testing.

#### Financial investments measured at FVOCI and at amortised cost

The bank's holdings of debt securities are spread across a range of issuers in both 2025 and 2024, with the exception of 18% (2024: 21%) invested in local government debt securities.

#### Derivatives

The bank participates in transactions exposing it to counterparty credit risk. Counterparty credit risk is the risk of financial loss if the counterparty to a transaction defaults before completing the satisfactory settlement of the transaction, which varies in value by reference to a market factor such as interest rate or exchange rate. It arises principally from over-the-counter ('OTC') derivatives.

Derivative assets were €6,213,000 at 31 December 2025 (2024: €17,242,000), with €2,544,000 (2024: €16,665,000) transacted with HSBC Group and €3,669,000 (2024: €577,000) transacted with other commercial counterparties.

#### Loans and advances to banks and items in course of collection from other banks

Loans and advances to banks are mostly held with HSBC Group entities, whereas items in course of collection from other banks represent amounts receivable from other local banks settled on a daily basis.

Settlement risk arises in any situation where a payment in cash, securities or equities is made with the expectation of a corresponding receipt of cash, securities or equities. Daily settlement limits are established for counterparties to cover the aggregate amount of transactions with each counterparty on any single day.

The bank substantially mitigates settlement risk on many transactions, particularly those involving securities and equities, by settling through assured payment systems, or on a delivery-versus-payment basis.

## Notes on the financial statements

### Loans and advances to customers

The following table analyses the bank's loans and advances to customers including credit impaired loans by business segment.

|   | Gross loans and advances to customers<br>€000 | Gross loans by business segment as a % of total gross loans<br>% | Credit impaired loans and advances to customers<br>€000 | Credit impaired loans by business segment as a % of sector gross loans<br>% |
|---|---|--|---|---|
| <b>At 31 Dec 2025</b>                               |   |  |   |   |
| Personal lending                                    |   |  |   |   |
| – first lien residential mortgages                  | 1,809,371                                     | 64.8   | 37,798  | 2.1   |
| – other personal lending                            | 156,532                                       | 5.6  | 5,466   | 3.5   |
| Wholesale lending                                   |   |  |   |   |
| – commercial real estate and other property related | 149,259                                       | 5.4  | 11,629  | 7.8   |
| – state-owned entities                              | 250,436                                       | 9.0  | –   | –   |
| – other commercial                                  | 425,271                                       | 15.2   | 12,997  | 3.1   |
| <b>Total</b>  | <b>2,790,869</b>                              | <b>100</b>   | <b>67,890</b>   | <b>2.4</b>  |
| <b>At 31 Dec 2024</b>                               |   |  |   |   |
| Personal lending                                    |   |  |   |   |
| – first lien residential mortgages                  | 1,922,738                                     | 66.2   | 36,033  | 1.9   |
| – other personal lending                            | 164,333                                       | 5.6  | 6,412   | 3.9   |
| Wholesale lending                                   |   |  |   |   |
| – commercial real estate and other property related | 138,564                                       | 4.8  | 11,995  | 8.7   |
| – state-owned entities                              | 244,118                                       | 8.4  | –   | –   |
| – other commercial                                  | 435,580                                       | 15.0   | 14,463  | 3.3   |
| <b>Total</b>  | <b>2,905,333</b>                              | <b>100</b>   | <b>68,903</b>   | <b>2.4</b>  |

The amount of gross loans and advances to customers of the bank stood at €2,790,869,000 at 31 December 2025 (2024: €2,905,333,000). As at 31 December 2025 and 31 December 2024, there were no loans and advances payable to the bank by any of its subsidiaries.

A detailed sectorial analysis of the bank's on-balance sheet loans and advances to customers, before and after taking into account collateral held or other credit enhancements, is presented in the table on the following page.

With respect to collateral values used within the table, in the case of exposures secured by mortgages on immovable property, the value is limited to 70% of the market value of the property in case of residential property and 50% of the market value of the property in the case of commercial property.

Collateral included under 'Securities/Cash' comprises euro and foreign denominated cash and sovereign debt securities. Euro denominated cash is included at its full value, whilst foreign denominated cash is included at 90% of the cash value. A 20-50% haircut is applied to the value of sovereign debt securities, depending on the external credit rating assigned to such collateral. Moreover, the bank holds the following collateral, included in the table as 'Other eligible collateral':

- guarantees from the Government of Malta to cover exposures of public entities and corporations, included at 100% of the guarantee amount;
- guarantees from the Housing Authority to cover mortgage lending as part of social housing schemes, included at 100% of the guarantee amount;
- prime bank guarantees, included at 100% of the guarantee amount; and
- saving and endowment policies included at 100% of the surrender value, and pension plans included at 50% of the net asset value.

Guarantees from the Government of Malta to cover loan originations in terms of the Malta Development Bank ('MDB') Covid-19 Guarantee Scheme ('CGS') are not included with collateral in the table on the following page.

|   | Gross on-balance sheet exposure<br>€000 | Residential property<br>€000 | Collateral<br>Commercial property<br>€000 | Securities/<br>cash<br>€000 | Other<br>€000  | Net maximum exposure<br>€000 |
|---|---|------------------------------|---|-----------------------------|----------------|------------------------------|
| <b>At 31 Dec 2025</b>                               |   |                              |   |                             |                |                              |
| Electricity, gas, water supply and waste management | 118,937                                 | –                            | 26  | 4                           | 32,114         | 86,793                       |
| Accommodation and food service                      | 31,204                                  | 2,450                        | 22,728                                    | 25                          | –              | 6,001                        |
| Construction, real estate activities                | 124,237                                 | 14,132                       | 76,693                                    | 4,124                       | 6,091          | 23,197                       |
| Wholesale and retail trade and repairs              | 137,186                                 | 7,986                        | 67,475                                    | 4,183                       | 4,629          | 52,913                       |
| Services  | 365,103                                 | 9,742                        | 66,765                                    | 10,799                      | 193,802        | 83,995                       |
| Manufacturing, agriculture and fishing              | 49,171                                  | 4,996                        | 32,325                                    | 505                         | –              | 11,345                       |
| Households and individuals                          | 1,965,031                               | 1,675,394                    | –   | 1,149                       | –              | 288,488                      |
|   | <b>2,790,869</b>                        | <b>1,714,700</b>             | <b>266,012</b>                            | <b>20,789</b>               | <b>236,636</b> | <b>552,732</b>               |

|   |                  |                  |                |               |                |                |
|---|------------------|------------------|----------------|---------------|----------------|----------------|
| <b>At 31 Dec 2024</b>                               |                  |                  |                |               |                |                |
| Electricity, gas, water supply and waste management | 116,440          | –                | –              | 1             | 26,114         | 90,325         |
| Accommodation and food service                      | 39,767           | 1,939            | 27,276         | 1             | –              | 10,551         |
| Construction, real estate activities                | 103,593          | 8,460            | 67,931         | 7,714         | 4,713          | 14,775         |
| Wholesale and retail trade and repairs              | 140,762          | 7,080            | 42,131         | 4,120         | –              | 87,431         |
| Services  | 363,205          | 6,943            | 78,991         | 5,599         | 197,784        | 73,888         |
| Manufacturing, agriculture and fishing              | 55,461           | 6,228            | 31,279         | 691           | –              | 17,263         |
| Households and individuals                          | 2,086,105        | 1,849,746        | –              | 1,604         | –              | 234,755        |
|   | <b>2,905,333</b> | <b>1,880,396</b> | <b>247,608</b> | <b>19,730</b> | <b>228,611</b> | <b>528,988</b> |

## Notes on the financial statements

### iii Credit quality of financial assets

As outlined previously, the bank's credit risk rating processes are designed to highlight exposures which require closer management attention because of their greater probability of default and potential loss. The credit quality of unimpaired loans is assessed by reference to the bank's standard credit rating system.

The five credit quality classifications below describe the credit quality of the bank's lending, debt securities and derivatives.

#### Quality classification definitions

'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss. Personal accounts operate within product parameters.

'Good' exposures demonstrate good capacity to meet financial commitments, with low to moderate default risk. Personal accounts typically show only short periods of delinquency in the last 12 months. For residential mortgages, losses are expected to be minimal following the adoption of recovery processes.

'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk. Personal accounts typically longer periods of delinquency in the last 12 months. For residential mortgages, losses are expected to be minor following the adoption of recovery processes.

'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern. Personal portfolio segments show longer delinquency periods of generally up to 89 days past due.

'Credit impaired' exposures have been assessed as impaired, where the borrower is either 90 or more days past due or is facing significant financial difficulty such that a detrimental impact on the future estimated cash flows has occurred.

As illustrated in the table below, these classifications each encompass a range of more granular, internal credit rating grades assigned to wholesale and personal lending business, as well as external rating grades attributed by external agencies to debt securities. The quality classification for loans and advances to banks is also assessed using the same ratings as for wholesale lending.

There is no direct correlation between the internal and external ratings at granular level, except to the extent each falls within a single quality classification.

| Quality classification | Sovereign debt securities and bills – External credit rating | Other debt securities and bills – External credit rating | Wholesale lending | Personal lending – First lien residential mortgages  | Personal lending – Other   |
|------------------------|--|--|-------------------|--|--|
| Strong                 | BBB and above  | A- and above   | CRR1 to CRR2      | Not past due with LTV lower than 50%   | Not past due facilities with no delinquency in the last 12 months  |
| Good                   | BBB- to BB   | BBB+ to BBB-   | CRR3              | Not past due with LTV between 50% and 90%  | Not past due facilities with less than 30 days delinquency in the last 12 months                                       |
| Satisfactory           | BB- to B and unrated   | BB+ to B and unrated                                     | CRR4 to CRR5      | Not past due with LTV between 90% and 100%<br>Not past due with unperfected collateral                                 | Not past due facilities with 30 days delinquency or more in the last 12 months   |
| Sub-standard           | B- to C  | B- to C  | CRR6 to CRR8      | Past due, history of delinquency in prior 12 months, or performing forborne  | Past due   |
| Credit impaired        | Default  | Default  | CRR9 to CRR10     | Past due by 90 days or more, forborne, under legal action or connected to other facilities with credit impaired status | Past due by 90 days or more, forborne, under legal action or connected to other facilities with credit impaired status |

## Notes on the financial statements

### Distribution of financial instruments by credit quality

|  | As at 31 Dec 2025             |                  |                      |                          |                            |                  |                      |                      |
|--|-------------------------------|------------------|----------------------|--------------------------|----------------------------|------------------|----------------------|----------------------|
|  | Gross carrying/nominal amount |                  |                      |                          |                            |                  | Allowance<br>for ECL | Net                  |
|  | Strong<br>€000                | Good<br>€000     | Satisfactory<br>€000 | Sub-<br>standard<br>€000 | Credit<br>impaired<br>€000 | Total<br>€000    |                      |                      |
| <b>In scope for IFRS 9 impairments</b>                                     |                               |                  |                      |                          |                            |                  |                      |                      |
| Loans and advances to customers held at amortised cost:                    | 944,693                       | 1,056,753        | 557,038              | 164,495                  | 67,890                     | 2,790,869        | (28,706)             | 2,762,163            |
| – personal   | 677,668                       | 985,745          | 124,512              | 134,714                  | 43,264                     | 1,965,903        | (13,670)             | 1,952,233            |
| – corporate and commercial   | 267,020                       | 49,746           | 412,480              | 29,781                   | 24,340                     | 783,367          | (14,090)             | 769,277              |
| – non-bank financial institutions  | 5                             | 21,262           | 20,046               | –                        | 286                        | 41,599           | (946)                | 40,653               |
| Loans and advances to banks held at amortised cost                         | 654,183                       | –                | –                    | –                        | –                          | 654,183          | (1)                  | 654,182              |
| Other financial assets held at amortised cost:                             |                               |                  |                      |                          |                            |                  |                      |                      |
| Balances at central banks  | 950,980                       | –                | –                    | –                        | –                          | 950,980          | –                    | 950,980              |
| Items in the course of collection from other banks                         | 4,628                         | –                | –                    | –                        | –                          | 4,628            | –                    | 4,628                |
| Debt instruments measured at amortised cost                                | 1,352,529                     | –                | –                    | –                        | –                          | 1,352,529        | (27)                 | 1,352,502            |
| Accrued income and other assets  | 4,122                         | 1,804            | 17,154               | 640                      | 6,623                      | 30,343           | (4,398)              | 25,945               |
| – endorsements and acceptances   | –                             | –                | 133                  | –                        | –                          | 133              | –                    | 133                  |
| – accrued income   | 4,122                         | 1,804            | 17,021               | 640                      | 6,623                      | 30,210           | (4,398)              | 25,812               |
| <b>Total gross carrying amount on balance sheet</b>                        | <b>3,911,135</b>              | <b>1,058,557</b> | <b>574,192</b>       | <b>165,135</b>           | <b>74,513</b>              | <b>5,783,532</b> | <b>(33,132)</b>      | <b>5,750,400</b>     |
| Percentage of total credit quality   | 67.6%                         | 18.3%            | 9.9%                 | 2.9%                     | 1.3%                       | 100%             |                      |                      |
| Loan and other credit-related commitments                                  | 459,028                       | 67,202           | 611,039              | 19,546                   | 1,017                      | 1,157,832        | (655)                | 1,157,177            |
| Financial guarantees   | 9,836                         | 390              | 6,919                | 2,258                    | –                          | 19,403           | (48)                 | 19,355               |
| <b>Total nominal amount off balance sheet</b>                              | <b>468,864</b>                | <b>67,592</b>    | <b>617,958</b>       | <b>21,804</b>            | <b>1,017</b>               | <b>1,177,235</b> | <b>(703)</b>         | <b>1,176,532</b>     |
| <b>At 31 Dec 2025</b>  | <b>4,379,999</b>              | <b>1,126,149</b> | <b>1,192,150</b>     | <b>186,939</b>           | <b>75,530</b>              | <b>6,960,767</b> | <b>(33,835)</b>      | <b>6,926,932</b>     |
|  | Fair value                    |                  |                      |                          |                            |                  |                      | Allowance<br>for ECL |
|  | Strong<br>€000                | Good<br>€000     | Satisfactory<br>€000 | Sub-<br>standard<br>€000 | Credit<br>impaired<br>€000 | Total<br>€000    | €000                 |                      |
| Debt instruments measured at fair value through other comprehensive income | 1,184,911                     | –                | –                    | –                        | –                          | 1,184,911        | (33)                 |                      |
| Treasury Bills measured at fair value through other comprehensive income   | 307,519                       | –                | –                    | –                        | –                          | 307,519          | (6)                  |                      |
| <b>At 31 Dec 2025</b>  | <b>1,492,430</b>              | <b>–</b>         | <b>–</b>             | <b>–</b>                 | <b>–</b>                   | <b>1,492,430</b> | <b>(39)</b>          |                      |

## Notes on the financial statements

### Distribution of financial instruments by credit quality (continued)

|  | As at 31 Dec 2024             |              |                      |                          |                            |               | Allowance for ECL<br>€000 | Net<br>€000 |
|--|-------------------------------|--------------|----------------------|--------------------------|----------------------------|---------------|---------------------------|-------------|
|  | Gross carrying/nominal amount |              |                      |                          |                            |               |                           |             |
|  | Strong<br>€000                | Good<br>€000 | Satisfactory<br>€000 | Sub-<br>standard<br>€000 | Credit<br>impaired<br>€000 | Total<br>€000 |                           |             |
| In scope for IFRS 9 impairments  |                               |              |                      |                          |                            |               |                           |             |
| Loans and advances to customers held at amortised cost:                    | 957,279                       | 1,093,989    | 629,111              | 156,051                  | 68,903                     | 2,905,333     | (32,175)                  | 2,873,158   |
| – personal   | 664,589                       | 1,064,289    | 191,322              | 124,426                  | 42,445                     | 2,087,071     | (17,301)                  | 2,069,770   |
| – corporate and commercial   | 292,690                       | 7,881        | 414,399              | 31,625                   | 26,171                     | 772,766       | (14,057)                  | 758,709     |
| – non-bank financial institutions  | —                             | 21,819       | 23,390               | —                        | 287                        | 45,496        | (817)                     | 44,679      |
| Loans and advances to banks held at amortised cost                         | 601,032                       | —            | —                    | —                        | —                          | 601,032       | —                         | 601,032     |
| Other financial assets held at amortised cost:                             |                               |              |                      |                          |                            |               |                           |             |
| Balances at central banks  | 808,972                       | —            | —                    | —                        | —                          | 808,972       | (1)                       | 808,971     |
| Items in the course of collection from other banks                         | 4,061                         | —            | —                    | —                        | —                          | 4,061         | —                         | 4,061       |
| Debt instruments measured at amortised cost                                | 1,145,174                     | —            | —                    | —                        | —                          | 1,145,174     | (46)                      | 1,145,128   |
| Accrued income and other assets  | 4,428                         | 1,853        | 14,413               | 729                      | 7,422                      | 28,845        | (4,773)                   | 24,072      |
| – endorsements and acceptances   | —                             | —            | 592                  | —                        | —                          | 592           | —                         | 592         |
| – accrued income   | 4,428                         | 1,853        | 13,821               | 729                      | 7,422                      | 28,253        | (4,773)                   | 23,480      |
| Total gross carrying amount on balance sheet                               | 3,520,946                     | 1,095,842    | 643,524              | 156,780                  | 76,325                     | 5,493,417     | (36,995)                  | 5,456,422   |
| Percentage of total credit quality   | 64.1%                         | 19.9%        | 11.7%                | 2.9%                     | 1.4%                       | 100%          |                           |             |
| Loan and other credit-related commitments                                  | 381,209                       | 158,296      | 394,410              | 28,057                   | 1,399                      | 963,371       | (854)                     | 962,517     |
| Financial guarantees   | 485                           | 404          | 9,641                | 2,258                    | —                          | 12,788        | (120)                     | 12,668      |
| Total nominal amount off balance sheet                                     | 381,694                       | 158,700      | 404,051              | 30,315                   | 1,399                      | 976,159       | (974)                     | 975,185     |
| At 31 Dec 2024   | 3,902,640                     | 1,254,542    | 1,047,575            | 187,095                  | 77,724                     | 6,469,576     | (37,969)                  | 6,431,607   |
|  | Fair value                    |              |                      |                          |                            |               |                           |             |
|  | Strong<br>€000                | Good<br>€000 | Satisfactory<br>€000 | Sub-<br>standard<br>€000 | Credit<br>impaired<br>€000 | Total<br>€000 | Allowance for ECL<br>€000 |             |
| Debt instruments measured at fair value through other comprehensive income | 1,146,007                     | —            | —                    | —                        | —                          | 1,146,007     | (36)                      |             |
| Treasury Bills measured at fair value through other comprehensive income   | 234,541                       | —            | —                    | —                        | —                          | 234,541       | (2)                       |             |
| At 31 Dec 2024   | 1,380,548                     | —            | —                    | —                        | —                          | 1,380,548     | (38)                      |             |

### Summary of credit quality of loans and advances to customers

The following table provides an overview of the bank's credit risk by stage and business segment, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised.
- Stage 3: Objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired, on which a lifetime ECL is recognised.

The bank determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due by 90 days or more;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Impaired loans and advances also include forbore loans and advances that have been subject to a change in contractual cash flows as a result of a 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. Forborne loans remain classified as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, and there are no other indicators of impairment.

Stage 2 loans are those exposures which have had a significant increase in credit risk since initial recognition. The analysis of credit risk depends on the type of product, the characteristics of the financial instrument and the borrower and, as such, it is not possible to provide a single set of criteria that will determine what is considered to be a SICR since these criteria will differ for different types of lending, particularly between retail and wholesale. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a SICR when they are 30 days past due. A comprehensive description of the bank's staging methodology is provided in Note 3(b)(iv) of these financial statements.

## Notes on the financial statements

The bank performs periodic assessments to determine whether the current macroeconomic circumstances may transform into long-term borrower financial difficulties, thereby potentially requiring a downgrade of exposures to stage 2 or stage 3 to reflect the level of change in credit risk as appropriate. This assessment is performed on a periodic basis at borrower level in respect of wholesale exposures, whereas the assessment in respect of retail exposures is performed by reference to shared credit quality characteristics, including assumed levels of net disposable income by reference to age and marital status.

In respect of individually significant loans within the wholesale portfolio, exposures were assessed for SICR and UTP events through individual credit risk assessments on the basis of recently obtained management information, including forecasts. Exposures in respect of which SICR has been observed were assigned a 'Watch' or 'Worry' status, requiring closer and more frequent monitoring on a monthly or quarterly basis (depending on the extent of credit risk deterioration) to facilitate timely identification of further deterioration in financial condition.

### Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by business segment

|  | Gross carrying/nominal amount |                 |                 |                  | Allowance for ECL |                 |                 |                 | ECL coverage % |              |              |            |
|--|-------------------------------|-----------------|-----------------|------------------|-------------------|-----------------|-----------------|-----------------|----------------|--------------|--------------|------------|
|  | Stage 1<br>€000               | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000    | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000   | Stage 1<br>%   | Stage 2<br>% | Stage 3<br>% | Total<br>% |
| Loans and advances to customers at amortised cost                      | 2,543,371                     | 179,608         | 67,890          | 2,790,869        | (5,846)           | (9,682)         | (13,178)        | (28,706)        | 0.2            | 5.4          | 19.4         | 1.0        |
| – personal   | 1,785,848                     | 136,791         | 43,264          | 1,965,903        | (510)             | (6,549)         | (6,611)         | (13,670)        | –              | 4.8          | 15.3         | 0.7        |
| – corporate and commercial   | 716,210                       | 42,817          | 24,340          | 783,367          | (4,569)           | (3,133)         | (6,388)         | (14,090)        | 0.6            | 7.3          | 26.2         | 1.8        |
| – non-bank financial institutions                                      | 41,313                        | –               | 286             | 41,599           | (767)             | –               | (179)           | (946)           | 1.9            | –            | 62.6         | 2.3        |
| Loans and advances to banks at amortised cost                          | 654,183                       | –               | –               | 654,183          | (1)               | –               | –               | (1)             | –              | –            | –            | –          |
| Other financial assets measured at amortised cost                      | 2,330,989                     | 868             | 6,623           | 2,338,480        | (27)              | –               | (4,398)         | (4,425)         | –              | –            | 66.4         | 0.2        |
| Loan and other credit-related commitments                              | 1,131,501                     | 25,314          | 1,017           | 1,157,832        | (420)             | (62)            | (173)           | (655)           | –              | 0.2          | 17.0         | 0.1        |
| – personal   | 276,971                       | 5,554           | 251             | 282,776          | (40)              | (1)             | –               | (41)            | –              | –            | –            | –          |
| – corporate and commercial (including non-bank financial institutions) | 835,755                       | 19,760          | 766             | 856,281          | (380)             | (61)            | (173)           | (614)           | –              | 0.3          | 22.6         | 0.1        |
| – banks  | 18,775                        | –               | –               | 18,775           | –                 | –               | –               | –               | –              | –            | –            | –          |
| Financial guarantees   | 19,318                        | 85              | –               | 19,403           | (44)              | (4)             | –               | (48)            | 0.2            | 4.7          | –            | 0.2        |
| – personal   | 94                            | –               | –               | 94               | –                 | –               | –               | –               | –              | –            | –            | –          |
| – corporate and commercial (including non-bank financial institutions) | 9,388                         | 85              | –               | 9,473            | (44)              | (4)             | –               | (48)            | 0.5            | 4.7          | –            | 0.5        |
| – banks  | 9,836                         | –               | –               | 9,836            | –                 | –               | –               | –               | –              | –            | –            | –          |
| <b>At 31 Dec 2025</b>  | <b>6,679,362</b>              | <b>205,875</b>  | <b>75,530</b>   | <b>6,960,767</b> | <b>(6,338)</b>    | <b>(9,748)</b>  | <b>(17,749)</b> | <b>(33,835)</b> | <b>0.1</b>     | <b>4.7</b>   | <b>23.5</b>  | <b>0.5</b> |

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due ('DPD') and are transferred from stage 1 to stage 2. The following disclosure presents the ageing of stage 2 financial assets. It distinguishes those assets that are classified as stage 2 when they are less than 30 days past due (including up to date exposures) from those that are classified as stage 2 due to ageing and are 30 DPD or more. Past due financial instruments are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities.

### Stage 2 days past due analysis at 31 December 2025

|  | Gross exposure  |                              |                              | Allowance for ECL |                              |                              | ECL coverage % |                           |                           |
|--|-----------------|------------------------------|------------------------------|-------------------|------------------------------|------------------------------|----------------|---------------------------|---------------------------|
|  | Stage 2<br>€000 | of which:<br><30 DPD<br>€000 | of which:<br>>30 DPD<br>€000 | Stage 2<br>€000   | of which:<br><30 DPD<br>€000 | of which:<br>>30 DPD<br>€000 | Stage 2<br>%   | of which:<br><30 DPD<br>% | of which:<br>>30 DPD<br>% |
| Loans and advances to customers at amortised cost: | 179,608         | 176,452                      | 3,156                        | (9,682)           | (9,401)                      | (281)                        | 5.4            | 5.3                       | 8.9                       |
| – personal   | 136,791         | 133,646                      | 3,145                        | (6,549)           | (6,268)                      | (281)                        | 4.8            | 4.7                       | 8.9                       |
| – corporate and commercial                         | 42,817          | 42,806                       | 11                           | (3,133)           | (3,133)                      | –                            | 7.3            | 7.3                       | –                         |
| Other financial assets measured at amortised cost  | 868             | 853                          | 15                           | –                 | –                            | –                            | –              | –                         | –                         |

## Notes on the financial statements

### Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by business segment (continued)

|  | Gross carrying/nominal amount |                 |                 |               | Allowance for ECL |                 |                 |               | ECL coverage % |              |              |            |
|--|-------------------------------|-----------------|-----------------|---------------|-------------------|-----------------|-----------------|---------------|----------------|--------------|--------------|------------|
|  | Stage 1<br>€000               | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 | Stage 1<br>%   | Stage 2<br>% | Stage 3<br>% | Total<br>% |
| Loans and advances to customers at amortised cost                      | 2,692,845                     | 143,585         | 68,903          | 2,905,333     | (7,501)           | (9,874)         | (14,800)        | (32,175)      | 0.3            | 6.9          | 21.5         | 1.1        |
| – personal   | 1,926,496                     | 118,130         | 42,445          | 2,087,071     | (1,040)           | (8,080)         | (8,181)         | (17,301)      | 0.1            | 6.8          | 19.3         | 0.8        |
| – corporate and commercial   | 721,140                       | 25,455          | 26,171          | 772,766       | (5,644)           | (1,794)         | (6,619)         | (14,057)      | 0.8            | 7.0          | 25.3         | 1.8        |
| – non-bank financial institutions                                      | 45,209                        | —               | 287             | 45,496        | (817)             | —               | —               | (817)         | 1.8            | —            | —            | 1.8        |
| Loans and advances to banks at amortised cost                          | 601,032                       | —               | —               | 601,032       | —                 | —               | —               | —             | —              | —            | —            | —          |
| Other financial assets measured at amortised cost                      | 1,979,016                     | 614             | 7,422           | 1,987,052     | (47)              | —               | (4,773)         | (4,820)       | —              | —            | 64.3         | 0.2        |
| Loan and other credit-related commitments                              | 929,635                       | 32,337          | 1,399           | 963,371       | (727)             | (72)            | (55)            | (854)         | 0.1            | 0.2          | 3.9          | 0.1        |
| – personal   | 271,901                       | 3,807           | 126             | 275,834       | (24)              | —               | —               | (24)          | —              | —            | —            | —          |
| – corporate and commercial (including non-bank financial institutions) | 638,397                       | 28,530          | 1,273           | 668,200       | (703)             | (72)            | (55)            | (830)         | 0.1            | 0.3          | 4.3          | 0.1        |
| – banks  | 19,337                        | —               | —               | 19,337        | —                 | —               | —               | —             | —              | —            | —            | —          |
| Financial guarantees   | 12,714                        | 74              | —               | 12,788        | (118)             | (2)             | —               | (120)         | 0.9            | 2.7          | —            | 0.9        |
| – personal   | 102                           | —               | —               | 102           | —                 | —               | —               | —             | —              | —            | —            | —          |
| – corporate and commercial (including non-bank financial institutions) | 12,612                        | 74              | —               | 12,686        | (118)             | (2)             | —               | (120)         | 0.9            | 2.7          | —            | 0.9        |
| At 31 Dec 2024   | 6,215,242                     | 176,610         | 77,724          | 6,469,576     | (8,393)           | (9,948)         | (19,628)        | (37,969)      | 0.1            | 5.6          | 25.3         | 0.6        |

### Stage 2 days past due analysis at 31 December 2024

|  | Gross exposure  |                 |                 | Allowance for ECL |                 |                 | ECL coverage % |              |              |
|--|-----------------|-----------------|-----------------|-------------------|-----------------|-----------------|----------------|--------------|--------------|
|  | Stage 2<br>€000 | of which:       | of which:       | Stage 2<br>€000   | of which:       | of which:       | Stage 2<br>%   | of which:    | of which:    |
|  |                 | <30 DPD<br>€000 | >30 DPD<br>€000 |                   | <30 DPD<br>€000 | >30 DPD<br>€000 |                | <30 DPD<br>% | >30 DPD<br>% |
| Loans and advances to customers at amortised cost: | 143,585         | 140,164         | 3,421           | (9,874)           | (9,591)         | (283)           | 6.9            | 6.8          | 8.3          |
| – personal   | 118,130         | 114,730         | 3,400           | (8,080)           | (7,797)         | (283)           | 6.8            | 6.8          | 8.3          |
| – corporate and commercial                         | 25,455          | 25,434          | 21              | (1,794)           | (1,794)         | —               | 7.0            | 7.1          | —            |
| Other financial assets measured at amortised cost  | 614             | 599             | 15              | —                 | —               | —               | —              | —            | —            |

## Notes on the financial statements

The credit quality of all financial instruments that are subject to credit risk is a point-in-time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on the relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments, the credit quality assessment is not necessarily fully aligned to IFRS 9 stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

### Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage distribution

|   | Gross carrying/nominal amount |                  |                      |                          |                            |                  | Allowance for ECL<br>€000 | Net<br>€000      |
|---|-------------------------------|------------------|----------------------|--------------------------|----------------------------|------------------|---------------------------|------------------|
|   | Strong<br>€000                | Good<br>€000     | Satisfactory<br>€000 | Sub-<br>standard<br>€000 | Credit<br>impaired<br>€000 | Total<br>€000    |                           |                  |
| Loans and advances to customers at amortised cost | 944,693                       | 1,056,753        | 557,038              | 164,495                  | 67,890                     | 2,790,869        | (28,706)                  | 2,762,163        |
| – stage 1   | 944,690                       | 1,056,587        | 519,669              | 22,425                   | –                          | 2,543,371        | (5,846)                   | 2,537,525        |
| – stage 2   | 3                             | 166              | 37,369               | 142,070                  | –                          | 179,608          | (9,682)                   | 169,926          |
| – stage 3   | –                             | –                | –                    | –                        | 67,890                     | 67,890           | (13,178)                  | 54,712           |
| Loans and advances to banks at amortised cost     | 654,183                       | –                | –                    | –                        | –                          | 654,183          | (1)                       | 654,182          |
| – stage 1   | 654,183                       | –                | –                    | –                        | –                          | 654,183          | (1)                       | 654,182          |
| – stage 2   | –                             | –                | –                    | –                        | –                          | –                | –                         | –                |
| – stage 3   | –                             | –                | –                    | –                        | –                          | –                | –                         | –                |
| Other financial assets measured at amortised cost | 2,312,259                     | 1,804            | 17,154               | 640                      | 6,623                      | 2,338,480        | (4,425)                   | 2,334,055        |
| – stage 1   | 2,312,259                     | 1,800            | 16,713               | 217                      | –                          | 2,330,989        | (27)                      | 2,330,962        |
| – stage 2   | –                             | 4                | 441                  | 423                      | –                          | 868              | –                         | 868              |
| – stage 3   | –                             | –                | –                    | –                        | 6,623                      | 6,623            | (4,398)                   | 2,225            |
| Loan and other credit-related commitments         | 459,028                       | 67,202           | 611,039              | 19,546                   | 1,017                      | 1,157,832        | (655)                     | 1,157,177        |
| – stage 1   | 458,997                       | 64,022           | 596,244              | 12,238                   | –                          | 1,131,501        | (420)                     | 1,131,081        |
| – stage 2   | 31                            | 3,180            | 14,795               | 7,308                    | –                          | 25,314           | (62)                      | 25,252           |
| – stage 3   | –                             | –                | –                    | –                        | 1,017                      | 1,017            | (173)                     | 844              |
| Financial guarantees                              | 9,836                         | 390              | 6,919                | 2,258                    | –                          | 19,403           | (48)                      | 19,355           |
| – stage 1   | 9,836                         | 390              | 6,895                | 2,197                    | –                          | 19,318           | (44)                      | 19,274           |
| – stage 2   | –                             | –                | 24                   | 61                       | –                          | 85               | (4)                       | 81               |
| – stage 3   | –                             | –                | –                    | –                        | –                          | –                | –                         | –                |
| <b>At 31 Dec 2025</b>                             | <b>4,379,999</b>              | <b>1,126,149</b> | <b>1,192,150</b>     | <b>186,939</b>           | <b>75,530</b>              | <b>6,960,767</b> | <b>(33,835)</b>           | <b>6,926,932</b> |

|  | Fair value       |              |                      |                          |                            |                  | Allowance for ECL<br>€000 |
|--|------------------|--------------|----------------------|--------------------------|----------------------------|------------------|---------------------------|
|  | Strong<br>€000   | Good<br>€000 | Satisfactory<br>€000 | Sub-<br>standard<br>€000 | Credit<br>impaired<br>€000 | Total<br>€000    |                           |
| Debt instruments measured at fair value through other comprehensive income | 1,184,911        | –            | –                    | –                        | –                          | 1,184,911        | (33)                      |
| – stage 1  | 1,184,911        | –            | –                    | –                        | –                          | 1,184,911        | (33)                      |
| – stage 2  | –                | –            | –                    | –                        | –                          | –                | –                         |
| – stage 3  | –                | –            | –                    | –                        | –                          | –                | –                         |
| Treasury Bills measured at fair value through other comprehensive income   | 307,519          | –            | –                    | –                        | –                          | 307,519          | (6)                       |
| – stage 1  | 307,519          | –            | –                    | –                        | –                          | 307,519          | (6)                       |
| – stage 2  | –                | –            | –                    | –                        | –                          | –                | –                         |
| – stage 3  | –                | –            | –                    | –                        | –                          | –                | –                         |
| <b>At 31 Dec 2025</b>  | <b>1,492,430</b> | <b>–</b>     | <b>–</b>             | <b>–</b>                 | <b>–</b>                   | <b>1,492,430</b> | <b>(39)</b>               |

## Notes on the financial statements

### Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage distribution (continued)

|   | Gross carrying/nominal amount |              |                      |                      |                            | Total<br>€000 | Allowance<br>for ECL<br>€000 | Net<br>€000 |
|---|-------------------------------|--------------|----------------------|----------------------|----------------------------|---------------|------------------------------|-------------|
|   | Strong<br>€000                | Good<br>€000 | Satisfactory<br>€000 | Sub-standard<br>€000 | Credit<br>impaired<br>€000 |               |                              |             |
| Loans and advances to customers at amortised cost | 957,279                       | 1,093,989    | 629,111              | 156,051              | 68,903                     | 2,905,333     | (32,175)                     | 2,873,158   |
| – stage 1   | 955,952                       | 1,089,816    | 625,210              | 21,867               | —                          | 2,692,845     | (7,501)                      | 2,685,344   |
| – stage 2   | 1,327                         | 4,173        | 3,901                | 134,184              | —                          | 143,585       | (9,874)                      | 133,711     |
| – stage 3   | —                             | —            | —                    | —                    | 68,903                     | 68,903        | (14,800)                     | 54,103      |
| Loans and advances to banks at amortised cost     | 601,032                       | —            | —                    | —                    | —                          | 601,032       | —                            | 601,032     |
| – stage 1   | 601,032                       | —            | —                    | —                    | —                          | 601,032       | —                            | 601,032     |
| – stage 2   | —                             | —            | —                    | —                    | —                          | —             | —                            | —           |
| – stage 3   | —                             | —            | —                    | —                    | —                          | —             | —                            | —           |
| Other financial assets measured at amortised cost | 1,962,635                     | 1,853        | 14,413               | 729                  | 7,422                      | 1,987,052     | (4,820)                      | 1,982,232   |
| – stage 1   | 1,962,633                     | 1,838        | 14,406               | 139                  | —                          | 1,979,016     | (47)                         | 1,978,969   |
| – stage 2   | 2                             | 15           | 7                    | 590                  | —                          | 614           | —                            | 614         |
| – stage 3   | —                             | —            | —                    | —                    | 7,422                      | 7,422         | (4,773)                      | 2,649       |
| Loan and other credit-related commitments         | 381,209                       | 158,296      | 394,410              | 28,057               | 1,399                      | 963,371       | (854)                        | 962,517     |
| – stage 1   | 380,918                       | 158,032      | 384,406              | 6,279                | —                          | 929,635       | (727)                        | 928,908     |
| – stage 2   | 291                           | 264          | 10,004               | 21,778               | —                          | 32,337        | (72)                         | 32,265      |
| – stage 3   | —                             | —            | —                    | —                    | 1,399                      | 1,399         | (55)                         | 1,344       |
| Financial guarantees                              | 485                           | 404          | 9,641                | 2,258                | —                          | 12,788        | (120)                        | 12,668      |
| – stage 1   | 485                           | 404          | 9,615                | 2,210                | —                          | 12,714        | (118)                        | 12,596      |
| – stage 2   | —                             | —            | 26                   | 48                   | —                          | 74            | (2)                          | 72          |
| – stage 3   | —                             | —            | —                    | —                    | —                          | —             | —                            | —           |
| At 31 Dec 2024                                    | 3,902,640                     | 1,254,542    | 1,047,575            | 187,095              | 77,724                     | 6,469,576     | (37,969)                     | 6,431,607   |

|  | Fair value     |              |                      |                      |                            | Total<br>€000 | Allowance<br>for ECL<br>€000 |
|--|----------------|--------------|----------------------|----------------------|----------------------------|---------------|------------------------------|
|  | Strong<br>€000 | Good<br>€000 | Satisfactory<br>€000 | Sub-standard<br>€000 | Credit<br>impaired<br>€000 |               |                              |
| Debt instruments measured at fair value through other comprehensive income | 1,146,007      | —            | —                    | —                    | —                          | 1,146,007     | (36)                         |
| – stage 1  | 1,146,007      | —            | —                    | —                    | —                          | 1,146,007     | (36)                         |
| – stage 2  | —              | —            | —                    | —                    | —                          | —             | —                            |
| – stage 3  | —              | —            | —                    | —                    | —                          | —             | —                            |
| Treasury Bills measured at fair value through other comprehensive income   | 234,541        | —            | —                    | —                    | —                          | 234,541       | (2)                          |
| – stage 1  | 234,541        | —            | —                    | —                    | —                          | 234,541       | (2)                          |
| – stage 2  | —              | —            | —                    | —                    | —                          | —             | —                            |
| – stage 3  | —              | —            | —                    | —                    | —                          | —             | —                            |
| At 31 Dec 2024   | 1,380,548      | —            | —                    | —                    | —                          | 1,380,548     | (38)                         |

### Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers, including loan and other credit-related commitments, acceptances, accrued income and financial guarantees

The following disclosure provides a reconciliation by stage of the bank's gross carrying/nominal amount and allowances for loans and advances to customers, including the portion of accrued interest and loan and other credit-related commitments relating solely to loans and advances to customers excluding accrued interest and loans and other credit related commitments relating to banks.

The 'Transfers of financial instruments' represent the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The 'Net remeasurement of ECL arising from stage transfers' represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Movements in ECL arising as a result of changes to the underlying PDs and LGDs, including as a result of changes in macroeconomic scenarios, are captured in the 'Changes in risk parameters' line item.

The 'Net new and further lending/repayments' represent the gross carrying/nominal amount and associated allowance ECL impact from volume movements within the bank's lending portfolio. Exposures which are originated in stage 1 and are later migrated to stage 2 as a result of identified SICR events during the course of the same financial year are also presented in this line item.

A decrease in credit loss allowances amounting to €13.5 million during 2024 was primarily attributable to significant repayments effected during the year and changes in risk parameters, leading to reductions in credit loss allowances amounting to €6.0 million and €6.8 million respectively. The significant repayments were mainly driven by repayments of stage 3 exposures within the wholesale portfolio with a gross carrying amount of €31.1 million, resulting in a release in ECL amounting to €4.0 million during the financial year ended 31 December 2024. The decrease in ECL in respect of changes in risk parameters within stage 1 and stage 2 exposures was largely attributable to the reversal of a management judgemental adjustment amounting to €5.0 million relating to the mortgage portfolio, which was previously designed to capture the potential impact of elevated inflation rates and the increasing interest rate environment on the affordability of mortgage exposures and which was no longer deemed to be required and was fully reversed as at 31 December 2024. In addition, the general improvement in the overall credit quality of both the wholesale and retail portfolios, as well as subsiding inflationary pressures and interest rate environment as at 31 December 2024 compared to the prior year, resulted in a release in ECL in respect of stage 1 and stage 2 exposures amounting to €4.2 million.

## Notes on the financial statements

In respect of stage 3 exposures within the mortgage portfolio, a general increase in terms of vintage years in default resulted in an increase in ECL amounting to €2.4 million. Finally, assets written off during the year amounted to €1.0 million, whereas the impact arising from net migration of balances across stages resulted in an ECL charge amounting to €0.3 million.

During the financial year ended 31 December 2025, an ECL release amounting to €4.1 million was primarily driven by changes in risk parameters which contributed to a release of €6.6 million, as well as significant repayments of stage 2 and stage 3 exposures within the wholesale and mortgage portfolios, resulting in a reduction in credit loss allowances amounting to €4.2 million.

This was partially offset by increases in credit loss allowances attributable to a general deterioration in the overall credit quality of both wholesale and retail portfolios, which resulted in a net downward migration of exposures from stage 1 to stages 2 and 3, with an increase in ECL as at 31 December 2025 amounting to €3.7 million and €3.6 million for each portfolio, respectively. In addition, assets written off during the year amounted to €0.6 million.

Changes in risk parameters during the financial year ended 31 December 2025 was principally due to a refresh of underlying model development data used to estimate PDs and LGDs for exposures classified within the mortgage portfolio across all three stages, intended to incorporate more recent default and loss observations into the model development data, resulting in a release in credit loss allowances amounting to €4.6 million, after the effect of a management judgemental adjustment amounting to €3.6 million. The release in ECL was particularly concentrated around mortgages classified as stage 2 exposures.

Finally, a significant recovery of previously written off amounts amounting to €5.6 million was realised during the financial year ended 31 December 2025, primarily attributable to recoveries in respect of individually significant exposures within the wholesale portfolio.

The movements in modelled forward-looking risk parameters (PDs and LGDs), reflecting updated macroeconomic scenarios used to capture the prevailing level of economic uncertainty in the modelling of credit loss allowances, as well as movements in the management judgemental adjustments, are described in more detail in Note 4(b)(iii) – Forward-looking information incorporated in the ECL model.

|   | Non-credit impaired           |                   |                               |                   | Credit impaired               |                   | Total                         |                   |
|---|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|
|   | Stage 1                       |                   | Stage 2                       |                   | Stage 3                       |                   | Gross carrying/nominal amount | Allowance for ECL |
|   | Gross carrying/nominal amount | Allowance for ECL | Gross carrying/nominal amount | Allowance for ECL | Gross carrying/nominal amount | Allowance for ECL |                               |                   |
|   | €000                          | €000              | €000                          | €000              | €000                          | €000              | €000                          | €000              |
| <b>At 1 Jan 2025</b>  | <b>3,624,195</b>              | <b>(8,346)</b>    | <b>176,610</b>                | <b>(9,948)</b>    | <b>77,724</b>                 | <b>(19,628)</b>   | <b>3,878,529</b>              | <b>(37,922)</b>   |
| Transfers of financial instruments  | (60,699)                      | (2,642)           | 50,701                        | 3,725             | 9,998                         | (1,083)           | –                             | –                 |
| – transfers from stage 1 to stage 2   | (129,228)                     | 327               | 129,228                       | (327)             | –                             | –                 | –                             | –                 |
| – transfers from stage 2 to stage 1   | 72,071                        | (2,889)           | (72,071)                      | 2,889             | –                             | –                 | –                             | –                 |
| – transfers from stage 3  | 773                           | (90)              | 3,482                         | (308)             | (4,255)                       | 398               | –                             | –                 |
| – transfers to stage 3  | (4,315)                       | 10                | (9,938)                       | 1,471             | 14,253                        | (1,481)           | –                             | –                 |
| Net remeasurement of ECL arising from stage transfers                       | –                             | 2,880             | –                             | (8,309)           | –                             | (1,862)           | –                             | (7,291)           |
| Changes in risk parameters  | –                             | 1,341             | –                             | 3,697             | –                             | 1,561             | –                             | 6,599             |
| Net new and further lending/repayments                                      | 108,599                       | 457               | (21,436)                      | 1,087             | (11,548)                      | 2,619             | 75,615                        | 4,163             |
| Assets written off  | –                             | –                 | –                             | –                 | (644)                         | 644               | (644)                         | 644               |
| <b>At 31 Dec 2025</b>   | <b>3,672,095</b>              | <b>(6,310)</b>    | <b>205,875</b>                | <b>(9,748)</b>    | <b>75,530</b>                 | <b>(17,749)</b>   | <b>3,953,500</b>              | <b>(33,807)</b>   |
| ECL change for the year   |                               |                   |                               |                   |                               |                   |                               | 4,115             |
| Assets written off  |                               |                   |                               |                   |                               |                   |                               | (644)             |
| <b>Change in expected credit losses excluding effect of write-offs</b>      |                               |                   |                               |                   |                               |                   |                               | 3,471             |
| Recoveries  |                               |                   |                               |                   |                               |                   |                               | 5,634             |
| Other   |                               |                   |                               |                   |                               |                   |                               | 384               |
| <b>Change in expected credit losses and other credit impairment charges</b> |                               |                   |                               |                   |                               |                   |                               | 9,489             |

Changes in expected credit losses for the period comprise the reclassification of the discount unwind element to interest income amounting to €0.4m for the year ended 31 December 2025 and included in 'Other' along with the effects of foreign exchange adjustments in the above reconciliation.

|   | At 31 Dec 2025                |                   | 12 months ended              |
|---|-------------------------------|-------------------|------------------------------|
|   | Gross carrying/nominal amount | Allowance for ECL | 31 Dec 2025                  |
|   | €000                          | €000              | ECL (charge)/release<br>€000 |
| <b>As above</b>   | <b>3,953,500</b>              | <b>(33,807)</b>   | <b>9,489</b>                 |
| Balances at central banks   | 950,980                       | –                 | 1                            |
| Loans and advances to banks measured at amortised cost  | 654,183                       | (1)               | (1)                          |
| Debt instruments measured at amortised cost   | 1,352,529                     | (27)              | 19                           |
| Items in the course of collection from other banks  | 4,628                         | –                 | –                            |
| Accrued interest on debt instruments and other accrued income   | 16,336                        | –                 | –                            |
| Loan and other credit related commitments - banks   | 18,775                        | –                 | –                            |
| Financial guarantees - banks  | 9,836                         | –                 | –                            |
| <b>Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through the Income Statement</b> | <b>6,960,767</b>              | <b>(33,835)</b>   | <b>9,508</b>                 |
| Debt instruments and Treasury Bills measured at fair value through other comprehensive income                                   | 1,492,430                     | (39)              | (1)                          |
| <b>Total allowance for ECL/total income statement ECL release for the year</b>  | <b>N/A</b>                    | <b>(33,874)</b>   | <b>9,507</b>                 |

## Notes on the financial statements

|  | Non-credit impaired            |                   |                                |                   | Credit impaired                |                   | Total                          |                   |
|--|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|
|  | Stage 1                        |                   | Stage 2                        |                   | Stage 3                        |                   | Gross carrying/ nominal amount | Allowance for ECL |
|  | Gross carrying/ nominal amount | Allowance for ECL | Gross carrying/ nominal amount | Allowance for ECL | Gross carrying/ nominal amount | Allowance for ECL |                                |                   |
| €000   | €000                           | €000              | €000                           | €000              | €000                           | €000              | €000                           |                   |
| At 1 Jan 2024  | 3,681,745                      | (15,479)          | 190,654                        | (13,544)          | 112,428                        | (22,446)          | 3,984,827                      | (51,469)          |
| Transfers of financial instruments:                                  | (8,657)                        | (3,496)           | 5,720                          | 3,651             | 2,937                          | (155)             | —                              | —                 |
| – transfers from stage 1 to stage 2                                  | (62,460)                       | 881               | 62,460                         | (881)             | —                              | —                 | —                              | —                 |
| – transfers from stage 2 to stage 1                                  | 56,111                         | (4,129)           | (56,111)                       | 4,129             | —                              | —                 | —                              | —                 |
| – transfers from stage 3   | 1,214                          | (288)             | 8,445                          | (1,168)           | (9,659)                        | 1,456             | —                              | —                 |
| – transfers to stage 3   | (3,522)                        | 40                | (9,074)                        | 1,571             | 12,596                         | (1,611)           | —                              | —                 |
| Net remeasurement of ECL arising from stage transfers                | —                              | 3,191             | —                              | (2,741)           | —                              | (758)             | —                              | (308)             |
| Changes in risk parameters   | —                              | 7,029             | —                              | 2,209             | —                              | (2,429)           | —                              | 6,809             |
| Net new and further lending/repayments                               | (48,893)                       | 409               | (19,764)                       | 477               | (36,625)                       | 5,144             | (105,282)                      | 6,030             |
| Assets written off   | —                              | —                 | —                              | —                 | (1,016)                        | 1,016             | (1,016)                        | 1,016             |
| At 31 Dec 2024   | 3,624,195                      | (8,346)           | 176,610                        | (9,948)           | 77,724                         | (19,628)          | 3,878,529                      | (37,922)          |
| ECL change for the year  |                                |                   |                                |                   |                                |                   |                                | 13,547            |
| Assets written off   |                                |                   |                                |                   |                                |                   |                                | (1,016)           |
| Change in expected credit losses excluding effects of write-offs     |                                |                   |                                |                   |                                |                   |                                | 12,531            |
| Recoveries   |                                |                   |                                |                   |                                |                   |                                | 1,759             |
| Other  |                                |                   |                                |                   |                                |                   |                                | 340               |
| Change in expected credit losses and other credit impairment charges |                                |                   |                                |                   |                                |                   |                                | 14,630            |

Changes in expected credit losses for the period comprise the reclassification of the discount unwind element to interest income, amounting to €0.4m for the year ended 31 December 2024 and included in 'Other' along with the effects of foreign exchange adjustments in the above reconciliation.

|  | At 31 Dec 2024                 |                   | 12 months ended<br>31 Dec 2024 |
|--|--------------------------------|-------------------|--------------------------------|
|  | Gross carrying/ nominal amount | Allowance for ECL | ECL (charge)/release           |
|  | €000                           | €000              | €000                           |
| As above   | 3,878,529                      | (37,922)          | 14,630                         |
| Balances at central banks  | 808,972                        | (1)               | 20                             |
| Loans and advances to banks measured at amortised cost   | 601,032                        | —                 | —                              |
| Debt instruments measured at amortised cost  | 1,145,174                      | (46)              | (17)                           |
| Items in the course of collection from other banks   | 4,061                          | —                 | —                              |
| Accrued interest on debt instruments and other accrued income  | 12,471                         | —                 | —                              |
| Loan and other credit related commitments - banks  | 19,337                         | —                 | —                              |
| Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through the Income Statement | 6,469,576                      | (37,969)          | 14,633                         |
| Debt instruments and Treasury Bills measured at fair value through other comprehensive income                            | 1,380,548                      | (38)              | 11                             |
| Total allowance for ECL/total income statement ECL charge for the year   | N/A                            | (38,007)          | 14,644                         |

### Credit loss allowances attributable to loans and advances to customers

As explained in further detail in Note 46 'Segmental information', the bank's lending activities are organised in two business segments, International Wealth and Premier Banking ('IWPB') and Corporate and Institutional Banking ('CIB'). IWPB offers a broad range of products to meet the needs of individual customers. IWPB also offers Retail Business Banking ('RBB') products and services to small business owners. Transactions and balances with RBB customers are classified as wholesale in the following tables.

CIB offers products and services to commercial and non-banking customers. Transactions and balances with CIB customers are all presented as wholesale in tables to follow other than credit card transactions which are reported as personal.

## Notes on the financial statements

The following tables show the allowances for ECL recognised as at 31 December 2025 and 31 December 2024.

### Segmental information in relation to impairment allowances on loans and advances to customers

|   | Stage 1<br>€000 | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 |
|---|-----------------|-----------------|-----------------|---------------|
| <b>Loans and advances to customers</b>                                    |                 |                 |                 |               |
| IWPB  | 517             | 6,503           | 6,612           | 13,632        |
| CIB   | 5,329           | 3,179           | 6,566           | 15,074        |
| <b>At 31 Dec 2025</b>   | <b>5,846</b>    | <b>9,682</b>    | <b>13,178</b>   | <b>28,706</b> |
| <b>Loan and other credit-related commitments and financial guarantees</b> |                 |                 |                 |               |
| IWPB  | 40              | 1               | —               | 41            |
| CIB   | 424             | 65              | 173             | 662           |
| <b>At 31 Dec 2025</b>   | <b>464</b>      | <b>66</b>       | <b>173</b>      | <b>703</b>    |
| Loans and advances to customers   |                 |                 |                 |               |
| IWPB  | 1,060           | 7,999           | 8,182           | 17,241        |
| CIB   | 6,441           | 1,875           | 6,618           | 14,934        |
| At 31 Dec 2024  | 7,501           | 9,874           | 14,800          | 32,175        |
| Loan and other credit-related commitments and financial guarantees        |                 |                 |                 |               |
| IWPB  | 24              | —               | —               | 24            |
| CIB   | 821             | 74              | 55              | 950           |
| At 31 Dec 2024  | 845             | 74              | 55              | 974           |

The measurement of allowances for ECL and the ECL release/charge for 2025 and 2024 are analysed in detail in the tables presented in the previous section. In addition, these movements are further analysed by business segment in the tables presented within the sections entitled 'Wholesale lending to customers' and 'Personal lending to customers' respectively.

### Forborne loans and advances to customers

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of a customer. 'Forbearance' describes concessions made on the contractual terms of a loan where the obligor is experiencing or about to experience difficulties in meeting its financial commitments. The bank classifies and reports loans on which concessions have been granted under conditions of credit distress as 'forborne loans' when their contractual payment terms have been modified because the bank has significant concerns about the borrowers' ability to meet contractual payments when due.

On renegotiation, where the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified, such that the forborne loan is substantially a different financial instrument, the loan would be derecognised and recognised as a new loan, for accounting purposes. However, newly recognised loans retain the 'forborne loans' classification.

A range of forbearance strategies is employed in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. They include extended payment terms, a reduction in interest or principal repayments, approved external debt management plans, debt consolidations, the deferral of foreclosures, and other forms of loan modifications and re-ageing.

The bank's policies and practices are based on criteria which enable management to judge whether repayment is likely to continue. These typically provide a customer with terms and conditions that are more favourable than those provided initially. Loan forbearance is only granted in situations where the customer has shown a willingness to repay the borrowing and is expected to be able to meet the revised obligations.

For personal lending, the bank's credit risk management policy sets out restrictions on the number and frequency of forbearance measures, together with the minimum period an account must have been opened before any forbearance measures can be considered.

When the bank grants a concession to a customer that the bank would not otherwise consider, as a result of their financial difficulty, this is objective evidence of impairment and impairment losses are measured accordingly. A forborne loan is presented as impaired when there has been a change in contractual cash flows as a result of a concession which the bank would otherwise not consider, and it is probable that, without the concession, the borrower would be unable to meet contractual payment obligations in full. Accordingly, where the customer is not meeting contractual repayments or it is evident that they will be unable to do so without the forbearance measures, there will be a significant concern regarding their ability to meet contractual payments, and the loan will be disclosed as impaired, unless the concession granted is insignificant.

The forborne loan will continue to be disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment. For both retail and wholesale lending, forborne loans curing to a non-credit impaired status will remain classified as forborne for a minimum of two years from the date that the exposure is no longer classified as credit impaired.

In relation to wholesale lending, the bank categorises a forborne exposure as performing if no unlikely-to-pay indicators are evident. Renegotiated loans are classified as non-credit impaired where the renegotiation has resulted from significant concern about a borrower's ability to meet contractual payment terms but contractual cash flows are expected to be collected in full following the renegotiation.

For personal lending, unsecured forborne loans are generally segmented from other parts of the loan portfolio for the purposes of determining expected credit losses. Expected credit loss assessments in respect of forborne loans reflect the higher rates of losses typically encountered with forborne loans. For wholesale lending, forborne loans are typically assessed individually. Credit risk ratings are intrinsic to the impairment assessments. The individual impairment assessment takes into account the higher risk of the future non-payment inherent in forborne loans.

## Notes on the financial statements

The following table shows the gross carrying amounts of the bank's holdings of forbore loans and advances to customers by industry sector and by stage. Unless the conditions for classification as a performing forbore exposure are met, forbore loans are classified as stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment.

### Forborne loans and advances to customers by business segment and credit quality classification

|                                    | Stage 1<br>€000 | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 |
|------------------------------------|-----------------|-----------------|-----------------|---------------|
| <b>Gross carrying amount</b>       |                 |                 |                 |               |
| <b>Personal</b>                    |                 |                 |                 |               |
| – first lien residential mortgages | –               | 11,044          | 11,667          | 22,711        |
| – other personal lending           | –               | 1,096           | 2,198           | 3,294         |
| <b>Wholesale</b>                   |                 |                 |                 |               |
| – corporate and commercial         | –               | 309             | 17,338          | 17,647        |
| – non-bank financial institutions  | –               | –               | 279             | 279           |
| <b>At 31 Dec 2025</b>              | –               | 12,449          | 31,482          | 43,931        |
| <b>Allowance for ECL</b>           |                 |                 |                 |               |
| <b>Personal</b>                    |                 |                 |                 |               |
| – first lien residential mortgages | –               | (376)           | (920)           | (1,296)       |
| – other personal lending           | –               | (15)            | (223)           | (238)         |
| <b>Wholesale</b>                   |                 |                 |                 |               |
| – corporate and commercial         | –               | (4)             | (2,734)         | (2,738)       |
| – non-bank financial institutions  | –               | –               | (174)           | (174)         |
| <b>At 31 Dec 2025</b>              | –               | (395)           | (4,051)         | (4,446)       |

|                                    |   |        |         |         |
|------------------------------------|---|--------|---------|---------|
| Gross carrying amount              |   |        |         |         |
| Personal                           |   |        |         |         |
| – first lien residential mortgages | – | 13,491 | 15,496  | 28,987  |
| – other personal lending           | – | 33     | 202     | 235     |
| Wholesale                          |   |        |         |         |
| – corporate and commercial         | – | 12,729 | 20,838  | 33,567  |
| – non-bank financial institutions  | – | –      | 279     | 279     |
| At 31 Dec 2024                     | – | 26,253 | 36,815  | 63,068  |
| Allowance for ECL                  |   |        |         |         |
| Personal                           |   |        |         |         |
| – first lien residential mortgages | – | (411)  | (1,530) | (1,941) |
| – other personal lending           | – | (17)   | (112)   | (129)   |
| Wholesale                          |   |        |         |         |
| – corporate and commercial         | – | (392)  | (4,053) | (4,445) |
| – non-bank financial institutions  | – | –      | –       | –       |
| At 31 Dec 2024                     | – | (820)  | (5,695) | (6,515) |

|  |               |              |
|--|---------------|--------------|
|  | 2025<br>€000  | 2024<br>€000 |
| Total forbore loans and advances to customers as a percentage of total gross loans and advances to customers | 1.6%          | 2.2%         |
| Interest income recognised in respect of forbore assets  | 1,792         | 2,228        |
| Movement in forbearance activity during the year:  |               |              |
| At 1 Jan   | 63,068        | 82,257       |
| Loans granted forbearance measures during the year   | 2,767         | 14,537       |
| Repayments   | (21,896)      | (33,664)     |
| Amounts written off  | (8)           | (62)         |
| <b>At 31 Dec</b>   | <b>43,931</b> | 63,068       |

None of the forbore loans effected during the financial years ended 31 December 2025 and 31 December 2024 were subject to a substantial modification in cash flows and, as a result, none of the renegotiations led to the derecognition of the original financial instrument and subsequent recognition of POCI financial instruments.

## Notes on the financial statements

### Wholesale lending to customers

This section provides further detail on the distribution of allowances for ECL on wholesale loans and advances to customers, together with the respective gross carrying amounts, by industry and stage. Product granularity is also provided by stage with data presented for loans and advances to customers, other credit commitments, financial guarantees and similar contracts. Additionally, this section provides a reconciliation of the opening gross carrying/nominal amounts as at 1 January 2025 and 2024 to the closing carrying/nominal amounts as at 31 December 2025 and 2024 respectively, together with the associated allowances for ECL.

#### Total wholesale lending for loans and advances to customers by stage distribution

|  | Gross carrying amount |                 |                 |                | Allowance for ECL |                 |                 |                 |
|--|-----------------------|-----------------|-----------------|----------------|-------------------|-----------------|-----------------|-----------------|
|  | Stage 1<br>€000       | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000  | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000   |
| Corporate and commercial   | 716,210               | 42,817          | 24,340          | 783,367        | (4,569)           | (3,133)         | (6,388)         | (14,090)        |
| – agriculture, forestry and fishing                                    | 90                    | 15              | 4               | 109            | (1)               | –               | (4)             | (5)             |
| – manufacture  | 44,681                | 909             | 3,336           | 48,926         | (171)             | (8)             | (615)           | (794)           |
| – electricity, gas, steam and air-conditioning supply                  | 83,035                | 35,409          | –               | 118,444        | (9)               | (2,991)         | –               | (3,000)         |
| – water supply, sewerage, waste management and remediation             | 493                   | –               | –               | 493            | (3)               | –               | –               | (3)             |
| – construction   | 31,072                | 721             | 2,617           | 34,410         | (137)             | (15)            | (707)           | (859)           |
| – wholesale and retail trade, repair of motor vehicles and motorcycles | 130,041               | 3,035           | 3,859           | 136,935        | (620)             | (39)            | (1,309)         | (1,968)         |
| – transportation and storage   | 2,923                 | 111             | –               | 3,034          | (369)             | (1)             | –               | (370)           |
| – accommodation and food   | 27,095                | 866             | 3,224           | 31,185         | (1,520)           | (17)            | (934)           | (2,471)         |
| – information and communication  | 308                   | –               | 1,907           | 2,215          | (1)               | –               | (633)           | (634)           |
| – real estate  | 83,162                | 805             | 5,788           | 89,755         | (465)             | (49)            | (1,577)         | (2,091)         |
| – professional, scientific and technical activities                    | 131,491               | 899             | 576             | 132,966        | (179)             | (12)            | (576)           | (767)           |
| – administrative and support services                                  | 19,496                | –               | 532             | 20,028         | (763)             | –               | (19)            | (782)           |
| – education  | 4,822                 | 2               | –               | 4,824          | (23)              | –               | –               | (23)            |
| – health and care  | 6,791                 | 31              | 2,484           | 9,306          | (287)             | (1)             | (1)             | (289)           |
| – arts, entertainment and recreation                                   | 102                   | –               | –               | 102            | –                 | –               | –               | –               |
| – other services   | 1,263                 | 14              | 13              | 1,290          | (7)               | –               | (13)            | (20)            |
| – public administration and defence, compulsory social security        | 149,345               | –               | –               | 149,345        | (14)              | –               | –               | (14)            |
| Non-bank financial institutions  | 41,313                | –               | 286             | 41,599         | (767)             | –               | (179)           | (946)           |
| <b>At 31 Dec 2025</b>  | <b>757,523</b>        | <b>42,817</b>   | <b>24,626</b>   | <b>824,966</b> | <b>(5,336)</b>    | <b>(3,133)</b>  | <b>(6,567)</b>  | <b>(15,036)</b> |
| Other financial assets measured at amortised cost                      |                       |                 |                 |                |                   |                 |                 |                 |
| – endorsements and acceptances   | 133                   | –               | –               | 133            | –                 | –               | –               | –               |
| – accrued income   | 3,202                 | 437             | 4,223           | 7,862          | –                 | –               | (2,190)         | (2,190)         |
| <b>At 31 Dec 2025</b>  | <b>3,335</b>          | <b>437</b>      | <b>4,223</b>    | <b>7,995</b>   | <b>–</b>          | <b>–</b>        | <b>(2,190)</b>  | <b>(2,190)</b>  |
| Corporate and commercial   | 721,140               | 25,455          | 26,171          | 772,766        | (5,644)           | (1,794)         | (6,619)         | (14,057)        |
| – agriculture, forestry and fishing                                    | 74                    | –               | 14              | 88             | (1)               | –               | (14)            | (15)            |
| – manufacture  | 51,009                | 559             | 3,688           | 55,256         | (385)             | (16)            | (546)           | (947)           |
| – electricity, gas, steam and air-conditioning supply                  | 114,622               | 1,748           | –               | 116,370        | (229)             | (253)           | –               | (482)           |
| – water supply, sewerage, waste management and remediation             | 70                    | –               | –               | 70             | (1)               | –               | –               | (1)             |
| – construction   | 18,271                | 175             | 3,405           | 21,851         | (112)             | (10)            | (1,055)         | (1,177)         |
| – wholesale and retail trade, repair of motor vehicles and motorcycles | 123,442               | 11,962          | 5,042           | 140,446        | (543)             | (216)           | (1,380)         | (2,139)         |
| – transportation and storage   | 4,356                 | 5               | –               | 4,361          | (386)             | –               | –               | (386)           |
| – accommodation and food   | 34,985                | 1,533           | 3,233           | 39,751         | (1,734)           | (54)            | (746)           | (2,534)         |
| – information and communication  | 1,235                 | –               | 2,367           | 3,602          | (15)              | –               | (971)           | (986)           |
| – real estate  | 73,642                | 2,675           | 5,358           | 81,675         | (625)             | (907)           | (65)            | (1,597)         |
| – professional, scientific and technical activities                    | 113,296               | 3,760           | 4               | 117,060        | (283)             | (338)           | (4)             | (625)           |
| – administrative and support services                                  | 25,313                | 10              | 558             | 25,881         | (931)             | –               | (11)            | (942)           |
| – education  | 5,843                 | –               | –               | 5,843          | (50)              | –               | –               | (50)            |
| – health and care  | 12,582                | 12              | 2,488           | 15,082         | (321)             | –               | (1,813)         | (2,134)         |
| – arts, entertainment and recreation                                   | 59                    | 3               | –               | 62             | (1)               | –               | –               | (1)             |
| – other services   | 1,566                 | 5               | 14              | 1,585          | (18)              | –               | (14)            | (32)            |
| – public administration and defence, compulsory social security        | 140,775               | 3,008           | –               | 143,783        | (9)               | –               | –               | (9)             |
| Non-bank financial institutions  | 45,209                | –               | 287             | 45,496         | (817)             | –               | –               | (817)           |
| <b>At 31 Dec 2024</b>  | <b>766,349</b>        | <b>25,455</b>   | <b>26,458</b>   | <b>818,262</b> | <b>(6,461)</b>    | <b>(1,794)</b>  | <b>(6,619)</b>  | <b>(14,874)</b> |
| Other financial assets measured at amortised cost                      |                       |                 |                 |                |                   |                 |                 |                 |
| – endorsements and acceptances   | 592                   | –               | –               | 592            | –                 | –               | –               | –               |
| – accrued income   | 4,210                 | 128             | 4,407           | 8,745          | –                 | –               | (1,948)         | (1,948)         |
| <b>At 31 Dec 2024</b>  | <b>4,802</b>          | <b>128</b>      | <b>4,407</b>    | <b>9,337</b>   | <b>–</b>          | <b>–</b>        | <b>(1,948)</b>  | <b>(1,948)</b>  |

## Notes on the financial statements

### Total wholesale lending for loan and other credit-related commitments and financial guarantees by stage distribution

|                                 | Nominal amount  |                 |                 |                | Allowance for ECL |                 |                 |               |
|---------------------------------|-----------------|-----------------|-----------------|----------------|-------------------|-----------------|-----------------|---------------|
|                                 | Stage 1<br>€000 | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000  | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 |
| Corporate and commercial        | 798,963         | 19,822          | 766             | 819,551        | (376)             | (65)            | (173)           | (614)         |
| Non-bank financial institutions | 46,180          | 23              | —               | 46,203         | (48)              | —               | —               | (48)          |
| <b>At 31 Dec 2025</b>           | <b>845,143</b>  | <b>19,845</b>   | <b>766</b>      | <b>865,754</b> | <b>(424)</b>      | <b>(65)</b>     | <b>(173)</b>    | <b>(662)</b>  |
| Corporate and commercial        | 635,108         | 28,581          | 1,273           | 664,962        | (814)             | (74)            | (55)            | (943)         |
| Non-bank financial institutions | 15,901          | 23              | —               | 15,924         | (7)               | —               | —               | (7)           |
| At 31 Dec 2024                  | 651,009         | 28,604          | 1,273           | 680,886        | (821)             | (74)            | (55)            | (950)         |

### Wholesale lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan and other credit-related commitments, acceptances, accrued income and financial guarantees

|   | Non-credit impaired                          |                                 |  |                                 | Credit impaired                              |                                 | Total  |                              |
|---|--|---------------------------------|--|---------------------------------|--|---------------------------------|--|------------------------------|
|   | Stage 1                                      |                                 | Stage 2                                      |                                 | Stage 3                                      |                                 | Gross carrying/<br>nominal<br>amount<br>€000 | Allowance<br>for ECL<br>€000 |
|   | Gross carrying/<br>nominal<br>amount<br>€000 | Allowance<br>for<br>ECL<br>€000 | Gross carrying/<br>nominal<br>amount<br>€000 | Allowance<br>for<br>ECL<br>€000 | Gross carrying/<br>nominal<br>amount<br>€000 | Allowance<br>for<br>ECL<br>€000 |  |                              |
| At 1 Jan 2025   | 1,422,160                                    | (7,282)                         | 54,187                                       | (1,868)                         | 32,138                                       | (8,622)                         | 1,508,485                                    | (17,772)                     |
| Transfers of financial instruments  | (21,526)                                     | 162                             | 18,494                                       | 781                             | 3,032  | (943)                           | —  | —                            |
| – transfers from stage 1 to stage 2   | (55,246)                                     | 277                             | 55,246                                       | (277)                           | —  | —                               | —  | —                            |
| – transfers from stage 2 to stage 1   | 33,806                                       | (122)                           | (33,806)                                     | 122                             | —  | —                               | —  | —                            |
| – transfers to stage 3  | (86)   | 7                               | (2,946)                                      | 936                             | 3,032  | (943)                           | —  | —                            |
| Net remeasurement of ECL arising from stage transfers                       | —  | 40                              | —  | (2,701)                         | —  | (1,023)                         | —  | (3,684)                      |
| Changes in risk parameters  | —  | 943                             | —  | 227                             | —  | 860                             | —  | 2,030                        |
| Net new and further lending/ repayments                                     | 205,367                                      | 377                             | (9,582)                                      | 363                             | (5,441)                                      | 684                             | 190,344                                      | 1,424                        |
| Assets written off  | —  | —                               | —  | —                               | (114)  | 114                             | (114)  | 114                          |
| <b>At 31 Dec 2025</b>   | <b>1,606,001</b>                             | <b>(5,760)</b>                  | <b>63,099</b>                                | <b>(3,198)</b>                  | <b>29,615</b>                                | <b>(8,930)</b>                  | <b>1,698,715</b>                             | <b>(17,888)</b>              |
| ECL change for the year   |  |                                 |  |                                 |  |                                 |  | (116)                        |
| Assets written off  |  |                                 |  |                                 |  |                                 |  | (114)                        |
| <b>Change in expected credit losses excluding effect of write-offs</b>      |  |                                 |  |                                 |  |                                 |  | (230)                        |
| Recoveries  |  |                                 |  |                                 |  |                                 |  | 4,916                        |
| Other   |  |                                 |  |                                 |  |                                 |  | 351                          |
| <b>Change in expected credit losses and other credit impairment charges</b> |  |                                 |  |                                 |  |                                 |  | <b>5,037</b>                 |

Changes in expected credit losses for the period comprise the reclassification of the discount unwind element to interest income, amounting to €0.4m for the year ended 31 December 2025 and included in 'Other' in the above reconciliation.

|   | Non - credit impaired                        |                              |  |                              | Credit impaired                              |                              | Total  |                              |
|---|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|
|   | Stage 1                                      |                              | Stage 2                                      |                              | Stage 3                                      |                              | Gross carrying/<br>nominal<br>amount<br>€000 | Allowance<br>for ECL<br>€000 |
|   | Gross carrying/<br>nominal<br>amount<br>€000 | Allowance for<br>ECL<br>€000 | Gross carrying/<br>nominal<br>amount<br>€000 | Allowance for<br>ECL<br>€000 | Gross carrying/<br>nominal<br>amount<br>€000 | Allowance for<br>ECL<br>€000 |  |                              |
| At 1 Jan 2024   | 1,324,359                                    | (7,732)                      | 86,845                                       | (5,111)                      | 58,106                                       | (11,997)                     | 1,469,310                                    | (24,840)                     |
| Transfers of financial instruments :  | 19,750                                       | (1,570)                      | (25,057)                                     | 2,434                        | 5,307  | (864)                        | —  | —                            |
| – transfers from stage 1 to stage 2   | (9,913)                                      | 47                           | 9,913  | (47)                         | —  | —                            | —  | —                            |
| – transfers from stage 2 to stage 1   | 30,476                                       | (1,627)                      | (30,476)                                     | 1,627                        | —  | —                            | —  | —                            |
| – transfers from stage 3  | 199  | (20)                         | 734  | (438)                        | (933)  | 458                          | —  | —                            |
| – transfers to stage 3  | (1,012)                                      | 30                           | (5,228)                                      | 1,292                        | 6,240  | (1,322)                      | —  | —                            |
| Net remeasurement of ECL arising from stage transfers                       | —  | 498                          | —  | 70                           | —  | 133                          | —  | 701                          |
| Changes in risk parameters  | —  | 1,453                        | —  | 849                          | —  | —                            | —  | 2,302                        |
| Net new and further lending/ repayments                                     | 78,051                                       | 69                           | (7,601)                                      | (110)                        | (31,130)                                     | 3,961                        | 39,320                                       | 3,920                        |
| Assets written off  | —  | —                            | —  | —                            | (145)  | 145                          | (145)  | 145                          |
| <b>At 31 Dec 2024</b>   | <b>1,422,160</b>                             | <b>(7,282)</b>               | <b>54,187</b>                                | <b>(1,868)</b>               | <b>32,138</b>                                | <b>(8,622)</b>               | <b>1,508,485</b>                             | <b>(17,772)</b>              |
| ECL change for the year   |  |                              |  |                              |  |                              |  | 7,068                        |
| Assets written off  |  |                              |  |                              |  |                              |  | (145)                        |
| Change in expected credit losses excluding effect of write-offs             |  |                              |  |                              |  |                              |  | 6,923                        |
| Recoveries  |  |                              |  |                              |  |                              |  | 1,145                        |
| Other   |  |                              |  |                              |  |                              |  | 437                          |
| <b>Change in expected credit losses and other credit impairment charges</b> |  |                              |  |                              |  |                              |  | <b>8,505</b>                 |

Changes in expected credit losses for the period comprise the reclassification of the discount unwind element to interest income, amounting to €0.4m for the year ended 31 December 2024 and included in 'Other' in the above reconciliation.

## Notes on the financial statements

### Total wholesale lending for loan and other credit-related commitments and financial guarantee and similar contracts by credit quality

|                                 | Gross exposure/nominal amount |               |                      |                          |                            |                | Allowance for ECL<br>€000 | Net<br>€000    |
|---------------------------------|-------------------------------|---------------|----------------------|--------------------------|----------------------------|----------------|---------------------------|----------------|
|                                 | Strong<br>€000                | Good<br>€000  | Satisfactory<br>€000 | Sub-<br>standard<br>€000 | Credit<br>Impaired<br>€000 | Total<br>€000  |                           |                |
| Corporate and commercial        | 382,629                       | 62,184        | 352,370              | 21,602                   | 766                        | 819,551        | (614)                     | 818,937        |
| Non-bank financial institutions | —                             | 5,406         | 40,797               | —                        | —                          | 46,203         | (48)                      | 46,155         |
| <b>At 31 Dec 2025</b>           | <b>382,629</b>                | <b>67,590</b> | <b>393,167</b>       | <b>21,602</b>            | <b>766</b>                 | <b>865,754</b> | <b>(662)</b>              | <b>865,092</b> |

|                                 |         |        |         |        |       |         |       |         |
|---------------------------------|---------|--------|---------|--------|-------|---------|-------|---------|
| Corporate and commercial        | 272,914 | 34,816 | 329,579 | 26,380 | 1,273 | 664,962 | (943) | 664,019 |
| Non-bank financial institutions | 2,500   | 4,844  | 8,566   | 14     | —     | 15,924  | (7)   | 15,917  |
| At 31 Dec 2024                  | 275,414 | 39,660 | 338,145 | 26,394 | 1,273 | 680,886 | (950) | 679,936 |

All corporate customers are rated using a 23-grade scale, with each CRR band being calibrated by reference to the Global Master Scale developed by the HSBC Group on the basis of long run default rates for each grade. This mapping between internal and external ratings is indicative and may vary over time. The table below shows the distribution of wholesale loans and advances to customers as at 31 December 2025 and 31 December 2024, together with their associated ECL allowance across a 10-grade scale. The CRR 10-grade scale summarises the more granular underlying 23-grade scale described above.

### Wholesale lending – credit risk profile by obligor grade for loans and advances to customers

|  | Gross carrying amount |                 |                 |                | Allowance for ECL |                 |                 |                 | ECL<br>Coverage<br>% |
|--|-----------------------|-----------------|-----------------|----------------|-------------------|-----------------|-----------------|-----------------|----------------------|
|  | Stage 1<br>€000       | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000  | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000   |                      |
| <b>Corporate and commercial</b>        | <b>716,210</b>        | <b>42,817</b>   | <b>24,340</b>   | <b>783,367</b> | <b>(4,569)</b>    | <b>(3,133)</b>  | <b>(6,388)</b>  | <b>(14,090)</b> | <b>1.8</b>           |
| CRR1                                   | 147,117               | 3               | —               | 147,120        | (14)              | —               | —               | (14)            | —                    |
| CRR2                                   | 119,900               | —               | —               | 119,900        | (12)              | —               | —               | (12)            | —                    |
| CRR3                                   | 49,706                | 40              | —               | 49,746         | (14)              | —               | —               | (14)            | —                    |
| CRR4                                   | 241,570               | 399             | —               | 241,969        | (2,282)           | (8)             | —               | (2,290)         | 0.9                  |
| CRR5                                   | 135,657               | 34,854          | —               | 170,511        | (1,519)           | (2,854)         | —               | (4,373)         | 2.6                  |
| CRR6                                   | 8,372                 | 3,985           | —               | 12,357         | (430)             | (82)            | —               | (512)           | 4.1                  |
| CRR7                                   | 13,732                | 3,536           | —               | 17,268         | (292)             | (189)           | —               | (481)           | 2.8                  |
| CRR8                                   | 156                   | —               | —               | 156            | (6)               | —               | —               | (6)             | 3.8                  |
| CRR9/10                                | —                     | —               | 24,340          | 24,340         | —                 | —               | (6,388)         | (6,388)         | 26.2                 |
| <b>Non-bank financial institutions</b> | <b>41,313</b>         | <b>—</b>        | <b>286</b>      | <b>41,599</b>  | <b>(767)</b>      | <b>—</b>        | <b>(179)</b>    | <b>(946)</b>    | <b>2.3</b>           |
| CRR1                                   | 5                     | —               | —               | 5              | —                 | —               | —               | —               | —                    |
| CRR2                                   | —                     | —               | —               | —              | —                 | —               | —               | —               | —                    |
| CRR3                                   | 21,262                | —               | —               | 21,262         | (681)             | —               | —               | (681)           | 3.2                  |
| CRR4                                   | 11,247                | —               | —               | 11,247         | (34)              | —               | —               | (34)            | 0.3                  |
| CRR5                                   | 8,799                 | —               | —               | 8,799          | (52)              | —               | —               | (52)            | 0.6                  |
| CRR6                                   | —                     | —               | —               | —              | —                 | —               | —               | —               | —                    |
| CRR7                                   | —                     | —               | —               | —              | —                 | —               | —               | —               | —                    |
| CRR8                                   | —                     | —               | —               | —              | —                 | —               | —               | —               | —                    |
| CRR9/10                                | —                     | —               | 286             | 286            | —                 | —               | (179)           | (179)           | 62.6                 |
| <b>At 31 Dec 2025</b>                  | <b>757,523</b>        | <b>42,817</b>   | <b>24,626</b>   | <b>824,966</b> | <b>(5,336)</b>    | <b>(3,133)</b>  | <b>(6,567)</b>  | <b>(15,036)</b> | <b>1.8</b>           |

|                                 |         |        |        |         |         |         |         |          |      |
|---------------------------------|---------|--------|--------|---------|---------|---------|---------|----------|------|
| Corporate and commercial        | 721,140 | 25,455 | 26,171 | 772,766 | (5,644) | (1,794) | (6,619) | (14,057) | 1.8  |
| CRR1                            | 140,800 | 1      | —      | 140,801 | (9)     | —       | —       | (9)      | —    |
| CRR2                            | 151,889 | —      | —      | 151,889 | (29)    | —       | —       | (29)     | —    |
| CRR3                            | 7,881   | —      | —      | 7,881   | (9)     | —       | —       | (9)      | 0.1  |
| CRR4                            | 251,648 | —      | —      | 251,648 | (1,893) | —       | —       | (1,893)  | 0.8  |
| CRR5                            | 159,433 | 3,318  | —      | 162,751 | (3,159) | (14)    | —       | (3,173)  | 1.9  |
| CRR6                            | 8,581   | 1,834  | —      | 10,415  | (507)   | (39)    | —       | (546)    | 5.2  |
| CRR7                            | 870     | 15,552 | —      | 16,422  | (31)    | (493)   | —       | (524)    | 3.2  |
| CRR8                            | 38      | 4,750  | —      | 4,788   | (7)     | (1,248) | —       | (1,255)  | 26.2 |
| CRR9/10                         | —       | —      | 26,171 | 26,171  | —       | —       | (6,619) | (6,619)  | 25.3 |
| Non-bank financial institutions | 45,209  | —      | 287    | 45,496  | (817)   | —       | —       | (817)    | 1.8  |
| CRR1                            | —       | —      | —      | —       | —       | —       | —       | —        | —    |
| CRR2                            | —       | —      | —      | —       | —       | —       | —       | —        | —    |
| CRR3                            | 21,819  | —      | —      | 21,819  | (698)   | —       | —       | (698)    | 3.2  |
| CRR4                            | 16,339  | —      | —      | 16,339  | (89)    | —       | —       | (89)     | 0.5  |
| CRR5                            | 7,051   | —      | —      | 7,051   | (30)    | —       | —       | (30)     | 0.4  |
| CRR6                            | —       | —      | —      | —       | —       | —       | —       | —        | —    |
| CRR7                            | —       | —      | —      | —       | —       | —       | —       | —        | —    |
| CRR8                            | —       | —      | —      | —       | —       | —       | —       | —        | —    |
| CRR9/10                         | —       | —      | 287    | 287     | —       | —       | —       | —        | —    |
| At 31 Dec 2024                  | 766,349 | 25,455 | 26,458 | 818,262 | (6,461) | (1,794) | (6,619) | (14,874) | 1.8  |

## Notes on the financial statements

### Personal lending to customers

This section presents further disclosures related to personal lending. It provides details of the products which are driving the change observed in personal loans and advances to customers. Additionally, this section provides a reconciliation of the opening gross carrying/nominal amounts as at 1 January 2025 and 2024 to the closing carrying/nominal amounts as at 31 December 2025 and 2024 respectively, together with the associated allowances for ECL. Further product granularity is also provided by stage, with data presented for loans and advances to customers, loan and other credit-related commitments and financial guarantees.

#### Total personal lending for loans and advances to customers by stage distribution

|  | Gross carrying amount |                 |                 |                  | Allowance for ECL |                 |                 |                 |
|--|-----------------------|-----------------|-----------------|------------------|-------------------|-----------------|-----------------|-----------------|
|  | Stage 1<br>€000       | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000    | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000   |
| <b>By portfolio</b>                                      |                       |                 |                 |                  |                   |                 |                 |                 |
| First lien residential mortgages                         | 1,645,223             | 126,350         | 37,798          | 1,809,371        | (291)             | (5,771)         | (5,137)         | (11,199)        |
| Other personal lending                                   | 140,625               | 10,441          | 5,466           | 156,532          | (219)             | (778)           | (1,474)         | (2,471)         |
| – second lien residential mortgages                      | 68,845                | 8,329           | 4,854           | 82,028           | (9)               | (153)           | (1,055)         | (1,217)         |
| – credit cards   | 24,439                | 1,348           | 72              | 25,859           | (117)             | (476)           | (72)            | (665)           |
| – other  | 47,341                | 764             | 540             | 48,645           | (93)              | (149)           | (347)           | (589)           |
| <b>At 31 Dec 2025</b>                                    | <b>1,785,848</b>      | <b>136,791</b>  | <b>43,264</b>   | <b>1,965,903</b> | <b>(510)</b>      | <b>(6,549)</b>  | <b>(6,611)</b>  | <b>(13,670)</b> |
| <b>Other financial assets measured at amortised cost</b> |                       |                 |                 |                  |                   |                 |                 |                 |
| – accrued income   | 3,181                 | 431             | 2,400           | 6,012            | –                 | –               | (2,208)         | (2,208)         |
| <b>At 31 Dec 2025</b>                                    | <b>3,181</b>          | <b>431</b>      | <b>2,400</b>    | <b>6,012</b>     | <b>–</b>          | <b>–</b>        | <b>(2,208)</b>  | <b>(2,208)</b>  |

| By portfolio                        |                 |                 |                 |               |                 |                 |                 |               |
|-------------------------------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|---------------|
|                                     | Stage 1<br>€000 | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 | Stage 1<br>€000 | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 |
| First lien residential mortgages    | 1,778,896       | 107,809         | 36,033          | 1,922,738     | (813)           | (7,202)         | (6,560)         | (14,575)      |
| Other personal lending              | 147,600         | 10,321          | 6,412           | 164,333       | (227)           | (878)           | (1,621)         | (2,726)       |
| – second lien residential mortgages | 71,528          | 7,996           | 5,698           | 85,222        | (23)            | (240)           | (1,192)         | (1,455)       |
| – credit cards                      | 25,431          | 1,506           | 68              | 27,005        | (132)           | (503)           | (34)            | (669)         |
| – other                             | 50,641          | 819             | 646             | 52,106        | (72)            | (135)           | (395)           | (602)         |
| At 31 Dec 2024                      | 1,926,496       | 118,130         | 42,445          | 2,087,071     | (1,040)         | (8,080)         | (8,181)         | (17,301)      |

| Other financial assets measured at amortised cost |                 |                 |                 |               |                 |                 |                 |               |
|---|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|---------------|
|   | Stage 1<br>€000 | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 | Stage 1<br>€000 | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 |
| – accrued income                                  | 3,536           | 486             | 3,015           | 7,037         | –               | –               | (2,825)         | (2,825)       |
| At 31 Dec 2024                                    | 3,536           | 486             | 3,015           | 7,037         | –               | –               | (2,825)         | (2,825)       |

#### Total personal lending for loan and other credit-related commitments and financial guarantee and similar contracts by stage distribution

|                       | Nominal amount  |                 |                 |                | Allowance for ECL |                 |                 |               |
|-----------------------|-----------------|-----------------|-----------------|----------------|-------------------|-----------------|-----------------|---------------|
|                       | Stage 1<br>€000 | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000  | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000 |
| Personal              | 277,065         | 5,554           | 251             | 282,870        | (40)              | (1)             | –               | (41)          |
| <b>At 31 Dec 2025</b> | <b>277,065</b>  | <b>5,554</b>    | <b>251</b>      | <b>282,870</b> | <b>(40)</b>       | <b>(1)</b>      | <b>–</b>        | <b>(41)</b>   |
| Personal              | 272,003         | 3,807           | 126             | 275,936        | (24)              | –               | –               | (24)          |
| At 31 Dec 2024        | 272,003         | 3,807           | 126             | 275,936        | (24)              | –               | –               | (24)          |

## Notes on the financial statements

Personal lending – reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to customers including loan and other credit-related commitments, lending related accrued income and financial guarantees and similar contracts

|   | Non-credit impaired                    |                           |  |                           | Credit impaired                        |                           | Total                                  |                           |
|---|--|---------------------------|--|---------------------------|--|---------------------------|--|---------------------------|
|   | Stage 1                                |                           | Stage 2                                |                           | Stage 3                                |                           | Gross carrying/ nominal amount<br>€000 | Allowance for ECL<br>€000 |
|   | Gross carrying/ nominal amount<br>€000 | Allowance for ECL<br>€000 | Gross carrying/ nominal amount<br>€000 | Allowance for ECL<br>€000 | Gross carrying/ nominal amount<br>€000 | Allowance for ECL<br>€000 |  |                           |
| At 1 Jan 2025   | 2,202,035                              | (1,064)                   | 122,423                                | (8,080)                   | 45,586                                 | (11,006)                  | 2,370,044                              | (20,150)                  |
| Transfers of financial instruments  | (39,173)                               | (2,804)                   | 32,207                                 | 2,944                     | 6,966                                  | (140)                     | —                                      | —                         |
| – transfers from stage 1 to stage 2   | (73,982)                               | 50                        | 73,982                                 | (50)                      | —                                      | —                         | —                                      | —                         |
| – transfers from stage 2 to stage 1   | 38,265                                 | (2,767)                   | (38,265)                               | 2,767                     | —                                      | —                         | —                                      | —                         |
| – transfers from stage 3  | 773                                    | (90)                      | 3,482                                  | (308)                     | (4,255)                                | 398                       | —                                      | —                         |
| – transfers to stage 3  | (4,229)                                | 3                         | (6,992)                                | 535                       | 11,221                                 | (538)                     | —                                      | —                         |
| Net remeasurement of ECL arising from stage transfers                       | —                                      | 2,840                     | —                                      | (5,608)                   | —                                      | (839)                     | —                                      | (3,607)                   |
| Changes in risk parameters  | —                                      | 398                       | —                                      | 3,470                     | —                                      | 701                       | —                                      | 4,569                     |
| Net new and further lending/ repayments                                     | (96,768)                               | 80                        | (11,854)                               | 724                       | (6,107)                                | 1,935                     | (114,729)                              | 2,739                     |
| Assets written off  | —                                      | —                         | —                                      | —                         | (530)                                  | 530                       | (530)                                  | 530                       |
| <b>At 31 Dec 2025</b>   | <b>2,066,094</b>                       | <b>(550)</b>              | <b>142,776</b>                         | <b>(6,550)</b>            | <b>45,915</b>                          | <b>(8,819)</b>            | <b>2,254,785</b>                       | <b>(15,919)</b>           |
| ECL change for the year   |  |                           |  |                           |  |                           |  | 4,231                     |
| Assets written off  |  |                           |  |                           |  |                           |  | (530)                     |
| <b>Change in expected credit losses excluding effect of write-offs</b>      |  |                           |  |                           |  |                           |  | <b>3,701</b>              |
| Recoveries  |  |                           |  |                           |  |                           |  | 718                       |
| Other   |  |                           |  |                           |  |                           |  | 33                        |
| <b>Change in expected credit losses and other credit impairment charges</b> |  |                           |  |                           |  |                           |  | <b>4,452</b>              |

|  |           |         |          |         |         |          |           |          |
|--|-----------|---------|----------|---------|---------|----------|-----------|----------|
| At 1 Jan 2024  | 2,357,386 | (7,747) | 103,809  | (8,433) | 54,322  | (10,449) | 2,515,517 | (26,629) |
| Transfers of financial instruments :                                 | (28,407)  | (1,926) | 30,777   | 1,217   | (2,370) | 709      | —         | —        |
| – transfers from stage 1 to stage 2                                  | (52,547)  | 834     | 52,547   | (834)   | —       | —        | —         | —        |
| – transfers from stage 2 to stage 1                                  | 25,635    | (2,502) | (25,635) | 2,502   | —       | —        | —         | —        |
| – transfers from stage 3   | 1,015     | (268)   | 7,711    | (730)   | (8,726) | 998      | —         | —        |
| – transfers to stage 3   | (2,510)   | 10      | (3,846)  | 279     | 6,356   | (289)    | —         | —        |
| Net remeasurement of ECL arising from stage transfers                | —         | 2,693   | —        | (2,811) | —       | (891)    | —         | (1,009)  |
| Changes in risk parameters   | —         | 5,576   | —        | 1,360   | —       | (2,429)  | —         | 4,507    |
| Net new and further lending/ repayments                              | (126,944) | 340     | (12,163) | 587     | (5,495) | 1,183    | (144,602) | 2,110    |
| Assets written off   | —         | —       | —        | —       | (871)   | 871      | (871)     | 871      |
| At 31 Dec 2024   | 2,202,035 | (1,064) | 122,423  | (8,080) | 45,586  | (11,006) | 2,370,044 | (20,150) |
| ECL change for the year  |           |         |          |         |         |          |           | 6,479    |
| Assets written off   |           |         |          |         |         |          |           | (871)    |
| Change in expected credit losses for the year                        |           |         |          |         |         |          |           | 5,608    |
| Recoveries   |           |         |          |         |         |          |           | 614      |
| Other  |           |         |          |         |         |          |           | (97)     |
| Change in expected credit losses and other credit impairment charges |           |         |          |         |         |          |           | 6,125    |

## Notes on the financial statements

### Personal lending – credit risk profile by obligor grade for loans and advances to customers

|   | Gross carrying amount |                |               |                  | Allowance for ECL |                |                |                 | ECL Coverage % |
|---|-----------------------|----------------|---------------|------------------|-------------------|----------------|----------------|-----------------|----------------|
|   | Stage 1               | Stage 2        | Stage 3       | Total            | Stage 1           | Stage 2        | Stage 3        | Total           |                |
|   | €000                  | €000           | €000          | €000             | €000              | €000           | €000           | €000            |                |
| <b>First lien residential mortgages</b> | <b>1,645,223</b>      | <b>126,350</b> | <b>37,798</b> | <b>1,809,371</b> | <b>(291)</b>      | <b>(5,771)</b> | <b>(5,137)</b> | <b>(11,199)</b> | <b>0.6</b>     |
| Not past due                            | 1,645,129             | 109,122        | 11,245        | 1,765,496        | (290)             | (4,820)        | (1,014)        | (6,124)         | 0.3            |
| Past due by:                            |                       |                |               |                  |                   |                |                |                 |                |
| less than 30 days                       | 94                    | 14,506         | 5,232         | 19,832           | (1)               | (735)          | (268)          | (1,004)         | 5.1            |
| 30 to 59 days                           | —                     | 2,000          | 2,252         | 4,252            | —                 | (92)           | (216)          | (308)           | 7.2            |
| 60 to 89 days                           | —                     | 722            | 2,071         | 2,793            | —                 | (124)          | (116)          | (240)           | 8.6            |
| 90 days and more                        | —                     | —              | 16,998        | 16,998           | —                 | —              | (3,523)        | (3,523)         | 20.7           |
| <b>Other personal lending</b>           | <b>140,625</b>        | <b>10,441</b>  | <b>5,466</b>  | <b>156,532</b>   | <b>(219)</b>      | <b>(778)</b>   | <b>(1,474)</b> | <b>(2,471)</b>  | <b>1.6</b>     |
| Not past due                            | 139,836               | 9,167          | 1,760         | 150,763          | (216)             | (657)          | (397)          | (1,270)         | 0.8            |
| Past due by:                            |                       |                |               |                  |                   |                |                |                 |                |
| less than 30 days                       | 789                   | 851            | 364           | 2,004            | (3)               | (56)           | (21)           | (80)            | 4.0            |
| 30 to 59 days                           | —                     | 345            | 200           | 545              | —                 | (41)           | (2)            | (43)            | 7.9            |
| 60 to 89 days                           | —                     | 78             | 92            | 170              | —                 | (24)           | (2)            | (26)            | 15.3           |
| 90 days and more                        | —                     | —              | 3,050         | 3,050            | —                 | —              | (1,052)        | (1,052)         | 34.5           |
| <b>At 31 Dec 2025</b>                   | <b>1,785,848</b>      | <b>136,791</b> | <b>43,264</b> | <b>1,965,903</b> | <b>(510)</b>      | <b>(6,549)</b> | <b>(6,611)</b> | <b>(13,670)</b> | <b>0.7</b>     |
| First lien residential mortgages        | 1,778,896             | 107,809        | 36,033        | 1,922,738        | (813)             | (7,202)        | (6,560)        | (14,575)        | 0.8            |
| Not past due                            | 1,770,434             | 90,123         | 12,652        | 1,873,209        | (806)             | (5,889)        | (1,326)        | (8,021)         | 0.4            |
| Past due by:                            |                       |                |               |                  |                   |                |                |                 |                |
| less than 30 days                       | 8,462                 | 14,938         | 5,681         | 29,081           | (7)               | (1,115)        | (668)          | (1,790)         | 6.2            |
| 30 to 59 days                           | —                     | 2,577          | 1,832         | 4,409            | —                 | (182)          | (199)          | (381)           | 8.6            |
| 60 to 89 days                           | —                     | 171            | 1,382         | 1,553            | —                 | (16)           | (149)          | (165)           | 10.6           |
| 90 days and more                        | —                     | —              | 14,486        | 14,486           | —                 | —              | (4,218)        | (4,218)         | 29.1           |
| Other personal lending                  | 147,600               | 10,321         | 6,412         | 164,333          | (227)             | (878)          | (1,621)        | (2,726)         | 1.7            |
| Not past due                            | 145,319               | 8,616          | 1,702         | 155,637          | (219)             | (692)          | (165)          | (1,076)         | 0.7            |
| Past due by:                            |                       |                |               |                  |                   |                |                |                 |                |
| less than 30 days                       | 2,281                 | 1,053          | 588           | 3,922            | (8)               | (101)          | (95)           | (204)           | 5.2            |
| 30 to 59 days                           | —                     | 494            | 264           | 758              | —                 | (44)           | (13)           | (57)            | 7.5            |
| 60 to 89 days                           | —                     | 158            | 64            | 222              | —                 | (41)           | (18)           | (59)            | 26.6           |
| 90 days and more                        | —                     | —              | 3,794         | 3,794            | —                 | —              | (1,330)        | (1,330)         | 35.1           |
| <b>At 31 Dec 2024</b>                   | <b>1,926,496</b>      | <b>118,130</b> | <b>42,445</b> | <b>2,087,071</b> | <b>(1,040)</b>    | <b>(8,080)</b> | <b>(8,181)</b> | <b>(17,301)</b> | <b>0.8</b>     |

### Collateral and other credit enhancements

It is the bank's practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources rather than rely on the value of security offered. Depending on the customer's standing and the type of product, facilities may be provided unsecured. For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of a default, the bank may utilise the collateral as a source of repayment. Depending on its form, collateral can have a significant financial effect in mitigating exposure to credit risk.

The principal collateral types are as follows:

- In the personal sector, mortgages over residential properties, cash and securities; and
- In the commercial real estate sector, charges over the properties being financed.

The bank is required to implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation, and determine suitable valuation parameters. Such parameters are expected to be conservative, reviewed regularly and supported by empirical evidence. Security structures and legal covenants are required to be subject to regular review to ensure that they continue to fulfil their intended purpose and remain in line with local market practice.

The tables in the following pages show loans and advances to customers by level of collateral. The collateral measured in the tables on the next page consists of fixed first charges on real estate and charges over cash and marketable financial instruments but excludes any collateral held in the form of guarantees. The values in the tables represent the expected market value on an open market basis; no adjustment has been made to the collateral for any expected costs of recovery. Cash is valued at its nominal value and marketable securities at their fair value.

The loan-to-value ('LTV') ratios presented are calculated by directly associating loans and advances with the collateral that individually and uniquely supports each facility.

Where collateral assets are shared by multiple loans and advances, the collateral value is pro-rated across the loans and advances protected by the collateral.

Loans shown as not collateralised or partially collateralised may also benefit from other forms of credit mitigants. Other types of collateral which are commonly taken for corporate and commercial lending, such as unsupported guarantees and floating charges over the assets of a customer's business, are not measured in the tables on the next page. While such mitigants have value, often providing rights in insolvency, their assignable value is not sufficiently certain and they are therefore assigned no value for disclosure purposes.

The value of commercial real estate collateral is determined by using a combination of professional and internal valuations and physical inspections. Due to the complexity of valuing collateral for commercial real estate, local valuation policies determine the frequency of review on the basis of local market conditions. Revaluations are sought with greater frequency as concerns over the performance of the collateral or the direct obligor increase.

## Notes on the financial statements

### Wholesale lending to customers

Wholesale lending: loans and advances to customers by level of collateral by stage distribution

|                                      | Gross carrying amount |                 |                 |                | Allowance for ECL |                 |                 |                 | ECL coverage |              |              |            |
|--------------------------------------|-----------------------|-----------------|-----------------|----------------|-------------------|-----------------|-----------------|-----------------|--------------|--------------|--------------|------------|
|                                      | Stage 1<br>€000       | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000  | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000   | Stage 1<br>% | Stage 2<br>% | Stage 3<br>% | Total<br>% |
| Not Collateralised                   | 213,666               | 38,102          | 1,484           | 253,252        | (1,106)           | (3,031)         | (1,484)         | (5,621)         | 0.5          | 8.0          | 100.0        | 2.2        |
| Fully collateralised by LTV ratio    | 485,527               | 4,649           | 21,150          | 511,326        | (4,131)           | (102)           | (3,742)         | (7,975)         | 0.9          | 2.2          | 17.7         | 1.6        |
| – less than 50%                      | 190,571               | 3,441           | 18,267          | 212,279        | (3,612)           | (86)            | (3,363)         | (7,061)         | 1.9          | 2.5          | 18.4         | 3.3        |
| – 51% to 75%                         | 68,401                | 309             | 632             | 69,342         | (270)             | (4)             | (36)            | (310)           | 0.4          | 1.3          | 5.7          | 0.4        |
| – 76% to 90%                         | 24,014                | —               | 628             | 24,642         | (215)             | —               | (343)           | (558)           | 0.9          | —            | 54.6         | 2.3        |
| – 91% to 100%                        | 202,541               | 899             | 1,623           | 205,063        | (34)              | (12)            | —               | (46)            | —            | 1.3          | —            | —          |
| Partially collateralised: LTV > 100% | 58,330                | 66              | 1,992           | 60,388         | (99)              | —               | (1,341)         | (1,440)         | 0.2          | —            | 67.3         | 2.3        |
| – of which: Collateral value         | 15,847                | 6               | 608             | 16,461         | —                 | —               | —               | —               | —            | —            | —            | —          |
| <b>Total at 31 Dec 2025</b>          | <b>757,523</b>        | <b>42,817</b>   | <b>24,626</b>   | <b>824,966</b> | <b>(5,336)</b>    | <b>(3,133)</b>  | <b>(6,567)</b>  | <b>(15,036)</b> | <b>0.7</b>   | <b>7.3</b>   | <b>26.7</b>  | <b>1.8</b> |
| Not Collateralised                   | 213,234               | 12,607          | 268             | 226,109        | (867)             | (431)           | (268)           | (1,566)         | 0.4          | 3.4          | 100.0        | 0.7        |
| Fully collateralised by LTV ratio    | 478,916               | 10,232          | 23,133          | 512,281        | (4,796)           | (1,327)         | (4,699)         | (10,822)        | 1.0          | 13.0         | 20.3         | 2.1        |
| – less than 50%                      | 219,930               | 7,216           | 21,184          | 248,330        | (4,167)           | (1,326)         | (4,280)         | (9,773)         | 1.9          | 18.4         | 20.2         | 3.9        |
| – 51% to 75%                         | 49,045                | —               | 1,312           | 50,357         | (522)             | —               | (102)           | (624)           | 1.1          | —            | 7.8          | 1.2        |
| – 76% to 90%                         | 1,157                 | —               | 636             | 1,793          | (10)              | —               | (316)           | (326)           | 0.9          | —            | 49.7         | 18.2       |
| – 91% to 100%                        | 208,784               | 3,016           | 1               | 211,801        | (97)              | (1)             | (1)             | (99)            | —            | —            | 100.0        | —          |
| Partially collateralised: LTV > 100% | 74,199                | 2,616           | 3,057           | 79,872         | (798)             | (36)            | (1,652)         | (2,486)         | 1.1          | 1.4          | 54.0         | 3.1        |
| – of which: Collateral value         | 43,793                | 1,089           | 1,489           | 46,371         | —                 | —               | —               | —               | —            | —            | —            | —          |
| Total at 31 Dec 2024                 | 766,349               | 25,455          | 26,458          | 818,262        | (6,461)           | (1,794)         | (6,619)         | (14,874)        | 0.8          | 7.0          | 25.0         | 1.8        |

Wholesale lending – loans and advances to customers by level of collateral by obligor grade

|                                      | Gross carrying amount<br>€000 | Allowance for ECL<br>€000 | ECL coverage<br>% |
|--------------------------------------|-------------------------------|---------------------------|-------------------|
| <b>CRR 1 to 8</b>                    |                               |                           |                   |
| Not collateralised                   | 251,768                       | (4,137)                   | 1.6               |
| Fully collateralised                 | 490,176                       | (4,233)                   | 0.9               |
| – less than or equal to 50%          | 194,012                       | (3,698)                   | 1.9               |
| – 51% to 75%                         | 68,710                        | (274)                     | 0.4               |
| – 76% to 90%                         | 24,014                        | (215)                     | 0.9               |
| – 91% to 100%                        | 203,440                       | (46)                      | —                 |
| Partially collateralised: LTV > 100% | 58,396                        | (99)                      | 0.2               |
| – of which: Collateral value         | 15,853                        | —                         | —                 |
| <b>Total</b>                         | <b>800,340</b>                | <b>(8,469)</b>            | <b>1.1</b>        |
| <b>CRR 9 to 10</b>                   |                               |                           |                   |
| Not collateralised                   | 1,484                         | (1,484)                   | 100.0             |
| Fully collateralised                 | 21,150                        | (3,742)                   | 17.7              |
| – less than or equal to 50%          | 18,267                        | (3,363)                   | 18.4              |
| – 51% to 75%                         | 632                           | (36)                      | 5.7               |
| – 76% to 90%                         | 628                           | (343)                     | 54.6              |
| – 91% to 100%                        | 1,623                         | —                         | —                 |
| Partially collateralised: LTV > 100% | 1,992                         | (1,341)                   | 67.3              |
| – of which: Collateral value         | 608                           | —                         | —                 |
| <b>Total</b>                         | <b>24,626</b>                 | <b>(6,567)</b>            | <b>26.7</b>       |
| <b>At 31 Dec 2025</b>                | <b>824,966</b>                | <b>(15,036)</b>           | <b>1.8</b>        |

## Notes on the financial statements

### Wholesale lending – loans and advances to customers by level of collateral by obligor grade (continued)

|                                      | Gross carrying amount<br>€000 | Allowance for ECL<br>€000 | ECL coverage<br>% |
|--------------------------------------|-------------------------------|---------------------------|-------------------|
| <b>CRR 1 to 8</b>                    |                               |                           |                   |
| Not collateralised                   | 225,841                       | (1,298)                   | 0.6               |
| Fully collateralised                 | 489,148                       | (6,123)                   | 1.3               |
| – less than or equal to 50%          | 227,146                       | (5,493)                   | 2.4               |
| – 51% to 75%                         | 49,045                        | (522)                     | 1.1               |
| – 76% to 90%                         | 1,157                         | (10)                      | 0.9               |
| – 91% to 100%                        | 211,800                       | (98)                      | —                 |
| Partially collateralised: LTV > 100% | 76,815                        | (834)                     | 1.1               |
| – of which: Collateral value         | 44,882                        |                           |                   |
| <b>Total</b>                         | <b>791,804</b>                | <b>(8,255)</b>            | <b>1.0</b>        |
| <b>CRR 9 to 10</b>                   |                               |                           |                   |
| Not collateralised                   | 268                           | (268)                     | 100.0             |
| Fully collateralised                 | 23,133                        | (4,699)                   | 20.3              |
| – less than or equal to 50%          | 21,184                        | (4,280)                   | 20.2              |
| – 51% to 75%                         | 1,312                         | (102)                     | 7.8               |
| – 76% to 90%                         | 636                           | (316)                     | 49.7              |
| – 91% to 100%                        | 1                             | (1)                       | 100.0             |
| Partially collateralised: LTV > 100% | 3,057                         | (1,652)                   | 54.0              |
| – of which: Collateral value         | 1,489                         |                           |                   |
| <b>Total</b>                         | <b>26,458</b>                 | <b>(6,619)</b>            | <b>25.0</b>       |
| <b>At 31 Dec 2024</b>                | <b>818,262</b>                | <b>(14,874)</b>           | <b>1.8</b>        |

### Personal lending to customers

#### Personal lending: loans and advances to customers by level of collateral by stage distribution

|                                      | Gross carrying/nominal amount |                 |                 |                  | Allowance for ECL |                 |                 |                 | ECL coverage |              |              |            |
|--------------------------------------|-------------------------------|-----------------|-----------------|------------------|-------------------|-----------------|-----------------|-----------------|--------------|--------------|--------------|------------|
|                                      | Stage 1<br>€000               | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000    | Stage 1<br>€000   | Stage 2<br>€000 | Stage 3<br>€000 | Total<br>€000   | Stage 1<br>% | Stage 2<br>% | Stage 3<br>% | Total<br>% |
| Not Collateralised                   | <b>272,733</b>                | <b>11,605</b>   | <b>2,370</b>    | <b>286,708</b>   | <b>(296)</b>      | <b>(1,889)</b>  | <b>(1,288)</b>  | <b>(3,473)</b>  | <b>0.1</b>   | <b>16.3</b>  | <b>54.3</b>  | <b>1.2</b> |
| Fully collateralised by LTV ratio    | <b>1,511,034</b>              | <b>125,000</b>  | <b>40,894</b>   | <b>1,676,928</b> | <b>(211)</b>      | <b>(4,612)</b>  | <b>(5,323)</b>  | <b>(10,146)</b> | <b>—</b>     | <b>3.7</b>   | <b>13.0</b>  | <b>0.6</b> |
| – less than 50%                      | <b>904,951</b>                | <b>87,222</b>   | <b>32,046</b>   | <b>1,024,219</b> | <b>(88)</b>       | <b>(1,993)</b>  | <b>(2,818)</b>  | <b>(4,899)</b>  | <b>—</b>     | <b>2.3</b>   | <b>8.8</b>   | <b>0.5</b> |
| – 51% to 75%                         | <b>572,830</b>                | <b>35,029</b>   | <b>7,733</b>    | <b>615,592</b>   | <b>(110)</b>      | <b>(2,296)</b>  | <b>(2,215)</b>  | <b>(4,621)</b>  | <b>—</b>     | <b>6.6</b>   | <b>28.6</b>  | <b>0.8</b> |
| – 76% to 90%                         | <b>32,288</b>                 | <b>2,727</b>    | <b>1,115</b>    | <b>36,130</b>    | <b>(12)</b>       | <b>(321)</b>    | <b>(290)</b>    | <b>(623)</b>    | <b>—</b>     | <b>11.8</b>  | <b>26.0</b>  | <b>1.7</b> |
| – 91% to 100%                        | <b>965</b>                    | <b>22</b>       | <b>—</b>        | <b>987</b>       | <b>(1)</b>        | <b>(2)</b>      | <b>—</b>        | <b>(3)</b>      | <b>0.1</b>   | <b>9.1</b>   | <b>—</b>     | <b>0.3</b> |
| Partially collateralised: LTV > 100% | <b>2,081</b>                  | <b>186</b>      | <b>—</b>        | <b>2,267</b>     | <b>(3)</b>        | <b>(48)</b>     | <b>—</b>        | <b>(51)</b>     | <b>0.1</b>   | <b>25.8</b>  | <b>—</b>     | <b>2.2</b> |
| – of which: Collateral value         | <b>1,088</b>                  | <b>173</b>      | <b>—</b>        | <b>1,261</b>     |                   |                 |                 |                 | <b>—</b>     | <b>—</b>     | <b>—</b>     | <b>—</b>   |
| <b>Total at 31 Dec 2025</b>          | <b>1,785,848</b>              | <b>136,791</b>  | <b>43,264</b>   | <b>1,965,903</b> | <b>(510)</b>      | <b>(6,549)</b>  | <b>(6,611)</b>  | <b>(13,670)</b> | <b>—</b>     | <b>4.8</b>   | <b>15.3</b>  | <b>0.7</b> |
| Not Collateralised                   | 199,759                       | 8,605           | 1,745           | 210,109          | (423)             | (1,530)         | (1,025)         | (2,978)         | 0.2          | 17.8         | 58.7         | 1.4        |
| Fully collateralised by LTV ratio    | 1,724,921                     | 109,279         | 40,486          | 1,874,686        | (615)             | (6,472)         | (6,943)         | (14,030)        | —            | 5.9          | 17.1         | 0.7        |
| – less than 50%                      | 912,561                       | 76,306          | 31,447          | 1,020,314        | (219)             | (3,070)         | (3,257)         | (6,546)         | —            | 4.0          | 10.4         | 0.6        |
| – 51% to 75%                         | 723,297                       | 31,224          | 7,501           | 762,022          | (335)             | (3,160)         | (3,172)         | (6,667)         | —            | 10.1         | 42.3         | 0.9        |
| – 76% to 90%                         | 88,810                        | 1,735           | 1,363           | 91,908           | (61)              | (240)           | (435)           | (736)           | 0.1          | 13.8         | 31.9         | 0.8        |
| – 91% to 100%                        | 253                           | 14              | 175             | 442              | —                 | (2)             | (79)            | (81)            | —            | 14.3         | 45.1         | 18.3       |
| Partially collateralised: LTV > 100% | 1,816                         | 246             | 214             | 2,276            | (2)               | (78)            | (213)           | (293)           | 0.1          | 31.7         | 99.5         | 12.9       |
| – of which: Collateral value         | 1,074                         | 92              | 47              | 1,213            |                   |                 |                 |                 |              |              |              |            |
| <b>Total at 31 Dec 2024</b>          | <b>1,926,496</b>              | <b>118,130</b>  | <b>42,445</b>   | <b>2,087,071</b> | <b>(1,040)</b>    | <b>(8,080)</b>  | <b>(8,181)</b>  | <b>(17,301)</b> | <b>0.1</b>   | <b>6.8</b>   | <b>19.3</b>  | <b>0.8</b> |

## Notes on the financial statements

### Personal lending – loans and advances to customers by level of collateral by past due days

|                                      | Gross carrying amount<br>€000 | Allowance for ECL<br>€000 | ECL coverage<br>% |
|--------------------------------------|-------------------------------|---------------------------|-------------------|
| <b>Less than 30 days past due</b>    |                               |                           |                   |
| Not collateralised                   | 285,193                       | (2,797)                   | 1.0               |
| Fully collateralised                 | 1,650,635                     | (5,630)                   | 0.3               |
| – less than or equal to 50%          | 1,004,570                     | (2,540)                   | 0.3               |
| – 51% to 75%                         | 610,050                       | (2,745)                   | 0.4               |
| – 76% to 90%                         | 35,030                        | (342)                     | 1.0               |
| – 91% to 100%                        | 985                           | (3)                       | 0.3               |
| Partially collateralised: LTV > 100% | 2,267                         | (51)                      | 2.2               |
| – of which: Collateral value         | 1,261                         |                           |                   |
| <b>Total</b>                         | <b>1,938,095</b>              | <b>(8,478)</b>            | <b>0.4</b>        |
| <b>30 days to 89 days past due</b>   |                               |                           |                   |
| Not collateralised                   | 436                           | (140)                     | 32.1              |
| Fully collateralised                 | 7,324                         | (477)                     | 6.5               |
| – less than or equal to 50%          | 6,401                         | (307)                     | 4.8               |
| – 51% to 75%                         | 921                           | (170)                     | 18.5              |
| – 76% to 90%                         | –                             | –                         | –                 |
| – 91% to 100%                        | 2                             | –                         | –                 |
| Partially collateralised: LTV > 100% | –                             | –                         | –                 |
| – of which: Collateral value         | –                             | –                         | –                 |
| <b>Total</b>                         | <b>7,760</b>                  | <b>(617)</b>              | <b>8.0</b>        |
| <b>90 days past due or more</b>      |                               |                           |                   |
| Not collateralised                   | 1,079                         | (536)                     | 49.7              |
| Fully collateralised                 | 18,969                        | (4,039)                   | 21.3              |
| – less than or equal to 50%          | 13,248                        | (2,052)                   | 15.5              |
| – 51% to 75%                         | 4,621                         | (1,706)                   | 36.9              |
| – 76% to 90%                         | 1,100                         | (281)                     | 25.5              |
| – 91% to 100%                        | –                             | –                         | –                 |
| Partially collateralised: LTV > 100% | –                             | –                         | –                 |
| – of which: Collateral value         | –                             | –                         | –                 |
| <b>Total</b>                         | <b>20,048</b>                 | <b>(4,575)</b>            | <b>22.8</b>       |
| <b>At 31 Dec 2025</b>                | <b>1,965,903</b>              | <b>(13,670)</b>           | <b>0.7</b>        |
| <b>Less than 30 days past due</b>    |                               |                           |                   |
| Not collateralised                   | 207,691                       | (2,095)                   | 1.0               |
| Fully collateralised                 | 1,852,096                     | (8,916)                   | 0.5               |
| – less than or equal to 50%          | 1,003,946                     | (4,460)                   | 0.4               |
| – 51% to 75%                         | 756,944                       | (4,017)                   | 0.5               |
| – 76% to 90%                         | 90,764                        | (358)                     | 0.4               |
| – 91% to 100%                        | 442                           | (81)                      | 18.3              |
| Partially collateralised: LTV > 100% | 2,062                         | (80)                      | 3.9               |
| – of which: Collateral value         | 1,166                         |                           |                   |
| <b>Total</b>                         | <b>2,061,849</b>              | <b>(11,091)</b>           | <b>0.5</b>        |
| <b>30 days to 89 days past due</b>   |                               |                           |                   |
| Not collateralised                   | 1,481                         | (254)                     | 17.2              |
| Fully collateralised                 | 5,461                         | (408)                     | 7.5               |
| – less than or equal to 50%          | 4,724                         | (293)                     | 6.2               |
| – 51% to 75%                         | 737                           | (115)                     | 15.6              |
| – 76% to 90%                         | –                             | –                         | –                 |
| – 91% to 100%                        | –                             | –                         | –                 |
| Partially collateralised: LTV > 100% | –                             | –                         | –                 |
| – of which: Collateral value         | –                             | –                         | –                 |
| <b>Total</b>                         | <b>6,942</b>                  | <b>(662)</b>              | <b>9.5</b>        |
| <b>90 days past due or more</b>      |                               |                           |                   |
| Not collateralised                   | 937                           | (629)                     | 67.1              |
| Fully collateralised                 | 17,129                        | (4,706)                   | 27.5              |
| – less than or equal to 50%          | 11,644                        | (1,793)                   | 15.4              |
| – 51% to 75%                         | 4,341                         | (2,535)                   | 58.4              |
| – 76% to 90%                         | 1,144                         | (378)                     | 33.0              |
| – 91% to 100%                        | –                             | –                         | –                 |
| Partially collateralised: LTV > 100% | 214                           | (213)                     | 99.5              |
| – of which: Collateral value         | 47                            |                           |                   |
| <b>Total</b>                         | <b>18,280</b>                 | <b>(5,548)</b>            | <b>30.4</b>       |
| <b>At 31 Dec 2024</b>                | <b>2,087,071</b>              | <b>(17,301)</b>           | <b>0.8</b>        |

The bank typically does not hold collateral against financial assets measured at fair value through profit or loss, financial investments and loans to banks, and no such collateral was held at 31 December 2025 and 2024.

# Notes on the financial statements

## Forward-looking information incorporated in the ECL model

ECL impairment allowances recognised in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis. The recognition and measurement of ECL involves the use of significant judgement and estimation. It is necessary to formulate multiple forward-looking economic forecasts and incorporate them into the ECL estimates. The bank uses a standard framework to form economic scenarios to reflect assumptions about future economic conditions, supplemented with the use of management judgement, which may result in using alternative or additional economic scenarios and/or management judgemental adjustments.

### Methodology

HSBC has developed a globally consistent methodology for the application of forward economic guidance ('FEG') into the calculation of ECL by incorporating macroeconomic variables into the estimation of the term structure of probability of default ('PD') and loss given default ('LGD').

Three economic scenarios are used to capture the current economic environment and to articulate management's view of the range of potential outcomes. The Central, Upside and Downside scenarios selected with reference to external forecast distributions are termed the 'consensus economic scenarios'. The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting, while the outer scenarios represent the tails of the distribution, which are less likely to occur.

For the Central scenario, key assumptions such as GDP growth, inflation, unemployment and policy interest rates are calibrated using a panel of external forecasts (commonly referred to as consensus forecasts). The Upside and Downside scenarios are designed to be cyclical, in that the forecasted macroeconomic variables usually revert back to the Central scenario after the first three years. The approach centres on GDP growth rate forecasts. The remaining variables are then forecasted subject to restrictions to enable consistency with GDP forecasts.

To generate the consensus economic scenarios, a shortlist of the most relevant upside and downside economic and political risks is developed. This is known as the 'economic risk assessment'. For the Central scenario, a predefined set of economic paths is taken as the average of different forecast distributions. Paths for the two outer scenarios are benchmarked to the Central scenario and reflect the economic risk assessment. Scenarios are representative of the probability weighting scheme, informed by the current economic outlook, data analysis of past recessions, and transitions in and out of recession. The key assumptions made, and the accompanying paths, represent the 'best estimate' of a scenario at a specified probability.

A fourth scenario, the Downside 2 scenario is derived from a scenario developed by an external vendor, which represents a more severe downside scenario in the short term and is designed to capture tail-end risk. The scenario is constructed by realigning the implied shocks applied through the construction of the severe downside scenario developed by the external vendor to the consensus Central scenario. Amendments to the standard rules are applied when the Downside 2 scenario appears to be more optimistic than the consensus Downside scenario to ensure that the trajectory of the overall set of scenarios is reasonable. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic variables move permanently away from past trends.

### Description of economic scenarios

At the end of 2024, risks to the economic outlook included a number of significant geopolitical issues, including uncertainties in relation to the ongoing military conflict between Russia and Ukraine and the conflicts in the Middle East, as well as continued differences between the United States of America ('USA') and other countries with China over a range of economic and strategic issues.

During the financial year ended 31 December 2025, the observed changes to the USA's economic and trade policy, particularly the announcement of higher tariff rates targeting specific trading partners, as well as the retaliatory measures implemented by these trading partners, led to the creation of a highly uncertain and fluid global economy. Such uncertainties were exacerbated by changes to tariff rates as new bilateral trade agreements were being negotiated between countries, including the agreement reached between the European Union and the USA that led to an easing in trade tensions. In this respect, economic forecasts remain subject to a high degree of uncertainty.

The scenarios used to calculate ECL are described below.

#### The consensus Central scenario

The local group's Central scenario reflects expectations for a more moderate real GDP growth rate, whereby the five-year average real GDP growth rate for the Maltese economy under the consensus Central scenario is lower than that forecasted as at 31 December 2024. In this respect, real GDP growth is set to remain stable at 3.3% in the upcoming three years.

Growth over the five-year projection horizon is expected to be led by private consumption, which is projected to continue to grow at a brisk pace, with investment also expected to increase and net exports projected to contribute positively, driven by trade in services, albeit to a lesser extent. This is reflected through a downward revision in each of the first three projected years when compared to the local group's projections as at 31 December 2024.

Employment growth is set to moderate, with the unemployment rate remaining close to 3%, edging down to 2.9% in subsequent years. Annual inflation is projected to continue to stabilise, from 2.5% in 2024 to 2.2% in 2025, before reaching 2.0% by 2027. Following strong growth last year, the upward pressure on wages is expected to dampen over the projection horizon as labour market tightness is set to ease, partly reflecting slower productivity growth. During 2025, the Governing Council of the European Central Bank lowered interest rates, with policy rates remaining unchanged towards the end of the year, aiming to stabilise inflation at its target in the medium term.

For the wholesale portfolio, the local group also takes into consideration the possibility of adverse trade effects related to geopolitical tensions, higher tariffs triggered by changes in trade policy driven by the USA, and the impact of retaliatory measures.

Finally, the consensus Central scenario also assumes that the effects of announced climate measures, carbon pricing and green levies are incorporated into economic forecasts where their short-term effects are known from enacted legislation, or may be reasonably projected from current trends and statutory targets.

The probability weight assigned to the Central scenario is 75% (2024: 75%).

#### The consensus Upside scenario

Compared with the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to long-run trend expectations. In this respect, the consensus Upside scenario incorporates higher real GDP growth rates and a marginally lower unemployment rate compared to the consensus Central scenario. Inflation accelerates modestly, driven by increased investment and higher consumption spending.

The scenario is consistent with a number of key upside risk themes. These include a partial rollback of tariff measures, deregulation, an improvement in the relationship between the USA and China, and a de-escalation in geopolitical tensions.

## Notes on the financial statements

The probability weight assigned to the consensus Upside scenario is 10% (2024: 10%).

### Downside scenarios

Downside scenarios explore the intensification and crystallisation of a number of key economic and financial risks and are modelled so that economic shocks drive consumption and investment lower and commodity prices fall. Inflation and interest rates are lower compared to the Central scenario.

Key downside risks include an increase in protectionist policies, which lowers investment, complicates international supply chains, and impedes trade flows; abrupt asset repricing given elevated valuations, particularly in the tech sector, eroding wealth effects and economic activity, ultimately increasing credit risks. A renewal of trade tensions between the USA and its trading partners would amplify uncertainty and further dampen global growth, putting more downward pressure on imported inflation, which might add pressure on household incomes and corporate margins. Additionally, the heightened competitive pressures in markets targeted by tariffs represents a downside risk.

As can be observed below, the forecasted economic paths as at 31 December 2025 under the consensus Downside and Downside 2 scenarios, to which a combined probability weight of 15% is assigned, reflect a significant decrease in economic activity and increases in the national unemployment rate during the first three years to capture different assumptions in respect of the possible economic shocks triggered by an economic recession.

### The consensus Downside scenario

In the consensus Downside scenario, economic activity is weaker compared with the Central scenario. In this scenario, GDP declines, unemployment rates rise, and asset and commodity prices increase at a slower rate. Under this scenario, the effects of tariffs on the global economy are worse than expected, leading to weaker economic activity compared with the Central scenario.

The probability weight assigned to the consensus Downside scenario is 10% (2024: 10%).

### Downside 2 scenario

The Downside 2 scenario reflects the local group's view of the tail of the economic distribution. It incorporates the simultaneous crystallisation of a number of risks that lead to a deep global recession. The subsequent drop in demand leads to a steep fall in commodity prices, and a rapid increase in unemployment.

The Downside 2 scenario is designed to capture a more severe economic scenario, which features an escalation in tariff actions, resulting in a global trade war, and further intensification of geopolitical crises. The scenario is consistent with the USA tariff rate, measured as an effective trade-weighted average, rising to 25% in 2026, and remaining at that level in 2027. A contraction in the local economy, as evidenced by the negative real GDP growth rates and elevated unemployment rates in 2026 and 2027, causes a slowdown in the growth rate of property and commodity prices as central banks tighten monetary policy further and confidence evaporates.

The probability weight assigned to the Downside 2 scenario is 5% (2024: 5%).

### Macroeconomic scenario trajectories

The projected economic paths in respect of each of the key macroeconomic variables specific to the Maltese economy across the four macroeconomic scenarios described above are presented in the tables below:

#### Malta: Real GDP growth rates - 2025 projections

|                                      | Consensus scenarios |        |          | Downside 2 scenario |
|--------------------------------------|---------------------|--------|----------|---------------------|
|                                      | Central             | Upside | Downside |                     |
| 2025: Annual average growth rate (%) | 3.5                 | 3.5    | 3.5      | 3.5                 |
| 2026: Annual average growth rate (%) | 3.3                 | 4.1    | 2.6      | (0.7)               |
| 2027: Annual average growth rate (%) | 3.3                 | 4.3    | 2.3      | (0.4)               |
| 2028: Annual average growth rate (%) | 3.3                 | 3.8    | 2.7      | 4.5                 |
| 2029: Annual average growth rate (%) | 3.3                 | 3.2    | 3.2      | 4.8                 |
| Five year average growth rate (%)    | 3.3                 | 3.8    | 2.8      | 2.4                 |

#### Malta: Real GDP growth rates - 2024 projections

|                                      | Consensus scenarios |        |          | Downside 2 scenario |
|--------------------------------------|---------------------|--------|----------|---------------------|
|                                      | Central             | Upside | Downside |                     |
| 2024: Annual average growth rate (%) | 4.2                 | 4.2    | 4.2      | 4.2                 |
| 2025: Annual average growth rate (%) | 6.1                 | 7.0    | 4.2      | 0.5                 |
| 2026: Annual average growth rate (%) | 4.9                 | 6.4    | 3.7      | 0.7                 |
| 2027: Annual average growth rate (%) | 4.7                 | 5.5    | 4.1      | 4.3                 |
| 2028: Annual average growth rate (%) | 3.2                 | 3.1    | 3.1      | 4.5                 |
| Five year average growth rate (%)    | 4.6                 | 5.2    | 3.9      | 2.8                 |

#### Malta: Unemployment rate - 2025 projections

|                               | Consensus scenarios |        |          | Downside 2 scenario |
|-------------------------------|---------------------|--------|----------|---------------------|
|                               | Central             | Upside | Downside |                     |
| 2025: Annual average rate (%) | 2.9                 | 2.9    | 2.9      | 2.9                 |
| 2026: Annual average rate (%) | 3.0                 | 2.9    | 3.0      | 3.1                 |
| 2027: Annual average rate (%) | 3.0                 | 2.9    | 3.1      | 3.3                 |
| 2028: Annual average rate (%) | 2.9                 | 2.9    | 3.0      | 3.4                 |
| 2029: Annual average rate (%) | 2.9                 | 2.9    | 2.9      | 3.5                 |
| Five year average rate (%)    | 2.9                 | 2.9    | 3.0      | 3.3                 |

## Notes on the financial statements

### Malta: Unemployment rate - 2024 projections

|                               | Consensus scenarios |        |          | Downside 2 scenario |
|-------------------------------|---------------------|--------|----------|---------------------|
|                               | Central             | Upside | Downside |                     |
| 2024: Annual average rate (%) | 3.0                 | 3.0    | 3.0      | 3.0                 |
| 2025: Annual average rate (%) | 3.1                 | 2.9    | 3.4      | 3.5                 |
| 2026: Annual average rate (%) | 3.1                 | 2.9    | 3.4      | 3.9                 |
| 2027: Annual average rate (%) | 3.0                 | 3.0    | 3.1      | 3.8                 |
| 2028: Annual average rate (%) | 3.0                 | 3.0    | 3.0      | 3.4                 |
| Five year average rate (%)    | 3.0                 | 3.0    | 3.2      | 3.5                 |

### Malta: Consumer price index - 2025 projections

|                                      | Consensus scenarios |            |            | Downside 2 scenario |
|--------------------------------------|---------------------|------------|------------|---------------------|
|                                      | Central             | Upside     | Downside   |                     |
| 2025: Annual average growth rate (%) | <b>2.2</b>          | <b>2.2</b> | <b>2.2</b> | <b>2.2</b>          |
| 2026: Annual average growth rate (%) | <b>2.1</b>          | <b>2.4</b> | <b>1.2</b> | <b>0.8</b>          |
| 2027: Annual average growth rate (%) | <b>2.0</b>          | <b>2.4</b> | <b>1.0</b> | <b>0.5</b>          |
| 2028: Annual average growth rate (%) | <b>1.9</b>          | <b>2.0</b> | <b>1.7</b> | <b>1.7</b>          |
| 2029: Annual average growth rate (%) | <b>2.0</b>          | <b>1.9</b> | <b>1.9</b> | <b>1.7</b>          |
| Five year average growth rate (%)    | <b>2.0</b>          | <b>2.1</b> | <b>1.6</b> | <b>1.3</b>          |

### Malta: Consumer price index - 2024 projections

|                                      | Consensus scenarios |        |          | Downside 2 scenario |
|--------------------------------------|---------------------|--------|----------|---------------------|
|                                      | Central             | Upside | Downside |                     |
| 2024: Annual average growth rate (%) | 2.5                 | 2.5    | 2.5      | 2.5                 |
| 2025: Annual average growth rate (%) | 2.4                 | 1.9    | 3.0      | 6.1                 |
| 2026: Annual average growth rate (%) | 2.0                 | 1.9    | 1.6      | (2.6)               |
| 2027: Annual average growth rate (%) | 2.0                 | 2.3    | 1.9      | (0.7)               |
| 2028: Annual average growth rate (%) | 2.1                 | 2.1    | 2.1      | 0.8                 |
| Five year average % change           | 2.2                 | 2.1    | 2.2      | 1.2                 |

### Malta: House price index - 2025 projections

|                                      | Consensus scenarios |            |            | Downside 2 scenario |
|--------------------------------------|---------------------|------------|------------|---------------------|
|                                      | Central             | Upside     | Downside   |                     |
| 2025: Annual average growth rate (%) | <b>5.5</b>          | <b>5.5</b> | <b>5.5</b> | <b>5.5</b>          |
| 2026: Annual average growth rate (%) | <b>4.9</b>          | <b>5.7</b> | <b>4.1</b> | <b>1.8</b>          |
| 2027: Annual average growth rate (%) | <b>4.4</b>          | <b>5.4</b> | <b>3.4</b> | <b>1.1</b>          |
| 2028: Annual average growth rate (%) | <b>4.1</b>          | <b>4.7</b> | <b>3.5</b> | <b>1.5</b>          |
| 2029: Annual average growth rate (%) | <b>4.0</b>          | <b>4.0</b> | <b>4.0</b> | <b>3.8</b>          |
| Five year average growth rate (%)    | <b>4.2</b>          | <b>4.7</b> | <b>3.7</b> | <b>2.6</b>          |

### Malta: House price index - 2024 projections

|                                      | Consensus scenarios |        |          | Downside 2 scenario |
|--------------------------------------|---------------------|--------|----------|---------------------|
|                                      | Central             | Upside | Downside |                     |
| 2024: Annual average growth rate (%) | 6.9                 | 6.9    | 6.9      | 6.9                 |
| 2025: Annual average growth rate (%) | 6.3                 | 8.4    | 3.8      | 0.4                 |
| 2026: Annual average growth rate (%) | 7.2                 | 8.5    | 5.8      | (5.5)               |
| 2027: Annual average growth rate (%) | 4.9                 | 5.3    | 4.5      | (8.6)               |
| 2028: Annual average growth rate (%) | 4.7                 | 4.7    | 4.7      | (1.0)               |
| Five year average % change           | 6.0                 | 6.8    | 5.1      | (1.6)               |

### Malta: Short-term interest rates - 2025 projections

|                               | Consensus scenarios |            |            | Downside 2 scenario |
|-------------------------------|---------------------|------------|------------|---------------------|
|                               | Central             | Upside     | Downside   |                     |
| 2025: Annual average rate (%) | <b>2.1</b>          | <b>2.1</b> | <b>2.1</b> | <b>2.1</b>          |
| 2026: Annual average rate (%) | <b>1.8</b>          | <b>2.3</b> | <b>0.9</b> | <b>0.5</b>          |
| 2027: Annual average rate (%) | <b>2.0</b>          | <b>2.3</b> | <b>0.9</b> | <b>0.2</b>          |
| 2028: Annual average rate (%) | <b>2.2</b>          | <b>2.3</b> | <b>1.8</b> | <b>0.6</b>          |
| 2029: Annual average rate (%) | <b>2.6</b>          | <b>2.6</b> | <b>2.6</b> | <b>1.1</b>          |
| Five year average rate (%)    | <b>2.3</b>          | <b>2.4</b> | <b>1.8</b> | <b>0.8</b>          |

### Malta: Short-term interest rates - 2024 projections

|                               | Consensus scenarios |        |          | Downside 2 scenario |
|-------------------------------|---------------------|--------|----------|---------------------|
|                               | Central             | Upside | Downside |                     |
| 2024: Annual average rate (%) | 3.6                 | 3.6    | 3.6      | 3.6                 |
| 2025: Annual average rate (%) | 2.0                 | 1.4    | 2.5      | 3.8                 |
| 2026: Annual average rate (%) | 1.8                 | 1.8    | 0.2      | 0.8                 |
| 2027: Annual average rate (%) | 2.0                 | 2.0    | 0.8      | 0.3                 |
| 2028: Annual average rate (%) | 2.2                 | 2.2    | 1.9      | 0.7                 |
| Five year average rate (%)    | 2.3                 | 2.2    | 1.8      | 1.8                 |

## Notes on the financial statements

### Scenario weighting

In reviewing the economic environment, the level of uncertainty and risk, management has considered both global and country-specific factors. Standard probabilistic assessments based on historical and observed macroeconomic experience are of limited value when extreme economic events occur, given that such events are poorly represented in historical macroeconomic data. As such, the historical distributions are only used as a guidance and less relied upon when determining the appropriate weights.

However, despite the tariff policy changes, measures of risk and uncertainty that are used to inform judgements around the Central scenario and the dispersion of forecasts around the consensus have remained stable.

This has led management to assign scenario probabilities that are aligned to the standard scenario framework as at 31 December 2025, thereby retaining the same probability weights applied as at 31 December 2024. In this respect, the consensus Upside and Central scenarios were assigned a combined weighting of 85%, consistent with the approved framework. The Downside 1 scenario is then assigned 10% probability and the Downside 2 is assigned 5%.

The probability weights assigned to the respective scenarios across all wholesale and retail portfolios as at 31 December 2025 and 31 December 2024 are presented in the table below:

|                               | Consensus Scenarios |        |          | Downside 2 scenario |
|-------------------------------|---------------------|--------|----------|---------------------|
|                               | Central             | Upside | Downside |                     |
| Probability (%) – 31 Dec 2025 | 75                  | 10     | 10       | 5                   |
| Probability (%) – 31 Dec 2024 | 75                  | 10     | 10       | 5                   |

### How economic scenarios are reflected in the retail calculation of ECL

With respect to the retail portfolio, historical relationships between observed default rates and macroeconomic variables are integrated into IFRS 9 ECL estimates. The impact of these scenarios on PDs is modelled over a period equal to the remaining maturity of underlying assets. In contrast, no FEG impact on LGD is modelled in respect of exposures classified within any of the retail portfolios. The key macroeconomic variables used for the retail portfolio are specific to Malta and have been calibrated in line with the methodology explained on previous pages.

Based on an assessment performed by the local group in respect of the correlation between historical observed default rates and various macroeconomic variables, it was determined that the most relevant macroeconomic variables to use within the ECL calculation in respect of mortgages were unemployment and real GDP growth rates. A relative 80:20 weighting was assigned to unemployment and real GDP growth rates respectively. Expert judgement was applied in the selection of the macroeconomic variables as well as the assignment of the relative weightings. In view of the fact that the Loan to Value ('LTV') ratio represents one of the criteria used for segmentation purposes in respect of exposures classified within the mortgage portfolio, the House Price Index ('HPI') is also considered in the estimation of forward-looking PIT PDs, with exposures migrating between segments on the basis of forecasted shocks to the HPI, which in turn impact the LTV segmentation.

In contrast, the modelling of forward-looking macroeconomic scenarios in respect of exposures classified within unsecured retail portfolios is linked to a singular macroeconomic variable. In this respect, the key macroeconomic variable used in the estimation of ECLs in respect of retail overdrafts and personal loans is the unemployment rate, whereas the real GDP growth rate is used as the key macroeconomic variable for credit cards.

### How economic scenarios are reflected in the wholesale calculation of ECL

For the wholesale portfolio, FEG is incorporated into the calculation of ECL through the estimation of the term structure of PD and LGD.

For the PD calculation, forward-looking PDs are approximated by using a proxy country's PDs and macroeconomic paths, shifted by a scalar. A suitable proxy is selected using the Bhattacharyya methodology which compares various proxy sites' principal component macroeconomic variables to local variables to determine the most suitable site. The scalar is then calculated, which is intended to capture the difference between the proxy and local sensitivities to economic shocks.

For the LGD calculation, the correlation of FEG, derived from the assumed macroeconomic paths of the proxy site, to collateral values, which are in turn derived from the bank's data, is taken into account.

For non-credit impaired loans, the local group uses the proxy country's real GDP growth rate, unemployment rate, consumer price index, short term interest rate, and the house price index as the relevant macroeconomic variables to determine the term structure of PD and LGD. The macroeconomic paths modelled in respect of the macroeconomic variables used by the proxy country are assessed by management to be similar to those modelled in respect of the retail portfolios, with similar shocks and trajectories being applied for the proxy country's and Malta's economies.

For credit impaired loans, LGD estimates take into account independent recovery valuations provided by external consultants, or internal forecasts corresponding to anticipated economic conditions and individual company conditions. In estimating the ECL on credit impaired loans that are individually considered not to be significant, the model incorporates forward economic guidance proportionate to the probability weighted outcome and the consensus Central scenario outcome for individually significant stage 3 loans.

### Management judgemental adjustments

In the context of ECL measurement, management judgemental adjustments are short-term increases or decreases to the ECL at a customer, segment or portfolio level to account for late-breaking events, model and data limitations and deficiencies, and expert credit judgement applied following management review and challenge. This includes refining model inputs and outputs and using adjustments to ECL based on management judgement and higher-level quantitative analysis for impacts that are difficult to model.

The effects of management judgemental adjustments are considered for balances and ECL when determining whether or not a significant increase in credit risk has occurred and are attributed or allocated to a stage as appropriate.

Management judgemental adjustments are reviewed under the governance process for IFRS 9. Review and challenge focuses on the rationale and quantum of the adjustments with a further review carried out by the second line of defence where significant. For some management judgemental adjustments, internal frameworks establish the conditions under which these adjustments should no longer be required and as such are considered as part of the governance process. This internal governance process allows management judgemental adjustments to be reviewed regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

The drivers of management judgemental adjustments continue to evolve with the economic environment, and as new risks emerge.

## Notes on the financial statements

As explained previously, due to the subsiding of inflationary pressures and the lowering of market interest rates, a management overlay amounting to €5.0 million, previously estimated to capture the risk of increases in inflation and interest rates impacting the affordability of borrowers within the retail mortgage portfolio, was no longer deemed to be required and was fully reversed as at 31 December 2024.

During the financial year ended 31 December 2025, the local group refreshed the underlying model development data used to estimate PDs and LGDs in respect of the mortgage portfolio. As part of this process, management applied a level of expert judgement in order to assess the impact of model and data limitations attributable to the model development period on the incidence of default events. In this respect, such model and data limitations have been addressed through the estimation of a management overlay to account for the possible underestimation of default rates and loss severities, which overlay amounted to €3.6 million as at 31 December 2025.

No adjustments were deemed to be necessary in respect of the wholesale portfolio as at 31 December 2025 and 31 December 2024, since more information is available to management in respect of corporate borrowers compared to individual borrowers, with the potential impact of emerging risks on the wholesale portfolio deemed to be captured as part of the ongoing monitoring of credit risk at borrower level.

### Economic scenarios sensitivity analysis of ECL estimates

The ECL outcome is sensitive to judgement and estimations made with regards to the formulation and incorporation of multiple forward-looking economic conditions described on previous pages. As a result, management assessed and considered the sensitivity of the ECL outcome to the forward-looking economic conditions as part of the ECL governance process.

As at 31 December 2025 and 2024, the sensitivity of the ECL outcome to the economic forecasts was assessed by recalculating the ECL under the scenarios described on previous pages for the wholesale and retail portfolios, applying a 100% weighting to each scenario in turn. In this respect, the credit loss allowances estimated on the basis of an assumption that the ECL outcome was determined solely on the basis of each respective scenario are presented in the table below.

The ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating ECL for loans at the balance sheet date. There is a particularly high degree of estimation uncertainty in numbers representing more severe risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes the ECL related to defaulted (stage 3) obligors. It is generally impracticable to separate the effect of macroeconomic factors in individual assessments of obligors in default. The measurement of stage 3 ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and loans to defaulted obligors are a small portion of the overall wholesale lending exposure, even if representing the majority of the allowance for ECL. Therefore, the ECL in respect of wholesale stage 3 exposures is assumed to remain constant across the sensitivity outcomes presented in the table below.

For retail credit risk exposures, the sensitivity analysis includes ECL for loans and advances to customers related to defaulted obligors. This is because the retail ECL for secured mortgage portfolios including loans in all stages is sensitive to macroeconomic variables. The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario. Accordingly, the management judgemental adjustments modelled in respect of both comparative periods and referred to previously are assumed to remain constant across the sensitivity outcomes presented in the table below.

### ECL sensitivity: Applying a 100% weighting to each respective scenario – 2025

|                   | Weighted average<br>ECL<br>€000 | Consensus scenarios |                |                  | Downside 2<br>scenario<br>€000 |
|-------------------|---------------------------------|---------------------|----------------|------------------|--------------------------------|
|                   |                                 | Central<br>€000     | Upside<br>€000 | Downside<br>€000 |                                |
| Wholesale lending | 8,958                           | 8,835               | 8,548          | 9,299            | 10,941                         |
| Personal lending  | 15,919                          | 15,866              | 15,804         | 15,938           | 16,899                         |

### ECL sensitivity: Applying a 100% weighting to each respective scenario – 2024

|                   | Weighted average<br>ECL<br>€000 | Consensus scenarios |                |                  | Downside 2<br>scenario<br>€000 |
|-------------------|---------------------------------|---------------------|----------------|------------------|--------------------------------|
|                   |                                 | Central<br>€000     | Upside<br>€000 | Downside<br>€000 |                                |
| Wholesale lending | 9,150                           | 8,889               | 8,044          | 9,998            | 13,587                         |
| Personal lending  | 20,150                          | 20,070              | 19,967         | 20,249           | 21,537                         |

In addition, in view of the expert judgement applied in the calibration of weightings applied to unemployment and real GDP growth rates in the estimation of ECLs in respect of exposures classified within the retail mortgage portfolio, another sensitivity was assessed and considered by estimating the ECL outcome using different weighting combinations. In this respect, the ECL outcome under three sets of weightings is presented in the table below:

### ECL sensitivity: Applying different sets of weightings to macroeconomic variables

|   | Weighted<br>average<br>ECL<br>2025<br>€000 | Weighted<br>average<br>ECL<br>2024<br>€000 |
|---|--|--|
| Unemployment 80% : Real GDP growth rate 20% | 14,292                                     | 18,475                                     |
| Unemployment 100% : Real GDP growth rate 0% | 14,198                                     | 18,617                                     |
| Unemployment 0% : Real GDP growth rate 100% | 14,758                                     | 18,095                                     |

The sensitivity presented in the table above relates to the carrying amount of the retail mortgage portfolio, which comprises first lien and second lien residential mortgages, together with the respective accrued interest attributable to the same portfolio. In this respect, the weighted average ECL under the year-end calibration of weightings (Unemployment 80% : Real GDP growth rate 20%) cannot be agreed to the amounts presented in other tables.

## Notes on the financial statements

### Treasury Bills and debt securities

The following table presents the analysis of debt securities and other bills by agency ratings (Standard & Poor's Rating Agency). Information relating to the HSBC Life insurance business is disclosed in Note 4(f)(iii).

#### Debt securities and other bills by rating agency

|  | Treasury Bills<br>€000 | Debt securities<br>€000 | Total<br>€000    |
|--|------------------------|-------------------------|------------------|
| <b>– measured at fair value through other comprehensive income</b> | <b>307,519</b>         | <b>1,184,911</b>        | <b>1,492,430</b> |
| AAA  | –                      | 364,847                 | 364,847          |
| AA+ to AA-   | –                      | 283,923                 | 283,923          |
| A+ to A-   | 307,519                | 536,141                 | 843,660          |
| <b>– measured at amortised cost</b>                                | <b>–</b>               | <b>1,352,502</b>        | <b>1,352,502</b> |
| AAA  | –                      | 597,601                 | 597,601          |
| AA+ to AA-   | –                      | 331,036                 | 331,036          |
| A+ to A-   | –                      | 423,865                 | 423,865          |
| <b>At 31 Dec 2025</b>  | <b>307,519</b>         | <b>2,537,413</b>        | <b>2,844,932</b> |
| <b>– measured at fair value through other comprehensive income</b> | <b>234,541</b>         | <b>1,146,007</b>        | <b>1,380,548</b> |
| AAA  | –                      | 346,034                 | 346,034          |
| AA+ to AA-   | 49,629                 | 479,673                 | 529,302          |
| A+ to A-   | 184,912                | 320,300                 | 505,212          |
| <b>– measured at amortised cost</b>                                | <b>–</b>               | <b>1,145,128</b>        | <b>1,145,128</b> |
| AAA  | –                      | 549,717                 | 549,717          |
| AA+ to AA-   | –                      | 430,424                 | 430,424          |
| A+ to A-   | –                      | 164,987                 | 164,987          |
| <b>At 31 Dec 2024</b>  | <b>234,541</b>         | <b>2,291,135</b>        | <b>2,525,676</b> |

### Derivatives

The bank participates in transactions exposing it to counterparty credit risk. Counterparty credit risk is the risk of financial loss if the counterparty to a transaction defaults before satisfactorily settling it and it arises principally from Over-the-Counter ('OTC') derivatives. Transactions vary in value by reference to a market factor such as interest rate, exchange rate or asset price. The bank manages its trading derivative market risk positions principally through back-to-back derivative transactions with HSBC Group entities in respect of derivatives forming part of fair value designated relationships. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment ('CVA').

For transactions with HSBC Group entities, the bank has an International Swaps and Derivatives Association ('ISDA') Master Agreement in place. It provides the contractual framework within which dealing activity across a full range of OTC products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-agreed termination events occur. In this respect, gross derivative assets amounting to €2,544,000 (2024: €16,665,000) are subject to enforceable netting agreement. However, they are not offset in the balance sheet as they do not meet the on-balance sheet offsetting criteria for financial reporting purposes. Similarly, gross derivative liabilities amounting to €3,575,000 (2024: €523,000) are subject to enforceable netting agreement. However, they are not offset in the balance sheet as they do not meet the on-balance sheet offsetting criteria for financial reporting purposes.

## (c) Liquidity risk

Liquidity risk is the risk that the local group does not have sufficient financial resources to meet its financial obligations when they fall due or will have to do so at excessive cost. This risk principally arises from mismatches in the timing of cash flows. Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot be obtained on the expected terms and when required.

This section presents information about the bank's exposure to liquidity risk, together with its objectives, policies and processes for measuring and managing this risk.

The risks arising from financial instruments relating to the insurance subsidiary company are disclosed in Note 4(f) of these financial statements.

The objective of the bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the bank maintains a diversified and stable funding base. The funding base comprises core personal and corporate customer deposits as well as wholesale funding, whereas the bank's liquidity position comprises portfolios of highly liquid assets with the objective of enabling the bank to respond quickly and smoothly to unforeseen liquidity requirements.

The bank maintains strong liquidity positions and manages the liquidity profiles of assets, liabilities and commitments with the objective of ensuring that cash flows are balanced appropriately and that all anticipated obligations can be met when due.

The bank's liquidity and funding management processes include:

- projecting cash flows by major currency under various stress scenarios considering the level of liquid assets necessary in relation thereto;
- monitoring liquidity ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of debt maturities;
- monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systematic or other crises while minimising adverse long-term implications for the business.

### Primary sources of funding

Customer deposits in the form of current accounts and savings deposits payable on demand or at short notice form a significant part of the bank's funding, and thus considerable importance is placed on maintaining their stability. For deposits, stability depends upon maintaining depositor confidence in the bank's capital strength and liquidity, and on competitive and transparent pricing.

### Management of liquidity and funding risk

The bank's liquidity and funding risk management framework employs two key measures to define, monitor and control the liquidity and funding risk. The Net Stable Funding Ratio ('NSFR') is used to monitor the structural long-term funding position of the bank, and the Liquidity Coverage Ratio ('LCR') metric is used to gauge the short-term resilience of the bank's liquidity profile. The bank also monitors the contractual maturity ladder, which provides insight into the extent to which the bank relies on maturity transformation in respect of contractual cash flows. More precisely, the maturity ladder is used by the bank to determine the availability of liquid assets to meet the liquidity gaps for diverse time horizons.

The bank's ALCO focuses on the management process with respect to liquidity and funding risks. Compliance with established limits is monitored by the local ALCO.

#### i Liquidity Coverage Ratio

The LCR metric is designed to promote the short-term resilience of a bank's liquidity profile, and became a minimum regulatory standard from 1 October 2015, under European Commission ('EC') Delegated Regulation 2015/61. It aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLA') to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. HQLA consist of cash or assets that can be converted into cash at little or no loss of value in the markets.

During the financial years ended 31 December 2025 and 2024, the LCR was in excess of both the regulatory minimum and the risk appetite thresholds set by the bank.

#### ii Net Stable Funding Ratio

The NSFR requires institutions to maintain sufficient stable funding relative to required stable funding, and reflects a bank's long-term funding profile (funding with a term of more than a year). It is designed to complement the LCR.

The bank calculates the NSFR in line with the provisions of Regulation (EU) No.575/2013, known as the Capital Requirements Regulation ('CRR'), as amended through subsequent publications in the Official Journal of the European Union.

During the financial years ended 31 December 2025 and 2024, the NSFR was in excess of both the regulatory minimum and the risk appetite thresholds set by the bank.

#### iii Depositor concentration

The LCR and NSFR metrics assume a stressed outflow based on a portfolio of depositors within different depositor segments. The validity of these assumptions is challenged if the underlying depositors do not represent a large enough portfolio so that a depositor concentration exists. The bank is exposed to term re-financing concentration risk if the current maturity profile results in future maturities being overly concentrated in any defined period.

As at 31 December 2025 and 2024, the bank was within the risk appetite levels set for depositor concentration and term funding maturity concentration.

## Notes on the financial statements

### iv Contractual maturity ladder

The following is an analysis of financial assets and liabilities (excluding financial instruments relating to HSBC Life Assurance (Malta) Ltd.) by remaining contractual maturities at the reporting date. Information relating to HSBC Life insurance business is disclosed in Note 4(f)(iv):

#### Financial assets and liabilities (excluding financial instruments relating to HSBC Life Assurance (Malta) Ltd) by remaining contractual maturities

|  | Bank                              |                                      |   |  |                              |                             | Total<br>€000    |
|--|-----------------------------------|--------------------------------------|---|--|------------------------------|-----------------------------|------------------|
|  | At 31 Dec 2025                    |                                      |   |  |                              |                             |                  |
|  | Not more than<br>3 months<br>€000 | Between<br>3 and 6<br>months<br>€000 | Between<br>6 months<br>and 1 year<br>€000 | Between<br>1 year and<br>5 years<br>€000 | More than<br>5 years<br>€000 | No maturity<br>date<br>€000 |                  |
| <b>Assets</b>  |                                   |                                      |   |  |                              |                             |                  |
| Cash   | 34,605                            | —                                    | —   | —  | —                            | —                           | 34,605           |
| Balances with Central Bank of Malta and Treasury Bills | 1,060,713                         | 106,242                              | 30,580                                    | —  | —                            | 60,964                      | 1,258,499        |
| Items in the course of collection from other banks     | 4,628                             | —                                    | —   | —  | —                            | —                           | 4,628            |
| Derivatives  | 526                               | 953                                  | 2,752                                     | 1,905                                    | 77                           | —                           | 6,213            |
| Loans and advances to banks                            | 586,272                           | 67,095                               | 815                                       | —  | —                            | —                           | 654,182          |
| Loans and advances to customers                        | 304,351                           | 14,677                               | 44,641                                    | 288,625                                  | 2,109,869                    | —                           | 2,762,163        |
| Financial investments                                  | 84,548                            | 249,797                              | 335,037                                   | 1,868,031                                | —                            | 45                          | 2,537,458        |
| Other assets   | 22,112                            | 5,479                                | 2,920                                     | —  | —                            | 1,760                       | 32,271           |
| <b>Total assets</b>                                    | <b>2,097,755</b>                  | <b>444,243</b>                       | <b>416,745</b>                            | <b>2,158,561</b>                         | <b>2,109,946</b>             | <b>62,769</b>               | <b>7,290,019</b> |
| <b>Liabilities</b>                                     |                                   |                                      |   |  |                              |                             |                  |
| Deposits by banks                                      | 1,429                             | —                                    | —   | —  | —                            | —                           | 1,429            |
| Customer accounts                                      | 6,136,649                         | 176,221                              | 195,276                                   | 39,401                                   | —                            | —                           | 6,547,547        |
| Items in course of transmission to other banks         | 11,837                            | —                                    | —   | —  | —                            | —                           | 11,837           |
| Derivatives  | 503                               | 897                                  | 2,472                                     | 903                                      | 77                           | —                           | 4,852            |
| Borrowings from a group undertaking                    | 30,000                            | —                                    | —   | 120,000                                  | —                            | —                           | 150,000          |
| Subordinated liabilities                               | —                                 | —                                    | —   | 65,000                                   | —                            | —                           | 65,000           |
| Other liabilities                                      | 4,619                             | 688                                  | 1,443                                     | 1,211                                    | 1,116                        | —                           | 9,077            |
| <b>Total liabilities</b>                               | <b>6,185,037</b>                  | <b>177,806</b>                       | <b>199,191</b>                            | <b>226,515</b>                           | <b>1,193</b>                 | <b>—</b>                    | <b>6,789,742</b> |
| Liquidity gap  | (4,087,282)                       | 266,437                              | 217,554                                   | 1,932,046                                | 2,108,753                    | —                           | —                |
| <b>Cumulative liquidity gap</b>                        | <b>(4,087,282)</b>                | <b>(3,820,845)</b>                   | <b>(3,603,291)</b>                        | <b>(1,671,245)</b>                       | <b>437,508</b>               |                             |                  |

At 31 Dec 2024

| At 31 Dec 2024   |                    |                    |                    |                    |                  |               |                  |
|--|--------------------|--------------------|--------------------|--------------------|------------------|---------------|------------------|
| Assets   |                    |                    |                    |                    |                  |               |                  |
| Cash   | 30,158             | —                  | —                  | —                  | —                | —             | 30,158           |
| Balances with Central Bank of Malta and Treasury Bills | 886,606            | 93,140             | 4,905              | —                  | —                | 58,861        | 1,043,512        |
| Items in the course of collection from other banks     | 4,061              | —                  | —                  | —                  | —                | —             | 4,061            |
| Derivatives  | 3,266              | 2,699              | 6,079              | 5,198              | —                | —             | 17,242           |
| Loans and advances to banks                            | 499,484            | 101,548            | —                  | —                  | —                | —             | 601,032          |
| Loans and advances to customers                        | 295,924            | 15,662             | 20,627             | 267,590            | 2,273,355        | —             | 2,873,158        |
| Financial investments                                  | 215,343            | 51,514             | 275,895            | 1,748,383          | —                | 43            | 2,291,178        |
| Other assets   | 23,906             | 4,144              | 2,471              | —                  | —                | 1,760         | 32,281           |
| <b>Total assets</b>                                    | <b>1,958,748</b>   | <b>268,707</b>     | <b>309,977</b>     | <b>2,021,171</b>   | <b>2,273,355</b> | <b>60,664</b> | <b>6,892,622</b> |
| <b>Liabilities</b>                                     |                    |                    |                    |                    |                  |               |                  |
| Deposits by banks                                      | 2,398              | —                  | —                  | —                  | —                | —             | 2,398            |
| Customer accounts                                      | 5,787,462          | 128,859            | 217,159            | 42,349             | —                | —             | 6,175,829        |
| Items in course of transmission to other banks         | 10,872             | —                  | —                  | —                  | —                | —             | 10,872           |
| Derivatives  | 3,159              | 2,649              | 5,348              | 2,591              | —                | —             | 13,747           |
| Borrowings from a group undertaking                    | —                  | —                  | —                  | 30,000             | 60,000           | —             | 90,000           |
| Subordinated liabilities                               | —                  | —                  | —                  | —                  | 65,000           | —             | 65,000           |
| Other liabilities                                      | 4,896              | 959                | 1,892              | 1,669              | 665              | —             | 10,081           |
| <b>Total liabilities</b>                               | <b>5,808,787</b>   | <b>132,467</b>     | <b>224,399</b>     | <b>76,609</b>      | <b>125,665</b>   | <b>—</b>      | <b>6,367,927</b> |
| Liquidity gap  | (3,850,039)        | 136,240            | 85,578             | 1,944,562          | 2,147,690        | —             | —                |
| <b>Cumulative liquidity gap</b>                        | <b>(3,850,039)</b> | <b>(3,713,799)</b> | <b>(3,628,221)</b> | <b>(1,683,659)</b> | <b>464,031</b>   |               |                  |

At 31 December 2025, current accounts and savings deposits payable on demand or at short notice amounted to €5,659 million at 31 December 2025 (2024: €5,330 million). This amount is disclosed within the 'Not more than three months' maturity grouping. However, in practice these deposits are maintained with the bank for longer periods. Hence, the effective behavioural date of repayment is later than the contractual date. This amount represents a significant part of the bank's funding. The bank places considerable importance on maintaining the stability of these deposits.

Overdraft and credit card balances included within 'Loans and advances to customers' amounted to €225 million at 31 December 2025 (2024: €225 million). This amount is also disclosed within the 'Not more than three months' maturity grouping.

The bank has sole discretion to avail itself of an early repayment option in respect of both the Borrowings from a group undertaking and the Subordinated liabilities by virtue of which the bank may opt to repay the outstanding liabilities at an earlier date. In this respect, in the tables above, these liabilities are being presented in accordance with the early repayment option date. As disclosed within Note 39 of the financial statements, the bank has triggered the Optional Early Redemption clause in respect of a loan of €30,000,000, classified within the 'Not more than three months' maturity grouping in the table above, during January 2026. Further information in respect of the applicable early repayment option dates is disclosed within Note 39 and Note 40.



## Notes on the financial statements

### Encumbered and unencumbered assets

|   | Group            |              | Bank             |              |
|---|------------------|--------------|------------------|--------------|
|   | 2025<br>€000     | 2024<br>€000 | 2025<br>€000     | 2024<br>€000 |
| <b>Total assets at 31 Dec</b>   | <b>8,151,127</b> | 7,741,726    | <b>7,430,713</b> | 7,035,525    |
| Less:   |                  |              |                  |              |
| Debt securities pledged in terms of the Depositor Compensation Scheme     | <b>13,763</b>    | 14,319       | <b>13,763</b>    | 14,319       |
| Less:   |                  |              |                  |              |
| Cash pledged in terms of the Recovery and Resolution Regulations          | <b>1,760</b>     | 1,760        | <b>1,760</b>     | 1,760        |
| Less:   |                  |              |                  |              |
| Other assets that cannot be pledged as collateral                         | <b>851,008</b>   | 859,895      | <b>157,858</b>   | 171,247      |
| <b>Assets available to support funding and collateral needs at 31 Dec</b> | <b>7,284,596</b> | 6,865,752    | <b>7,257,332</b> | 6,848,199    |

Out of the €7,285,000,000 (2024: €6,866,000,000) assets available for the local group and €7,257,000,000 (2024: €6,848,000,000) for the bank, €3,756,000,000 (2024: €3,292,000,000) form part of the local group's and the bank's High Quality Liquid Assets ('HQLA'). Debt securities and loans and advances to customers pledged against the provision of credit lines by the Central Bank of Malta amounting to €170,166,000 and €68,745,000 respectively (2024: €88,775,000 and €78,770,000) are being treated as unencumbered assets since the nature of these exposures makes them available for immediate release.

No Irrevocable Payment Commitments ('IPC') were made during the financial years ended 31 December 2025 and 31 December 2024.

The debt securities pledged in terms of the Depositor Compensation Scheme decreased by €556,000 (2024: increased by €1,057,000).

### (e) Market risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates and market prices will impact the local group's income or the value of its portfolios. Exposure to market risk arises from positions that primarily emanate from the interest rate management of the local group's retail and commercial banking assets and liabilities and financial investments measured at FVOCI and financial investments measured at amortised cost.

Similar to the case with liquidity risk, this section presents information about the bank's exposure to market risk, together with its objectives, policies and processes for measuring and managing this risk, excluding risks arising from financial instruments relating to the bank's subsidiaries.

The risks arising from financial instruments relating to the insurance subsidiary company are disclosed in Note 4(f) of these financial statements, whereas the risks arising from financial instruments relating to the asset management subsidiary company are deemed to be insignificant.

The objective of the bank's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the bank's status as a premier provider of financial products and services.

Market risk is managed and controlled through limits approved by HSBC Holdings plc and the global businesses. These limits are allocated across business segments and agreed with the HSBC Group's legal entities. The management of market risk is principally undertaken using risk limits allocated from the risk appetite. Limits are set for portfolios, products and risk types, with market liquidity being a principal factor in determining the level of limits set. The bank has an independent market risk management and control function which is responsible for measuring market risk exposures in accordance with policies, and monitoring and reporting these exposures against the prescribed limits on a daily basis.

Each line of business is requested to assess the market risks which arise on each product in the business and, where there is a risk that can be hedged in the market, this is transferred to the local Global Markets for management. Where market risk is identified but there is no viable hedge in the market, then the risk is managed under the local ALCO.

The bank transacts derivatives primarily to create risk management solutions for clients, referred to as 'trading derivatives', and to manage and hedge own risks, referred to as 'hedge accounting derivatives'.

Trading derivatives represent a product offering to the bank's customers, enabling them to take, transfer, modify or reduce current or expected risks in relation to foreign exchange and interest rate risk. All such positions are covered by back-to-back derivative transactions with HSBC Group entities, managing the market risk arising from these positions.

In response to increases in market interest rates during the financial year ended 31 December 2022, the bank implemented a risk management strategy to hedge the exposure to interest rate risk in respect of the fair value of debt instruments measured at FVOCI. In this respect, the bank entered into interest rate swap derivative contracts to protect against changes in the fair value of fixed-rate long-term debt instruments due to movements in market interest rates. These derivatives were maintained since then, with one of the hedged debt securities reaching its maturity during the financial year ended 31 December 2025, with the corresponding interest rate swap used as a hedging instrument also expiring.

Hedge accounting derivatives are used in the management of interest rate risk in respect of the bank's own asset portfolio and to hedge against unfavourable fair value movements in its portfolio of debt instruments measured at fair value through other comprehensive income.

### i Monitoring and limiting market risk exposure

The bank uses a range of tools to monitor and limit market risk exposures including sensitivity analysis, value at risk ('VaR'), and stress testing.

#### Sensitivity analysis

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios including interest rates and foreign exchange rates. The bank uses sensitivity measures to monitor the market risk positions within each risk type, for example, the present value of a basis point movement in interest rates for interest rate risk. Sensitivity limits are set for portfolios, products and risk types, with the depth of the market being one of the principal factors in determining the level of limits set.

# Notes on the financial statements

## Value at risk ('VaR')

VaR is a technique that estimates the potential losses on risk positions in a portfolio as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management.

The VaR model used by the bank is based predominantly on historical simulation. This model derives plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates such as interest rates and foreign exchange rates.

The historical simulation models used incorporate the following features:

- historical market rates and prices for exchange rates, interest rates, equity prices and the associated volatilities;
- potential market movements utilised for VaR are calculated with reference to data from the past two years; and
- VaR measures are calculated to a 99% confidence level and use a one-day holding period.

The nature of VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions. The bank routinely validates the accuracy of the VaR models by back-testing the hypothetical daily results.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a holding period assumes that all positions can be liquidated or the risks offset during that period. This may not fully reflect the market risk arising at times of severe illiquidity, when the holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level, by definition does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

The bank recognises these limitations and thus complements the VaR with other tools. Tabulated hereunder is the VaR for the bank's banking book position.

### VaR for the bank

|           | 2025<br>€000 | 2024<br>€000 |
|-----------|--------------|--------------|
| At 31 Dec | 1,288        | 1,509        |
| Average   | 1,289        | 1,244        |
| Minimum   | 1,080        | 934          |
| Maximum   | 1,463        | 1,799        |

The bank also performs a sensitivity of capital and reserves to movements in market interest rates through the use of a hold-to-collect-and-sell stressed VaR, which is a quantification of the potential losses to a 99% confidence level of the portfolio of high-quality liquid assets held under a hold-to-collect-and-sell business model and classified within 'Financial investments'. The mark-to-market of this portfolio therefore has an impact on the bank's capital ratio. Stressed VaR is quantified based on the worst losses over a one-year period, assuming a holding period of 60 days. In addition, the bank also calculates a stressed VaR in respect of the hold-to-collect portfolio classified within 'Financial investments'. At 31 December 2025, the stressed VaR of the hold-to-collect-and-sell and hold-to-collect portfolio was €53,700,000 (2024: €46,300,000) and €70,900,000 (2024: €58,100,000) respectively.

## Stress testing

Stress testing is an important tool that is integrated into the bank's market risk management to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such abnormal scenarios, losses can be much greater than those predicted by VaR modelling. A standard set of scenarios is utilised consistently across the HSBC Group, which are however tailored in order to capture the relevant events or market movements happening locally. The risk appetite around potential stress losses is set and monitored against referral limits.

## ii Interest rate risk

Interest rate risk in the banking book is the risk of an adverse impact to earnings or capital due to changes in market interest rates. It is generated by the bank's non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent or in order to hedge positions held with trading intent. The bank's ALCO is responsible for oversight over the bank's interest rate risk management process and actively uses a net interest income sensitivity to monitor and control interest rate risk in the banking book.

In prior years, the bank entered into interest rate swap derivative contracts to protect against changes in the fair value of certain fixed-rate debt instruments due to movements in market interest rates. These contracts qualify as fair value hedges for accounting purposes, with all changes in the fair value of the hedge accounting derivative (the 'hedging instrument') and in the fair value of the item in relation to the risk being hedged (the 'hedged item') being recognised in the income statement.

## Sensitivity of net interest income

A principal element of the bank's management of interest rate risk is monitoring the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The bank applies a combination of scenarios and assumptions which are used throughout the HSBC Group.

Projected net interest income sensitivity figures represent the effect of the pro forma movements in net interest income based on the projected yield curve scenarios and the current interest rate risk profile. This effect, however, does not incorporate actions which would probably be taken by the bank to mitigate the effect of interest rate risk. The bank actively seeks to change the interest rate risk profile to minimise losses and optimise net revenues.

## Notes on the financial statements

The net interest income sensitivity calculations shown in the table below assume that interest rates of all maturities move by the same amount in the 'up-shock' scenario and 'down-shock' scenario subject to an established response strategy set by the bank. The net interest income sensitivity calculations take account of the effect on net interest income of anticipated differences in changes between interbank interest rates and interest rates over which the bank has discretion in terms of the timing and extent of rate changes.

The table below sets out the impact on future one year net income of an incremental 100 basis points parallel downward or upward move in the yield curves, based on current financial position/risk profiles and current managed interest rate policy. These profiles and policies were reviewed by business heads and approved by ALCO.

### Impact on future one year net income

|                    | Bank                                 |                                      |
|--------------------|--------------------------------------|--------------------------------------|
|                    | Impact on future one year net income | Impact on future one year net income |
|                    | 2025                                 | 2024                                 |
|                    | €000                                 | €000                                 |
| + 100 basis points | 20,765                               | 18,378                               |
| - 100 basis points | (19,290)                             | (18,057)                             |

### Sensitivity of capital and reserves

The bank's high-quality liquid assets are held under a hold-to-collect or a hold-to-collect-and-sell business model. The latter portfolio, together with any associated derivatives in designated hedge accounting relationships, is accounted for at fair value through other comprehensive income and has an impact on the bank's capital base. The bank manages the risk attributable to this portfolio with a variety of tools, including risk sensitivities and value at risk measures.

The below table measures the sensitivity of the value of this portfolio to an instantaneous 100 basis point increase in interest rates.

### Sensitivity of Hold-to-Collect & Sell reserves to interest rate movements

|  | Bank               |                    |
|--|--------------------|--------------------|
|  | Impact on reserves | Impact on reserves |
|  | 2025               | 2024               |
|  | €000               | €000               |
| +100 basis point parallel move in all yield curves | (21,232)           | (22,499)           |
| As a percentage of total shareholders' equity (%)  | (3.59)             | (3.92)             |

The figures in the table above do not take into account the effects of interest rate convexity. The portfolio is mostly comprised of vanilla sovereign bonds and the primary risk is interest rate duration risk, although the portfolio also generates asset swap, credit spread and asset spread risks that are managed within appetite as part of the bank's risk management framework. A -100bp shock would lead to an approximately symmetrical gain.

The table below discloses the mismatch of the dates on which interest on financial assets and financial liabilities (excluding financial instruments relating to HSBC Life Assurance (Malta) Ltd) are next reset to market rates on a contractual basis or, if earlier, the dates on which the instruments mature as at 31 December. Actual reset dates may differ from contractual dates owing to prepayments and the exercise of options. In addition, contractual terms may not be representative of the behaviour of financial assets and liabilities.

## Notes on the financial statements

|  | Bank                                 |                                      |   |  |                              | Total<br>€000    |
|--|--------------------------------------|--------------------------------------|---|--|------------------------------|------------------|
|  | At 31 Dec 2025                       |                                      |   |  |                              |                  |
|  | Not more<br>than<br>3 months<br>€000 | Between<br>3 and 6<br>months<br>€000 | Between<br>6 months<br>and 1 year<br>€000 | Between<br>1 year and<br>5 years<br>€000 | More than<br>5 years<br>€000 |                  |
| <b>Assets</b>  |                                      |                                      |   |  |                              |                  |
| Balances with Central Bank of Malta and Treasury Bills         | 1,060,713                            | 106,242                              | 30,580                                    | —  | —                            | 1,197,535        |
| Loans and advances to banks                                    | 586,272                              | 67,095                               | 815                                       | —  | —                            | 654,182          |
| Loans and advances to customers                                | 2,703,381                            | 27,959                               | —   | 30,823                                   | —                            | 2,762,163        |
| Financial investments  | 85,404                               | 248,941                              | 335,037                                   | 1,868,031                                | —                            | 2,537,413        |
| <b>Total assets</b>  | <b>4,435,770</b>                     | <b>450,237</b>                       | <b>366,432</b>                            | <b>1,898,854</b>                         | <b>—</b>                     | <b>7,151,293</b> |
| <b>Liabilities</b>   |                                      |                                      |   |  |                              |                  |
| Deposits by banks  | 1,429                                | —                                    | —   | —  | —                            | 1,429            |
| Customer accounts  | 6,136,649                            | 176,221                              | 195,276                                   | 39,401                                   | —                            | 6,547,547        |
| Borrowings from a group undertaking                            | 150,000                              | —                                    | —   | —  | —                            | 150,000          |
| Subordinated liabilities                                       | 65,000                               | —                                    | —   | —  | —                            | 65,000           |
| <b>Total liabilities</b>                                       | <b>6,353,078</b>                     | <b>176,221</b>                       | <b>195,276</b>                            | <b>39,401</b>                            | <b>—</b>                     | <b>6,763,976</b> |
| Interest rate sensitivity gap                                  | (1,917,308)                          | 274,016                              | 171,156                                   | 1,859,453                                | —                            |                  |
| <b>Cumulative interest rate sensitivity gap</b>                | <b>(1,917,308)</b>                   | <b>(1,643,292)</b>                   | <b>(1,472,136)</b>                        | <b>387,317</b>                           | <b>387,317</b>               |                  |
| Impact of hedging interest rate derivatives - notional amounts | —                                    | —                                    | 78,000                                    | 131,000                                  | —                            |                  |
| <b>Net cumulative interest rate sensitivity gap</b>            | <b>(1,917,308)</b>                   | <b>(1,643,292)</b>                   | <b>(1,394,136)</b>                        | <b>596,317</b>                           | <b>596,317</b>               |                  |

|  | At 31 Dec 2024     |                    |                    |                  |                |                  |
|--|--------------------|--------------------|--------------------|------------------|----------------|------------------|
| <b>Assets</b>  |                    |                    |                    |                  |                |                  |
| Balances with Central Bank of Malta and Treasury Bills         | 886,606            | 93,140             | 4,905              | —                | —              | 984,651          |
| Loans and advances to banks                                    | 499,484            | 101,548            | —                  | —                | —              | 601,032          |
| Loans and advances to customers                                | 2,624,348          | —                  | 56,617             | 182,996          | 9,197          | 2,873,158        |
| Financial investments  | 216,318            | 51,514             | 275,895            | 1,747,408        | —              | 2,291,135        |
| <b>Total assets</b>  | <b>4,226,756</b>   | <b>246,202</b>     | <b>337,417</b>     | <b>1,930,404</b> | <b>9,197</b>   | <b>6,749,976</b> |
| <b>Liabilities</b>   |                    |                    |                    |                  |                |                  |
| Deposits by banks  | 2,398              | —                  | —                  | —                | —              | 2,398            |
| Customer accounts  | 5,787,462          | 128,859            | 217,159            | 42,349           | —              | 6,175,829        |
| Borrowings from a group undertaking                            | 90,000             | —                  | —                  | —                | —              | 90,000           |
| Subordinated liabilities                                       | 65,000             | —                  | —                  | —                | —              | 65,000           |
| <b>Total liabilities</b>                                       | <b>5,944,860</b>   | <b>128,859</b>     | <b>217,159</b>     | <b>42,349</b>    | <b>—</b>       | <b>6,333,227</b> |
| Interest rate sensitivity gap                                  | (1,718,104)        | 117,343            | 120,258            | 1,888,055        | 9,197          |                  |
| Cumulative interest rate sensitivity gap                       | (1,718,104)        | (1,600,761)        | (1,480,503)        | 407,552          | 416,749        |                  |
| Impact of hedging interest rate derivatives - notional amounts | —                  | —                  | 62,000             | 209,000          | —              |                  |
| <b>Net cumulative interest rate sensitivity gap</b>            | <b>(1,718,104)</b> | <b>(1,600,761)</b> | <b>(1,418,503)</b> | <b>678,552</b>   | <b>687,749</b> |                  |

Balances with Central Bank of Malta included in above tables relate to balances subject to interest rate risk.

A positive interest rate sensitivity gap exists where more assets than liabilities re-price during a given period. Although a positive gap position tends to benefit net interest income in a rising interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rates within re-pricing periods and among currencies. Similarly, a negative interest rate sensitivity gap exists where more liabilities than assets re-price during a given period. A negative gap position tends to benefit net interest income in a declining interest rate environment, but the actual effect will depend on the same factors as for positive interest rate gaps.

### iii Foreign exchange risk

Foreign exchange risk arises principally from the local group's exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The table below shows an analysis of financial assets and liabilities (excluding financial instruments relating to HSBC Life Assurance (Malta) Ltd.) between balances denominated in euro and those denominated in other currencies. Information relating to HSBC Life insurance business is disclosed in Note 4(f)(iii).

## Notes on the financial statements

|  | Bank                          |                |                |                             |                  |
|--|-------------------------------|----------------|----------------|-----------------------------|------------------|
|  | 2025                          |                |                |                             |                  |
|  | Reporting<br>currency<br>€000 | In USD<br>€000 | In GBP<br>€000 | Other<br>currencies<br>€000 | Total<br>€000    |
| <b>Assets</b>  |                               |                |                |                             |                  |
| Balances with Central Bank of Malta, Treasury Bills and cash | 1,291,953                     | 638            | 335            | 178                         | 1,293,104        |
| Items in the course of collection from other banks           | 4,628                         | —              | —              | —                           | 4,628            |
| Derivatives  | 2,254                         | 3,938          | 19             | 2                           | 6,213            |
| Loans and advances to banks                                  | 122,205                       | 393,209        | 92,592         | 46,176                      | 654,182          |
| Loans and advances to customers                              | 2,737,823                     | 24,063         | 256            | 21                          | 2,762,163        |
| Financial investments  | 2,536,602                     | 856            | —              | —                           | 2,537,458        |
| Other assets   | 31,768                        | 463            | 24             | 16                          | 32,271           |
| <b>Total assets</b>  | <b>6,727,233</b>              | <b>423,167</b> | <b>93,226</b>  | <b>46,393</b>               | <b>7,290,019</b> |
| <b>Liabilities</b>   |                               |                |                |                             |                  |
| Deposits by banks  | 1,429                         | —              | —              | —                           | 1,429            |
| Customer accounts  | 5,990,803                     | 418,995        | 91,656         | 46,093                      | 6,547,547        |
| Items in the course of transmission to other banks           | 11,837                        | —              | —              | —                           | 11,837           |
| Derivatives  | 1,055                         | 3,778          | 17             | 2                           | 4,852            |
| Borrowings from a group undertaking                          | 150,000                       | —              | —              | —                           | 150,000          |
| Subordinated liabilities                                     | 65,000                        | —              | —              | —                           | 65,000           |
| Other liabilities  | 7,521                         | 271            | 1,279          | 6                           | 9,077            |
| <b>Total liabilities</b>                                     | <b>6,227,645</b>              | <b>423,044</b> | <b>92,952</b>  | <b>46,101</b>               | <b>6,789,742</b> |
| <b>Net open position</b>                                     | <b>499,588</b>                | <b>123</b>     | <b>274</b>     | <b>292</b>                  |                  |

|  | 2024                          |                |                |                             |                  |
|--|-------------------------------|----------------|----------------|-----------------------------|------------------|
|  | Reporting<br>currency<br>€000 | In USD<br>€000 | In GBP<br>€000 | Other<br>currencies<br>€000 | Total<br>€000    |
| <b>Assets</b>  |                               |                |                |                             |                  |
| Balances with Central Bank of Malta, Treasury Bills and cash | 1,071,970                     | 711            | 646            | 343                         | 1,073,670        |
| Items in the course of collection from other banks           | 4,061                         | —              | —              | —                           | 4,061            |
| Derivatives  | 4,553                         | 12,541         | 144            | 4                           | 17,242           |
| Loans and advances to banks                                  | 167,152                       | 309,586        | 86,986         | 37,308                      | 601,032          |
| Loans and advances to customers                              | 2,849,423                     | 23,474         | 261            | —                           | 2,873,158        |
| Financial investments  | 2,282,104                     | 974            | 8,100          | —                           | 2,291,178        |
| Other assets   | 31,402                        | 848            | 18             | 13                          | 32,281           |
| <b>Total assets</b>  | <b>6,410,665</b>              | <b>348,134</b> | <b>96,155</b>  | <b>37,668</b>               | <b>6,892,622</b> |
| <b>Liabilities</b>   |                               |                |                |                             |                  |
| Deposits by banks  | 2,339                         | —              | —              | 59                          | 2,398            |
| Customer accounts  | 5,708,373                     | 334,701        | 95,486         | 37,269                      | 6,175,829        |
| Items in the course of transmission to other banks           | 10,872                        | —              | —              | —                           | 10,872           |
| Derivatives  | 1,400                         | 12,208         | 135            | 4                           | 13,747           |
| Borrowings from a group undertaking                          | 90,000                        | —              | —              | —                           | 90,000           |
| Subordinated liabilities                                     | 65,000                        | —              | —              | —                           | 65,000           |
| Other liabilities  | 8,429                         | 836            | 810            | 6                           | 10,081           |
| <b>Total liabilities</b>                                     | <b>5,886,413</b>              | <b>347,745</b> | <b>96,431</b>  | <b>37,338</b>               | <b>6,367,927</b> |
| <b>Net open position</b>                                     | <b>524,252</b>                | <b>389</b>     | <b>(276)</b>   | <b>330</b>                  |                  |

All derivatives are transacted primarily to create risk management solutions for clients and to manage and hedge own risks. All trading derivative positions entered into with clients are covered by back-to-back derivative transactions with HSBC Group entities. Accordingly, the local group or bank does not use currency derivatives to close open currency positions.

The bank essentially manages this risk by matching asset and liability positions in each respective foreign currency, as much as is practicable. The bank maintains exposures to foreign currencies within prescribed limits. The bank's ALCO is responsible for oversight over the foreign currency risk management process, whereby overnight and intra-day net positions are monitored.

### (f) Insurance risk

The local group operates an integrated bank assurance model which provides wealth and protection insurance products principally for customers with whom the local group has a banking relationship. Insurance products are sold predominantly by International Wealth and Premier Banking. The local group also holds a portfolio of unit-linked investment products and non-linked insurance products that were transferred from HSBC Life (Europe) Limited during 2014.

The majority of the risk in the local group's insurance business derives from manufacturing activities and can be categorised as insurance risk and financial risk. Insurance risk is the risk other than financial risk, of loss transferred from the holder of the insurance contract to the issuer, the insurance subsidiary company.

The risks under any insurance contract are the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, these risks are random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the insurance subsidiary faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year and from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The insurance subsidiary company uses reinsurance appropriately to reduce variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location. The participating nature of contracts with Discretionary Participation Feature ('DPF') results in a significant portion of the insurance risk being shared with the insured party.

## Notes on the financial statements

### Financial risk

The local group's insurance subsidiary company is exposed to financial risk through its financial assets, financial liabilities (investment contracts), reinsurance contract assets/liabilities and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. This can be driven by changes in the market value of assets or through changes to expectations on future yields impacting the value of liabilities. The main components of financial risk are market risk, credit risk and liquidity risk. Financial risk has been heightened in recent years through the period of market volatility that has been brought about by Central Banks' policies to control inflation.

For unit-linked insurance and investment contracts, the local group matches all the liabilities on which the unit prices are based with assets in the unit-linked portfolios. There is therefore no direct equity price, currency, credit or interest risk exposure for these contracts which is borne by the local group. The local group is however exposed indirectly for unit-linked insurance and investment contracts as changes in unit price will have an impact on the expected management charges the local group is expecting to receive, and therefore on CSM or profit after for any onerous groups of contracts.

#### i General nature of participation feature and unit-linked contracts

The local group offers savings with-profits policies which participate in the investment returns of the with-profits funds. The local group aims to pay out 90% of the eligible investment return to policyholders by way of bonuses before any deductions for withholding tax. Policyholders receive regular (reversionary) bonus, and a regular bonus rate is declared yearly in advance. This rate may be reviewed upwards during the course of the year based on the performance of the fund. This provides a progressive build-up of guaranteed benefits over the lifetime of the policy. Regular bonuses are set by the Board of the insurance subsidiary on the recommendation of the approved actuary. The local group is exposed to adverse market conditions which could lead to the value of assets backing the liabilities to fall below the guaranteed benefit at policy maturity, which could lead to a potential loss to the shareholders.

#### ii Market risk

##### Interest rate risk

The insurance subsidiary's exposure to interest rate changes is concentrated in its non-linked investment portfolio. Changes in investment values attributable to interest rate changes are mitigated by partially offsetting changes in the economic value of insurance provisions. The local group monitors this exposure through periodic reviews of its asset and liability positions. Estimates of future cash flows, as well as the impact of interest rate fluctuations on its investment portfolio and insurance liabilities, are modelled and reviewed quarterly. The local group minimises interest rate risks primarily by matching estimated future cash outflows to be paid to policyholders by expected cash flows from assets. The pool of investments backing liabilities is managed to duration targets that aim to make the net effect of interest rate changes on assets and liabilities manageable.

##### Exchange risk

The insurance subsidiary company is exposed to currency risk on its investment portfolio and to 10% of the insurance backing contracts with DPF and to the life insurance portfolio. The net exposure amounts to €3,828,000 (2024: €3,136,000) and a sensitivity analysis is not deemed necessary on the basis of the insignificance of the resultant exposure.

##### Equity price risk

The insurance subsidiary company manages the equity risk arising from its holdings of equity securities by setting limits on the maximum market value of equities that it may hold. Equity risk is also monitored by estimating the effect of predetermined movements in equity prices on the profit and total net assets of the insurance underwriting business.

##### Sensitivity analysis

The following table illustrates the effects of selected interest rate and equity price scenarios on profit for the year and total equity.

Due in part to the impact of the cost of guarantees and also due to CSM and onerous groups, the relationship between the profit and total equity and the risk factors is non-linear. Therefore, the results disclosed should not be extrapolated to measure sensitivities to different levels of stress. For the same reason, the impact of the stress is not necessarily symmetrical on the upside and downside.

##### Sensitivity to market risk factors

|   | 2025                               |                       |                                |
|---|------------------------------------|-----------------------|--------------------------------|
|   | Effect on profit after tax<br>€000 | Effect on CSM<br>€000 | Effect on total equity<br>€000 |
| +100 basis points shift in yield curves |                                    |                       |                                |
| – Insurance and Reinsurance Contracts   | 4,102                              | (456)                 | 4,102                          |
| – Financial Instruments                 | (3,218)                            | –                     | (3,218)                        |
| -100 basis points shift in yield curves |                                    |                       |                                |
| – Insurance and Reinsurance Contracts   | (5,048)                            | 450                   | (5,048)                        |
| – Financial Instruments                 | 3,584                              | –                     | 3,548                          |
| 10% increase in equity prices           |                                    |                       |                                |
| – Insurance and Reinsurance Contracts   | 140                                | 1,017                 | 140                            |
| 10% decrease in equity prices           |                                    |                       |                                |
| – Insurance and Reinsurance Contracts   | (140)                              | (1,017)               | 140                            |
|   |                                    |                       |                                |
|   |                                    |                       | 2024                           |
| +100 basis points shift in yield curves |                                    |                       |                                |
| – Insurance and Reinsurance Contracts   | 4,327                              | (179)                 | 4,327                          |
| – Financial Instruments                 | (3,540)                            | –                     | (3,540)                        |
| -100 basis points shift in yield curves |                                    |                       |                                |
| – Insurance and Reinsurance Contracts   | (5,402)                            | 219                   | (5,402)                        |
| – Financial Instruments                 | 3,996                              | –                     | 3,996                          |
| 10% increase in equity prices           |                                    |                       |                                |
| – Insurance and Reinsurance Contracts   | 106                                | 1,029                 | 106                            |
| 10% decrease in equity prices           |                                    |                       |                                |
| – Insurance and Reinsurance Contracts   | (401)                              | (576)                 | (401)                          |

## Notes on the financial statements

Sensitivities on foreign exchange risk are not being presented as these are not considered to be material.

### iii Credit risk

The main areas where the insurance subsidiary company is exposed to credit risk are:

- reinsurance contract assets;
- investment portfolios of debt securities (classified within Financial assets mandatorily measured at fair value through profit or loss); and
- cash and cash equivalents.

Investments in bonds are made within the credit limits permitted within the investment credit risk mandate conferred by HSBC Group.

The insurance subsidiary company structures the levels of credit risk it accepts by placing limits on its exposure to investment grade single counterparty, or groups of counterparties, and to geographical and industry segments. Investment credit exposures positions are reviewed on a quarterly basis by the insurance subsidiary company's Asset Liability Committee.

Reinsurance is used to manage insurance risk and non-performance risk is considered when measuring the fulfilment cashflows. The selection of reinsurers also includes restrictions designed to minimise the risk of credit exposure.

The insurance subsidiary company currently manages the majority of reinsurance risk by using reinsurers with a minimum rating of AA+. The creditworthiness of reinsurers is confirmed from public rating information and considered as a part of any tender activity prior to finalisation of any contract for new business. The reinsurance contract asset balance in the statement of financial position represents the maximum exposure to credit risk at the end of the reporting period.

Other assets amount to €3,567,000 (2024: €3,618,000), and it includes accrued interest amounting to €2,660,000 (2024: €2,616,000) which would follow a similar rating profile to debt securities below.

Cash and cash equivalents held with unrated local third party banks of good standing amount to €36,000 (2024: €380,000). In line with IFRS 9, the insurance subsidiary company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2025 and 2024, cash deposits were held with reputable counterparties and were repayable on demand. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the local group.

The following table presents the analysis of debt securities within the insurance business by rating agency (Standard and Poor's Rating Agency):

|              | Debt securities – Others |                |
|--------------|--------------------------|----------------|
|              | 2025<br>€000             | 2024<br>€000   |
| AAA          | 1,729                    | 2,607          |
| AA+ to AA-   | 26,792                   | 25,678         |
| A+ to A-     | 113,453                  | 114,742        |
| BBB+ to BBB- | 57,591                   | 66,047         |
| Unrated      | 16,409                   | 14,070         |
| <b>Total</b> | <b>215,974</b>           | <b>223,144</b> |

The local group is not exposed to credit risk in respect of unit-linked business, although the relevant credit information is disclosed.

### iv Liquidity risk

Liquidity risk is an inherent characteristic of almost all insurance contracts as there is uncertainty over the amount and the timing of settlement of claims liabilities that may arise, which leads to liquidity risk. As part of the management of this exposure, estimates are prepared for most lines of insurance business of cash flows expected to arise from insurance funds at the reporting date.

The insurance subsidiary company actively manages its assets in such a manner as to achieve a competitive rate of return within the prevailing risk objectives delineated by asset liquidity, credit quality and asset-liability matching. The insurance subsidiary company's Asset Liability Committee reviews and approves investment strategies on a periodic basis, ensuring that assets are managed efficiently within approved risk mandates.

The following table shows the contractual maturity of financial assets as at the reporting date.

#### Contractual maturities of financial assets

|  | At 31 Dec 2025               |                             |                    |                    |                     |                     |                              | Total<br>€000  |
|--|------------------------------|-----------------------------|--------------------|--------------------|---------------------|---------------------|------------------------------|----------------|
|  | No fixed<br>maturity<br>€000 | less than 1<br>year<br>€000 | 1 -2 years<br>€000 | 2 -3 years<br>€000 | 3 - 4 years<br>€000 | 4 - 5 years<br>€000 | Due after<br>5 years<br>€000 |                |
| Financial assets mandatorily measured at fair value through profit or loss | 505,133                      | 15,637                      | 32,129             | 31,639             | 19,915              | 17,342              | 99,312                       | 721,107        |
| Reinsurance contract assets  | 1,307                        | —                           | —                  | —                  | —                   | —                   | —                            | 1,307          |
| Cash   | 26,341                       | —                           | —                  | —                  | —                   | —                   | —                            | 26,341         |
|  | <b>532,781</b>               | <b>15,637</b>               | <b>32,129</b>      | <b>31,639</b>      | <b>19,915</b>       | <b>17,342</b>       | <b>99,312</b>                | <b>748,755</b> |
|  | At 31 Dec 2024               |                             |                    |                    |                     |                     |                              |                |
| Financial assets mandatorily measured at fair value through profit or loss | 491,804                      | 20,592                      | 15,267             | 19,538             | 23,521              | 18,574              | 125,653                      | 714,949        |
| Reinsurance contract assets  | 2,912                        | —                           | —                  | —                  | —                   | —                   | —                            | 2,912          |
| Cash   | 14,335                       | —                           | —                  | —                  | —                   | —                   | —                            | 14,335         |
|  | <b>509,051</b>               | <b>20,592</b>               | <b>15,267</b>      | <b>19,538</b>      | <b>23,521</b>       | <b>18,574</b>       | <b>125,653</b>               | <b>732,196</b> |

## Notes on the financial statements

The following table shows the cash flows expected to arise pertaining to insurance and investment liabilities, including reinsurance contracts, as at the reporting date.

### Cash flows of insurance and investment liabilities

|                           | At 31 Dec 2025    |                             |                    |                    |                     |                     |                              | Total<br>€000 |
|---------------------------|-------------------|-----------------------------|--------------------|--------------------|---------------------|---------------------|------------------------------|---------------|
|                           | On demand<br>€000 | less than 1<br>year<br>€000 | 1 -2 years<br>€000 | 2 -3 years<br>€000 | 3 - 4 years<br>€000 | 4 - 5 years<br>€000 | Due after<br>5 years<br>€000 |               |
| Liabilities to customers: |                   |                             |                    |                    |                     |                     |                              |               |
| Life direct participating | —                 | 5,199                       | 24,397             | 15,323             | 17,095              | 11,081              | 389,647                      | 462,742       |
| Insurance contracts other | —                 | (5,373)                     | (6,439)            | (5,868)            | (4,722)             | (3,871)             | 16,196                       | (10,077)      |
| Reinsurance liabilities   | —                 | 346                         | 1,485              | 1,440              | 1,419               | 1,400               | 22,948                       | 29,038        |
| Investment contracts      | 101,949           | 4,846                       | 4,941              | 6,915              | 6,223               | 6,559               | 31,117                       | 162,550       |
|                           | 101,949           | 5,018                       | 24,384             | 17,810             | 20,015              | 15,169              | 459,908                      | 644,253       |

|                           | At 31 Dec 2024 |         |         |         |         |         |         |         |
|---------------------------|----------------|---------|---------|---------|---------|---------|---------|---------|
| Liabilities to customers: |                |         |         |         |         |         |         |         |
| Life direct participating | —              | 23,935  | 1,088   | 21,143  | 15,094  | 18,953  | 371,199 | 451,412 |
| Insurance contracts other | —              | (4,836) | (6,518) | (6,026) | (5,469) | (4,290) | 20,961  | (6,178) |
| Reinsurance liabilities   | —              | (3,076) | 1,430   | 1,382   | 1,369   | 1,368   | 23,379  | 25,852  |
| Investment contracts      | 105,019        | 5,534   | 5,105   | 4,915   | 6,676   | 5,769   | 29,700  | 162,718 |
|                           | 105,019        | 21,557  | 1,105   | 21,414  | 17,670  | 21,800  | 445,239 | 633,804 |

Note 10 contains further disclosures pertaining to insurance and reinsurance contracts.

The methodology used for estimating cash outflows on liabilities to customers can be found below:

- Life direct participating: derived via discounted unit and non-unit liabilities. All future premia are considered, and provisions based on all expected decrements. The timing of cash flows is based on the expected run-off of the liabilities.
- Insurance contracts other: derived via discounted non-unit liabilities. All future premia are considered, and provisions based on all expected decrements. The timing of cash flows is based on the expected run-off of the reserves.
- Reinsurance contracts: derived via discounted reinsurance liabilities. All future reinsurance premia are considered, and provisions based on all expected reinsurance recoveries. The timing of cash flows is based on the expected run-off of the reinsurance liabilities.
- Investment contracts: derived via undiscounted cash flows but only considering contractual maturities and no other form of decrement. When there is no contractual maturity, the reserve is placed within the 'on demand' bucket.

### v Insurance underwriting risk

Insurance underwriting risk is the risk of loss through adverse experience in either timing or amount of insurance underwriting parameters (non-economic assumptions). These parameters include mortality, morbidity, longevity, lapse and expense rates.

The principal risk faced by the local group is that, over time, the cost of the contract, including claims and benefits, may exceed the total amount of premiums and investment income received.

The insurance risk profile and related exposures remain largely consistent with those observed at 31 December 2024.

### Sensitivities

The following table shows the sensitivity of profit and total equity to reasonably possible changes in non-economic assumptions. Mortality and morbidity risk is typically associated with life insurance contracts. The effect on profit of an increase in mortality or morbidity depends on the type of business being written.

Sensitivity to lapse rates depends on the type of contracts being written. An increase in lapse rates typically has a negative effect on profit due to the loss of future income on the lapsed policies. However, some contract lapses have a positive effect on profit due to the existence of policy surrender charges.

Expense rate risk is the exposure to a change in the allocated cost of administering insurance contracts. To the extent that increased expenses cannot be passed on to policyholders, an increase in expense rates will have a negative effect on our profits.

|  | Effect on CSM<br>(gross) <sup>1</sup><br>€000 | Effect on profit after<br>tax (gross) <sup>1</sup><br>€000 | Effect on profit after<br>tax (net) <sup>2</sup><br>€000 | Effect on total equity<br>(gross) <sup>1</sup><br>€000 | Effect on total equity<br>(net) <sup>2</sup><br>€000 |
|--|---|--|--|--|--|
| <b>At 31 Dec 2025</b>                            |   |  |  |  |  |
| 10% increase in mortality and/or morbidity rates | (6,667)                                       | (205)  | (123)  | (205)  | (123)  |
| 10% decrease in mortality and/or morbidity rates | 6,805   | 178  | 106  | 178  | 106  |
| 10% increase in lapse rates                      | (1,104)                                       | 30   | (29)   | 30   | (29)   |
| 10% decrease in lapse rates                      | 1,159   | (30)   | 35   | (30)   | 35   |
| 10% increase in expense rates                    | (2,049)                                       | (150)  | (150)  | (150)  | (150)  |
| 10% decrease in expense rates                    | 2,055   | 147  | 147  | 147  | 147  |

## Notes on the financial statements

|  | Effect on CSM<br>(gross) <sup>1</sup> | Effect on profit after<br>tax (gross) <sup>1</sup> | Effect on profit after<br>tax (net) <sup>2</sup> | Effect on total equity<br>(gross) <sup>1</sup> | Effect on total equity<br>(net) <sup>2</sup> |
|--|---------------------------------------|--|--|--|--|
| At 31 Dec 2024                                   | €000                                  | €000   | €000   | €000   | €000   |
| 10% increase in mortality and/or morbidity rates | (7,030)                               | (314)  | (48)   | (314)  | (48)   |
| 10% decrease in mortality and/or morbidity rates | 7,132                                 | 315  | 39   | 315  | 39   |
| 10% increase in lapse rates                      | (647)                                 | (96)   | (53)   | (96)   | (53)   |
| 10% decrease in lapse rates                      | 753                                   | 51   | 5  | 51   | 5  |
| 10% increase in expense rates                    | (1,973)                               | (141)  | (141)  | (141)  | (141)  |
| 10% decrease in expense rates                    | 1,974                                 | 141  | 141  | 141  | 141  |

1 The 'gross' sensitivities impacts are provided before considering the impacts of reinsurance contracts held as risk mitigation.

2 The 'net' sensitivities impacts are provided after considering the impacts of reinsurance contracts held as risk mitigation.

## 5 Fair value of financial and non-financial instruments

### i Valuation of financial instruments

All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and on initial recognition is generally the transaction price (that is, the fair value of the consideration given or received). However, sometimes there is a difference between the transaction price and the fair value of the financial asset where fair value will be based on a quoted price in an active market (such as other observable current market transactions in the same instrument, without modification or repackaging), or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the local group recognises a trading gain or loss on day one, being the difference between the transaction price and the fair value. In all other cases (such as when significant unobservable parameters are used), the entire day one gain or loss is deferred and is recognised in profit or loss over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable, or when the local group enters into an offsetting transaction.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the local group manages a group of financial assets and liabilities according to its net market or credit risk exposure, the local group measures the fair value of the group of financial instruments on a net basis but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the IFRS offsetting criteria as described in Note 3(c).

### ii Control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk-taker.

Where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is used. For inactive markets, direct observation of a traded price may not be possible. In these circumstances, the local group sources alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable. The factors that are considered in this regard are, inter alia:

- the extent to which prices may be expected to represent genuine traded or tradable prices;
- the degree of similarity between financial instruments;
- the degree of consistency between different sources;
- the process followed by the pricing provider to derive the data;
- the elapsed time between the date to which the market data relates and the reporting date; and
- the manner in which the data was sourced.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation by independent support functions of (i) the logic within valuation models; (ii) the inputs to those models; (iii) any adjustments required outside the valuation models; and, where possible, (iv) model outputs. Valuation models are subject to a process of due diligence and calibration before becoming operational and are calibrated against external market data on an ongoing basis.

### iii Fair value hierarchy

Fair values are determined according to the following hierarchy:

- Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

### iv Critical estimates and judgements

The best evidence of fair value is a quoted price in an actively traded market. The fair values of financial instruments that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. Where a financial instrument has a quoted price in an active market, the fair value of the total holding of the financial instrument is calculated as the product of the number of units and quoted price.

The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. The bid/offer spread represents the difference in prices at which a market participant would be willing to buy compared with the price at which they would be willing to sell.

In the event that the market for a financial instrument is not active, a valuation technique is used. Valuation techniques may incorporate assumptions about factors that other market participants would use in their valuations, including:

- the likelihood and expected timing of future cash flows on the instrument. Judgement may be required to assess the counterparty's ability to service the instrument in accordance with its contractual terms. Future cash flows may be sensitive to changes in market rates;
- selecting an appropriate discount rate for the instrument. Judgement is required to assess what a market participant would regard as the appropriate spread of the rate for an instrument over the appropriate risk-free rate; and
- judgement to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

A range of valuation techniques is employed, dependent on the instrument type and available market data. Most valuation techniques are based upon discounted cash flow analyses, in which expected future cash flows are calculated and discounted to present value using a discounting curve. Prior to considering credit risk, the expected future cash flows may be known, as would be the case for the fixed leg of an interest rate swap, or may be uncertain and require projection, as would be the case for the floating leg of an interest rate swap. 'Projection' utilises market forward curves, if available. In option models, the probability of different potential future outcomes is considered. In addition, the value of some products are dependent on more than one market factor, and in these cases it is typically necessary to consider how movements in one market factor may affect the other market factors.

The model inputs necessary to perform such calculations include interest rate yield curves, exchange rates, volatilities, correlations, prepayment rates and default rates.

The majority of valuation techniques employ only observable market data. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable, and for them the derivation of fair value is more judgemental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's inception profit ('day 1 gain or loss') or more than 5% of the instrument's carrying value is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).

## Notes on the financial statements

### v Disclosures in respect of fair values of financial instruments carried at fair value

The following table sets out the financial instruments by fair value hierarchy other than assets and liabilities attributable to the insurance business within the scope of IFRS 17:

#### Financial instruments by fair value

|   | Group                                     |   |  |  | Total<br>€000    |
|---|---|---|--|--|------------------|
|   | At 31 Dec 2025                            |   |  |  |                  |
|   | Valuation techniques                      |   |  |  |                  |
|   | Quoted market<br>price<br>Level 1<br>€000 | Using observable<br>inputs<br>Level 2<br>€000 | With significant<br>unobservable inputs<br>Level 3<br>€000 |  |                  |
| <b>Assets</b>   |   |   |  |  |                  |
| Treasury Bills  | —   | 307,519                                       | —  |  | 307,519          |
| Derivatives   | —   | 6,213   | —  |  | 6,213            |
| Financial assets mandatorily measured at fair value through profit or loss      | 718,270                                   | —   | 2,837  |  | 721,107          |
| – Equity securities   | 26,827                                    | —   | —  |  | 26,827           |
| – Government and supranational bonds  | 114,780                                   | —   | —  |  | 114,780          |
| – Other debt services   | 101,194                                   | —   | —  |  | 101,194          |
| – Collective investment schemes   | 475,469                                   | —   | 2,837  |  | 478,306          |
| Financial investments measured at fair value through other comprehensive income | 1,184,911                                 | —   | 47   |  | 1,184,958        |
|   | <b>1,903,181</b>                          | <b>313,732</b>                                | <b>2,884</b>   |  | <b>2,219,797</b> |
| <b>Liabilities</b>  |   |   |  |  |                  |
| Derivatives   | —   | 4,852   | —  |  | 4,852            |
| Liabilities under investment contracts  | 162,550                                   | —   | —  |  | 162,550          |
|   | <b>162,550</b>                            | <b>4,852</b>                                  | <b>—</b>   |  | <b>167,402</b>   |

At 31 Dec 2024

|   |           |         |       |  |           |
|---|-----------|---------|-------|--|-----------|
| <b>Assets</b>   |           |         |       |  |           |
| Treasury Bills  | 49,629    | 184,912 | —     |  | 234,541   |
| Derivatives   | —         | 17,242  | —     |  | 17,242    |
| Financial assets mandatorily measured at fair value through profit or loss      | 707,902   | —       | 7,047 |  | 714,949   |
| – Equity Securities   | 28,278    | —       | —     |  | 28,278    |
| – Government and supranational bonds  | 129,900   | —       | —     |  | 129,900   |
| – Other debt services   | 93,244    | —       | —     |  | 93,244    |
| – Collective investment schemes   | 456,480   | —       | 7,047 |  | 463,527   |
| Financial investments measured at fair value through other comprehensive income | 1,146,007 | —       | 45    |  | 1,146,052 |
|   | 1,903,538 | 202,154 | 7,092 |  | 2,112,784 |
| <b>Liabilities</b>  |           |         |       |  |           |
| Derivatives   | —         | 13,747  | —     |  | 13,747    |
| Liabilities under investment contracts  | 165,677   | —       | —     |  | 165,677   |
|   | 165,677   | 13,747  | —     |  | 179,424   |

|   | Bank                                      |   |  |  | Total<br>€000    |
|---|---|---|--|--|------------------|
|   | At 31 Dec 2025                            |   |  |  |                  |
|   | Quoted market<br>price<br>Level 1<br>€000 | Using observable<br>inputs<br>Level 2<br>€000 | With significant<br>unobservable inputs<br>Level 3<br>€000 |  |                  |
|   |   |   |  |  |                  |
| <b>Assets</b>   |   |   |  |  |                  |
| Treasury Bills  | —   | 307,519                                       | —  |  | 307,519          |
| Derivatives   | —   | 6,213   | —  |  | 6,213            |
| Financial investments measured at fair value through other comprehensive income | 1,184,911                                 | —   | 45   |  | 1,184,956        |
|   | <b>1,184,911</b>                          | <b>313,732</b>                                | <b>45</b>  |  | <b>1,498,688</b> |
| <b>Liabilities</b>  |   |   |  |  |                  |
| Derivatives   | —   | 4,852   | —  |  | 4,852            |
|   | <b>—</b>                                  | <b>4,852</b>                                  | <b>—</b>   |  | <b>4,852</b>     |

At 31 Dec 2024

|   |           |         |    |  |           |
|---|-----------|---------|----|--|-----------|
| <b>Assets</b>   |           |         |    |  |           |
| Treasury Bills  | 49,629    | 184,912 | —  |  | 234,541   |
| Derivatives   | —         | 17,242  | —  |  | 17,242    |
| Financial investments measured at fair value through other comprehensive income | 1,146,007 | —       | 43 |  | 1,146,050 |
|   | 1,195,636 | 202,154 | 43 |  | 1,397,833 |
| <b>Liabilities</b>  |           |         |    |  |           |
| Derivatives   | —         | 13,747  | —  |  | 13,747    |
|   | —         | 13,747  | —  |  | 13,747    |

## Notes on the financial statements

The local group's and bank's assets categorised within Level 2 comprise Treasury Bills issued by the Government of Malta with fair value determined on the basis of quoted prices in such inactive markets.

The local group's and bank's derivative instruments are categorised as Level 2, since they are fair valued principally using discounted cash flow models where all significant inputs are observable, such as exchange rates and interest rate yield curves.

The financial assets mandatorily measured at fair value through profit or loss are principally attributable to insurance operations and those categorised within Level 3 mainly comprise holdings of units in collective investment schemes. These holdings consist of units in alternative funds which are unlisted and have illiquid price sources.

As at 31 December 2025, financial assets mandatorily measured at fair value through profit or loss categorised in Level 3 comprise investments in the UK Property Fund and Mid-Market Debt Fund valued at €1,290,000 (2024: €1,343,000), and €1,547,000 (2024: €2,198,000) respectively. A partial redemption of the local group's investment in the Mid-Market Debt fund was effected, explaining the decrease in the value as at 31 December 2025. In addition, Level 3 investments held in the European Property Fund were disposed of during the financial year ended 31 December 2025.

The UK Property Fund invests in a diversified range of property throughout the UK, principally but not exclusively in the retail, office and industrial/warehouse sectors, whereas the European Mid-Market Debt Fund predominantly consists of senior debt to European mid-market companies concentrating on primary market transactions, focusing on the largest economies within Western Europe.

The investment in the UK Property Fund is categorised as Level 3. In view of the absence of quoted market prices or observable inputs for modelling the fair value of these assets, the fair value of the investment held is derived by reference to net asset values sourced from fund administrators. The net asset value of the funds as at 31 December 2025 and 31 December 2024 is based on unaudited valuations provided by the fund administrators, thereby making reference to significant unobservable inputs.

The following table shows a reconciliation of the fair value measurements in Level 3 of the fair value hierarchy:

### Reconciliation of the fair value measurements in Level 3

|   | Group        |              |
|---|--------------|--------------|
|   | 2025         | 2024         |
|   | €000         | €000         |
| <b>Level 3</b>  |              |              |
| <b>Financial assets mandatorily measured at fair value through profit or loss</b> |              |              |
| At 1 Jan  | 7,047        | 8,203        |
| Disposal/redemptions  | (4,328)      | (1,070)      |
| Changes in fair value (recognised in profit or loss)                              | 118          | (86)         |
| <b>At 31 Dec</b>  | <b>2,837</b> | <b>7,047</b> |

The local group's and bank's assets categorised within Level 3 also comprise equity instruments measured at fair value through other comprehensive income amounting to €47,000 (2024: €45,000) and €45,000 (2024: €43,000) for the local group and bank respectively. The increase in value of equity instruments for the local group and bank is due to an increase in the equity's fair value during the year.

In view of the insignificance of the Level 3 assets in the context of the local group's total assets, the disclosure of key unobservable inputs to Level 3 financial instruments and the sensitivity of Level 3 fair value to reasonably possible alternatives in respect of significant unobservable assumptions was not deemed necessary and relevant. The significant part of the fair value changes reflected in the table above is attributable to disposals/redemptions.

No transfers of financial instruments between the different levels of the fair value hierarchy occurred during the financial years ended 31 December 2025 and 31 December 2024.

## vi Disclosures in respect of fair values of non-financial instruments carried at fair value

### Fair valuation of property

The local group's land and buildings classified within property, plant and equipment were revalued on 31 December 2025 by an independent firm of property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. The Directors have reviewed the carrying amounts of the properties as at 31 December 2025, on the basis of the valuations carried out by the independent property valuers.

Valuations were made on the basis of open market value taking cognisance of the specific location of the properties, the size of the sites together with their development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

At 31 December 2025 and 2024, the carrying amounts of the local group's land and buildings classified within property, plant and equipment were adjusted to reflect the properties' estimated open market value.

The local group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); or
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).



## vii Disclosures in respect of fair values of financial instruments not carried at fair value

Certain financial instruments are carried at amortised cost.

The following table sets out the carrying amounts of these financial instruments:

|  | Group            |                  | Bank             |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2025<br>€000     | 2024<br>€000     | 2025<br>€000     | 2024<br>€000     |
| <b>Assets</b>                                      |                  |                  |                  |                  |
| Balances with Central Bank of Malta and cash       | 985,585          | 839,129          | 985,585          | 839,129          |
| Items in the course of collection from other banks | 4,628            | 4,061            | 4,628            | 4,061            |
| Loans and advance to banks                         | 678,783          | 615,367          | 654,182          | 601,032          |
| Loans and advance to customers                     | 2,762,163        | 2,873,158        | 2,762,163        | 2,873,158        |
| Financial investments measured at amortised cost   | 1,352,502        | 1,145,128        | 1,352,502        | 1,145,128        |
| Accrued interest                                   | 26,716           | 24,683           | 24,055           | 22,067           |
| Other assets                                       | 9,520            | 11,723           | 8,217            | 10,214           |
|  | <b>5,819,897</b> | <b>5,513,249</b> | <b>5,791,332</b> | <b>5,494,789</b> |
| <b>Liabilities</b>                                 |                  |                  |                  |                  |
| Deposits by banks                                  | 1,429            | 2,398            | 1,429            | 2,398            |
| Customer accounts                                  | 6,527,886        | 6,158,270        | 6,547,547        | 6,175,829        |
| Items in the course of transmission to other banks | 11,837           | 10,872           | 11,837           | 10,872           |
| Borrowings from a group undertaking                | 150,000          | 90,000           | 150,000          | 90,000           |
| Subordinated liabilities                           | 65,000           | 65,000           | 65,000           | 65,000           |
| Accrued interest                                   | 3,556            | 3,949            | 3,556            | 3,949            |
| Other liabilities                                  | 8,770            | 10,532           | 5,521            | 6,132            |
|  | <b>6,768,478</b> | <b>6,341,021</b> | <b>6,784,890</b> | <b>6,354,180</b> |

As at 31 December 2025, financial instruments measured at amortised cost comprise debt instruments amounting to €1,352,502,000 (2024: €1,145,128,000). The fair value of these financial instruments as at 31 December 2025, determined by reference to quoted market prices is €1,354,985,000 (2024: €1,148,520,000).

The fair value for these debt instruments is categorised as Level 1, given that the fair value is determined by reference to quoted bid market prices in active markets.

The fair values of the other financial instruments measured at amortised cost are not disclosed given that the carrying amount is a reasonable approximation of fair value because these are either re-priced to current market rates frequently or the local group has the ability to re-price them at its own discretion, or because these are short-term in nature. Fair values for these financial instruments (other than for cash) are estimated using discounted cash flows applying current market interest rates for instruments with similar remaining maturities and hence utilising mainly Level 3 inputs.

Fair values in relation to loans and advances to customers and in relation to customer accounts repayable on demand are deemed to be fairly close to carrying amounts principally in view of the local group's ability to reprice at its discretion. The majority of customer term deposit accounts are held for a period of less than 12 months and therefore their fair value is also deemed to closely approximate the carrying amount due to their short-term nature. These estimates are considered Level 3 fair value estimates.

Similarly deposits by banks are principally repayable on demand and, as a result, their fair value is approximated by their carrying amount. The fair value of balances with the Central Bank of Malta, loans and advances to banks, borrowings from a group undertaking and subordinated liabilities is deemed to approximate the carrying amount due to the fact that they are short-term in nature and/or reprice frequently.

## 6 Capital Risk Management

The local group's approach to capital management is driven by strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. The local group aims to maintain a strong capital base to support the risks commensurate in its business, investing in accordance with its strategy and meeting all regulatory capital requirements at all times.

The capital management process culminates in the Finance Resource Planning ('FRP') capital plan. The capital plan is approved by the Board and determines the mix of capital required to support the bank's business strategy whilst at the same time meet regulatory capital requirements. Capital generated in excess of planned requirements can be returned to shareholders in the form of dividends.

The impact of the bank's capital plan on shareholder returns is therefore recognised by the level of equity capital employed for which the local group seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity from increased leverage.

The bank manages its capital requirements based on internal targets, which are set above the prescribed minimum levels established within the Capital Requirements Regulation ('CRR').

For regulatory purposes, the bank's capital base is divided into two main categories, Common Equity Tier 1 ('CET1') capital and Tier 2 capital, as defined in Part Two of the CRR. CET1 capital is the highest quality form of capital, comprising shareholders' equity. Under the CRR, various capital deductions and regulatory adjustments are made against these items – these include deductions for intangible assets and the Depositor Compensation Scheme reserve. Tier 2 capital comprises eligible subordinated debt.

The bank's assessment and measurement of capital adequacy is aligned with regulatory requirements and with the bank's assessment of risk, including credit, market and operational risks.

The bank utilises the Standardised Approach for credit risk, operational risk and foreign exchange risk and the Reduced Basic Credit Value Adjustment ('CVA') approach for CVA risk in order to calculate the Pillar 1 minimum capital requirements.

## Notes on the financial statements

Compliance with the capital plan as well as with regulatory capital measures is monitored by the Asset Liability and Capital Management team and reported to ALCO on a monthly basis.

During the financial years ended 31 December 2025 and 31 December 2024, the bank has met all external capital requirements at all times.

HSBC Life Assurance (Malta) Ltd, one of the bank's subsidiaries regulated by the Malta Financial Services Authority, is also required to maintain a capital ratio above the prescribed minimum level at all times. During the financial years ended 31 December 2025 and 31 December 2024, the subsidiary has complied with all such externally imposed regulatory capital requirements.

In the context of the developments in respect of the Proposed Transaction, specific consideration was given to possible risks arising therefrom. These considerations include stressed scenarios that reflect risks relating to the integration of the local group's business processes with those of CrediaBank's, including operational risks linked to system changes; liquidity and funding risks; capital and regulatory risks; risks relating to the local group's strategic and competitive position in the market; people risks; and legal risks.

Subject to the successful completion of the Proposed Transaction, CrediaBank is expected to acquire the rights and liabilities under certain intra-group loan agreements between HBCE and the bank for the purpose of meeting the targets for Minimum Requirement for own funds and Eligible Liabilities ('MREL') classified as 'Borrowings from a group undertaking', as well as the intra-group Tier 2 loan classified within 'Subordinated liabilities'.

In addition, in accordance with the terms of the Proposed Transaction, the bank intends to pay dividends until completion of the Proposed Transaction:

- i. from 1 January 2026, on a quarterly basis; and
- ii. on the basis of a dividend payout ratio at the time of announcement of any dividend that is equal to 60% of the bank's consolidated profit after tax for the financial year to date (less the amount of any dividend already paid in that financial year).

The payment of any such dividend will be subject to the Directors approving the declaration and payment of any dividend and the bank obtaining any necessary approvals or consents from relevant authorities required prior to the declaration or payment of any dividend.

These matters have been considered in the multi-year capital plan prepared by the bank to ensure the ongoing resilience of the bank's capital base.

## 7 Interest and similar income

|  | Group/Bank     |                |
|--|----------------|----------------|
|  | 2025<br>€000   | 2024<br>€000   |
| On balances with Central Bank of Malta   | 17,986         | 42,942         |
| On Treasury Bills  | 6,142          | 9,977          |
| On loans and advances to banks   | 22,416         | 29,460         |
| On loans and advances to customers   | 98,779         | 110,154        |
| <b>On loans and advances to banks and customers and other financial assets</b> | <b>145,323</b> | <b>192,533</b> |
| Interest on debt instruments   | 30,731         | 21,627         |
| Amortisation of net discounts on debt instruments                              | 22,511         | 17,835         |
| Net profit representing ineffective portion of fair value hedges               | 32             | 92             |
| <b>On debt and other fixed income instruments</b>                              | <b>53,274</b>  | <b>39,554</b>  |
|  | <b>198,597</b> | <b>232,087</b> |

Interest income recognised on credit impaired loans and advances during the financial year ended 31 December 2025, which is entirely included in interest income on loans and advances to customers, amounted to €3,451,000 (2024: €3,237,000).

## 8 Interest expense

|  | Group/Bank    |               |
|--|---------------|---------------|
|  | 2025<br>€000  | 2024<br>€000  |
| On deposits by banks                   | 13            | 6             |
| On customer accounts                   | 15,160        | 17,420        |
| On lease liabilities                   | 89            | 59            |
| On borrowings from a group undertaking | 4,875         | 4,494         |
| On subordinated liabilities            | 3,086         | 4,022         |
|  | <b>23,223</b> | <b>26,001</b> |

## 9 Net fee income

|   | Group  |   |               |
|---|--|---|---------------|
|   | 2025   |   |               |
|   | International<br>Wealth and<br>Premier Banking | Corporate and<br>Institutional<br>Banking | Total         |
|   | €000   | €000                                      | €000          |
| <b>Fee income by product:</b>                                   |  |   |               |
| Funds under management  | 3,259  | —   | 3,259         |
| Cards   | 4,034  | 543                                       | 4,577         |
| Credit facilities   | 39   | 2,139                                     | 2,178         |
| Broking income  | 820  | —   | 820           |
| Account services  | 1,431  | 2,005                                     | 3,436         |
| Remittances   | 652  | 1,697                                     | 2,349         |
| Imports/exports   | —  | 1,145                                     | 1,145         |
| Receivables finance   | —  | 604                                       | 604           |
| Distribution fees in relation to investment management services | 2,408  | —   | 2,408         |
| Other   | 1,224  | 2,162                                     | 3,386         |
| <b>Fee income</b>   | <b>13,867</b>                                  | <b>10,295</b>                             | <b>24,162</b> |
| Less: fee expense   | (2,534)  | (296)                                     | (2,830)       |
| <b>Net fee income</b>   | <b>11,333</b>                                  | <b>9,999</b>                              | <b>21,332</b> |

|   | Group  |   |               |
|---|--|---|---------------|
|   | 2024   |   |               |
|   | International<br>Wealth and<br>Premier Banking | Corporate and<br>Institutional<br>Banking | Total         |
|   | €000   | €000                                      | €000          |
| <b>Fee income by product:</b>                                   |  |   |               |
| Funds under management  | 2,878  | —   | 2,878         |
| Cards   | 4,413  | 486                                       | 4,899         |
| Credit facilities   | 20   | 1,591                                     | 1,611         |
| Broking income  | 750  | —   | 750           |
| Account services  | 1,320  | 2,048                                     | 3,368         |
| Remittances   | 721  | 1,697                                     | 2,418         |
| Imports/exports   | —  | 1,320                                     | 1,320         |
| Receivables finance   | —  | 697                                       | 697           |
| Distribution fees in relation to investment management services | 2,648  | —   | 2,648         |
| Other   | 1,025  | 2,021                                     | 3,046         |
| Fee income  | 13,775   | 9,860                                     | 23,635        |
| Less: fee expense   | (2,613)  | (165)                                     | (2,778)       |
| <b>Net fee income</b>   | <b>11,162</b>                                  | <b>9,695</b>                              | <b>20,857</b> |

|                               | Bank   |   |               |
|-------------------------------|--|---|---------------|
|                               | 2025   |   |               |
|                               | International<br>Wealth and<br>Premier Banking | Corporate and<br>Institutional<br>Banking | Total         |
|                               | €000   | €000                                      | €000          |
| <b>Fee income by product:</b> |  |   |               |
| Cards                         | 4,034  | 543                                       | 4,577         |
| Credit facilities             | 39   | 2,139                                     | 2,178         |
| Broking income                | 820  | —   | 820           |
| Account services              | 1,431  | 2,005                                     | 3,436         |
| Remittances                   | 652  | 1,697                                     | 2,349         |
| Imports/exports               | —  | 1,145                                     | 1,145         |
| Receivables finance           | —  | 604                                       | 604           |
| Other                         | 3,065  | 2,162                                     | 5,227         |
| <b>Fee income</b>             | <b>10,041</b>                                  | <b>10,295</b>                             | <b>20,336</b> |
| Less: fee expense             | (2,078)  | (296)                                     | (2,374)       |
| <b>Net fee income</b>         | <b>7,963</b>                                   | <b>9,999</b>                              | <b>17,962</b> |

## Notes on the financial statements

|                        | Bank<br>2024   |   | Total<br>€000 |
|------------------------|--|---|---------------|
|                        | International Wealth<br>and<br>Premier Banking<br>€000 | Corporate and<br>Institutional<br>Banking<br>€000 |               |
| Fee income by product: |  |   |               |
| Cards                  | 4,413  | 486   | 4,899         |
| Credit facilities      | 20   | 1,591   | 1,611         |
| Broking income         | 750  | —   | 750           |
| Account services       | 1,320  | 2,048   | 3,368         |
| Remittances            | 721  | 1,697   | 2,418         |
| Imports/exports        | —  | 1,320   | 1,320         |
| Receivables finance    | —  | 697   | 697           |
| Other                  | 2,889  | 2,021   | 4,910         |
| Fee income             | 10,113   | 9,860   | 19,973        |
| Less: fee expense      | (2,230)  | (165)   | (2,395)       |
| Net fee income         | 7,883  | 9,695   | 17,578        |

Net fee income amounting to €868,000 (2024: €792,000) is derived from the investment services activities of the local group.

## 10 Insurance business

The table below represents an analysis of the total insurance revenue and expenses recognised in the period:

### Insurance service result

|  | 2025  |  |                 | 2024                                 |                                 |                |
|--|---|--|-----------------|--------------------------------------|---------------------------------|----------------|
|  | Life direct<br>participating <sup>1</sup><br>€000 | Life other<br>contracts <sup>2</sup><br>€000 | Total<br>€000   | Life direct<br>participating<br>€000 | Life other<br>contracts<br>€000 | Total<br>€000  |
| <b>Insurance service revenue</b>   |   |  |                 |                                      |                                 |                |
| <b>Amounts relating to changes in liabilities for remaining coverage</b>         |   |  |                 |                                      |                                 |                |
| CSM recognised for services provided <sup>3</sup>                                | 2,981   | 6,691  | 9,672           | 7,099                                | 6,618                           | 13,717         |
| Change in risk adjustment for non-financial risk for risk expired                | 257   | 183  | 440             | 278                                  | 202                             | 480            |
| Expected incurred claims and other insurance service expenses                    | 3,817   | 5,849  | 9,666           | 3,887                                | 6,425                           | 10,312         |
| Recovery of insurance acquisition cash flows                                     | 104   | 551  | 655             | 83                                   | 518                             | 601            |
| <b>Total insurance service revenue</b>   | <b>7,159</b>                                      | <b>13,274</b>                                | <b>20,433</b>   | <b>11,347</b>                        | <b>13,763</b>                   | <b>25,110</b>  |
| <b>Insurance service expenses</b>  |   |  |                 |                                      |                                 |                |
| Claims and benefits, reversal of losses and directly attributable expenses       | (7,884)   | (2,179)                                      | (10,063)        | (3,137)                              | (5,809)                         | (8,946)        |
| Losses and reversal of losses on onerous contracts                               | 17  | (76)   | (59)            | 1,410                                | (70)                            | 1,340          |
| Amortisation of insurance acquisition cash flows                                 | (104)   | (551)  | (655)           | (83)                                 | (518)                           | (601)          |
| <b>Total insurance service expenses</b>  | <b>(7,971)</b>                                    | <b>(2,806)</b>                               | <b>(10,777)</b> | <b>(1,810)</b>                       | <b>(6,397)</b>                  | <b>(8,207)</b> |
| <b>Insurance service results before reinsurance contracts</b>                    | <b>(812)</b>                                      | <b>10,468</b>                                | <b>9,656</b>    | <b>9,537</b>                         | <b>7,366</b>                    | <b>16,903</b>  |
| Reinsurance expenses – amounts relating to the changes in the remaining coverage | —   | (7,534)                                      | (7,534)         | —                                    | (7,706)                         | (7,706)        |
| Amounts recoverable from reinsurers for incurred claims                          | —   | 1,509  | 1,509           | —                                    | 4,922                           | 4,922          |
| <b>Net expenses from reinsurance contracts</b>                                   | <b>—</b>  | <b>(6,025)</b>                               | <b>(6,025)</b>  | <b>—</b>                             | <b>(2,784)</b>                  | <b>(2,784)</b> |
| <b>Insurance service result</b>  | <b>(812)</b>                                      | <b>4,443</b>                                 | <b>3,631</b>    | <b>9,537</b>                         | <b>4,582</b>                    | <b>14,119</b>  |

1 Life direct participating contracts are measured under the variable fee approach measurement model.

2 Life other contracts are measured under the general measurement model.

3 This represents the systematic recognition of the CSM as revenue over the coverage period, reflective of the services provided from insurance contracts under IFRS 17.

## Notes on the financial statements

### Net investment return

|   | 2025                      |              |                                  |                 | 2024                      |                |                                  |                 |
|---|---------------------------|--------------|----------------------------------|-----------------|---------------------------|----------------|----------------------------------|-----------------|
|   | Life direct participating | Other        | Investment contracts without DPF | Total           | Life direct participating | Others         | Investment contracts without DPF | Total           |
|   | €000                      | €000         | €000                             | €000            | €000                      | €000           | €000                             | €000            |
| <b>Investment return</b>  |                           |              |                                  |                 |                           |                |                                  |                 |
| <b>Amounts recognised in profit or loss:</b>  |                           |              |                                  |                 |                           |                |                                  |                 |
| Net gains on FVPL investments   | 31,019                    | 1,716        | 10,802                           | 43,537          | 36,632                    | 2,939          | 16,642                           | 56,213          |
| Movement in investment contract liabilities (Note 36)   | —                         | —            | (11,044)                         | (11,044)        | —                         | —              | (16,483)                         | (16,483)        |
| <b>Total net investment return</b>  | <b>31,019</b>             | <b>1,716</b> | <b>(242)</b>                     | <b>32,493</b>   | <b>36,632</b>             | <b>2,939</b>   | <b>159</b>                       | <b>39,730</b>   |
| Changes in fair value of underlying items of direct participating contracts                                     | (31,019)                  | —            | —                                | (31,019)        | (36,631)                  | —              | —                                | (36,631)        |
| Interest accreted   | —                         | (394)        | —                                | (394)           | —                         | (285)          | —                                | (285)           |
| Effect of changes in interest rates and other financial assumptions   | —                         | 5,029        | —                                | 5,029           | —                         | (636)          | —                                | (636)           |
| Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition | —                         | (238)        | —                                | (238)           | —                         | (324)          | —                                | (324)           |
| <b>Total net finance income/ (expense) from insurance contracts</b>   | <b>(31,019)</b>           | <b>4,397</b> | <b>—</b>                         | <b>(26,622)</b> | <b>(36,631)</b>           | <b>(1,245)</b> | <b>—</b>                         | <b>(37,876)</b> |
| <b>Total net finance income/ (expense) from reinsurance contracts</b>   | <b>—</b>                  | <b>1,785</b> | <b>—</b>                         | <b>1,785</b>    | <b>—</b>                  | <b>(752)</b>   | <b>—</b>                         | <b>(752)</b>    |
| <b>Insurance finance expense</b>  | <b>(31,019)</b>           | <b>6,182</b> | <b>—</b>                         | <b>(24,837)</b> | <b>(36,631)</b>           | <b>(1,997)</b> | <b>—</b>                         | <b>(38,628)</b> |
| <b>Total net investment results</b>   | <b>—</b>                  | <b>7,898</b> | <b>(242)</b>                     | <b>7,656</b>    | <b>1</b>                  | <b>942</b>     | <b>159</b>                       | <b>1,102</b>    |

### Movements in carrying amounts of insurance contracts liabilities - Analysis by remaining coverage and incurred claims

|   | 2025                                |                |                 |                 |                                     |                |                 |                 |                 |
|---|-------------------------------------|----------------|-----------------|-----------------|-------------------------------------|----------------|-----------------|-----------------|-----------------|
|   | Life direct participating           |                |                 |                 | Life other contracts <sup>1</sup>   |                |                 |                 |                 |
|   | Liabilities for remaining coverage: |                |                 |                 | Liabilities for remaining coverage: |                |                 |                 |                 |
|   | Excluding loss component            | Loss component | Incurred claims | Total           | Excluding loss component            | Loss component | Incurred claims | Total           | Total           |
| €000  | €000                                | €000           | €000            | €000            | €000                                | €000           | €000            | €000            |                 |
| Opening assets  | —                                   | —              | —               | —               | —                                   | —              | —               | —               | —               |
| Opening liabilities   | 465,216                             | 79             | 2,434           | 467,729         | 51,267                              | 157            | 2,983           | 54,407          | 522,136         |
| <b>Net opening balance at 1 Jan</b>   | <b>465,216</b>                      | <b>79</b>      | <b>2,434</b>    | <b>467,729</b>  | <b>51,267</b>                       | <b>157</b>     | <b>2,983</b>    | <b>54,407</b>   | <b>522,136</b>  |
| <b>Changes in profit or loss</b>  |                                     |                |                 |                 |                                     |                |                 |                 |                 |
| <b>Insurance service revenue</b>  |                                     |                |                 |                 |                                     |                |                 |                 |                 |
| Contract under fair value approach  | (5,789)                             | —              | —               | (5,789)         | (9,913)                             | —              | —               | (9,913)         | (15,702)        |
| Other contracts   | (1,370)                             | —              | —               | (1,370)         | (3,361)                             | —              | —               | (3,361)         | (4,731)         |
| <b>Total insurance service revenue</b>  | <b>(7,159)</b>                      | <b>—</b>       | <b>—</b>        | <b>(7,159)</b>  | <b>(13,274)</b>                     | <b>—</b>       | <b>—</b>        | <b>(13,274)</b> | <b>(20,433)</b> |
| <b>Insurance service expenses</b>   |                                     |                |                 |                 |                                     |                |                 |                 |                 |
| Incurred claims and other insurance service expenses                              | —                                   | —              | 7,884           | 7,884           | —                                   | (68)           | 2,247           | 2,179           | 10,063          |
| Amortisation of insurance acquisition cash flows                                  | 104                                 | —              | —               | 104             | 551                                 | —              | —               | 551             | 655             |
| Losses and reversal of losses on onerous contracts                                | —                                   | (17)           | —               | (17)            | —                                   | 76             | —               | 76              | 59              |
| <b>Total insurance service expenses</b>   | <b>104</b>                          | <b>(17)</b>    | <b>7,884</b>    | <b>7,971</b>    | <b>551</b>                          | <b>8</b>       | <b>2,247</b>    | <b>2,806</b>    | <b>10,777</b>   |
| Investment components   | (47,135)                            | —              | 47,135          | —               | (554)                               | —              | 554             | —               | —               |
| <b>Insurance service result before reinsurance contracts</b>                      | <b>(54,190)</b>                     | <b>(17)</b>    | <b>55,019</b>   | <b>812</b>      | <b>(13,277)</b>                     | <b>8</b>       | <b>2,801</b>    | <b>(10,468)</b> | <b>(9,656)</b>  |
| Net finance expenses from insurance contracts                                     | 31,019                              | —              | —               | 31,019          | (4,397)                             | —              | —               | (4,397)         | 26,622          |
| <b>Total changes in profit or loss</b>  | <b>(23,171)</b>                     | <b>(17)</b>    | <b>55,019</b>   | <b>31,831</b>   | <b>(17,674)</b>                     | <b>8</b>       | <b>2,801</b>    | <b>(14,865)</b> | <b>16,966</b>   |
| <b>Cash flows</b>   |                                     |                |                 |                 |                                     |                |                 |                 |                 |
| Premiums received   | 43,156                              | —              | —               | 43,156          | 14,147                              | —              | —               | 14,147          | 57,303          |
| Claims and other insurance service expenses paid, including investment components | (732)                               | —              | (55,808)        | (56,540)        | (135)                               | —              | (3,087)         | (3,222)         | (59,762)        |
| Insurance acquisition cash flows  | (255)                               | —              | —               | (255)           | (876)                               | —              | (2)             | (878)           | (1,133)         |
| <b>Total cash flows</b>   | <b>42,169</b>                       | <b>—</b>       | <b>(55,808)</b> | <b>(13,639)</b> | <b>13,136</b>                       | <b>—</b>       | <b>(3,089)</b>  | <b>10,047</b>   | <b>(3,592)</b>  |
| <b>Net closing balance at 31 Dec</b>  | <b>484,214</b>                      | <b>62</b>      | <b>1,645</b>    | <b>485,921</b>  | <b>46,729</b>                       | <b>165</b>     | <b>2,695</b>    | <b>49,589</b>   | <b>535,510</b>  |
| Closing assets  | —                                   | —              | —               | —               | —                                   | —              | —               | —               | —               |
| Closing liabilities   | 484,214                             | 62             | 1,645           | 485,921         | 46,729                              | 165            | 2,695           | 49,589          | 535,510         |
| <b>Net closing balance 31 Dec</b>   | <b>484,214</b>                      | <b>62</b>      | <b>1,645</b>    | <b>485,921</b>  | <b>46,729</b>                       | <b>165</b>     | <b>2,695</b>    | <b>49,589</b>   | <b>535,510</b>  |

1 Other contracts are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at transition and contracts inceptioned after transition.

## Notes on the financial statements

### Movements in carrying amounts of insurance contracts liabilities - Analysis by remaining coverage and incurred claims (continued)

|   | 2024                                |                |                 |          |                                     |                |                 |          |          |   |
|---|-------------------------------------|----------------|-----------------|----------|-------------------------------------|----------------|-----------------|----------|----------|---|
|   | Life direct participating           |                |                 |          | Life other contracts <sup>1</sup>   |                |                 |          |          |   |
|   | Liabilities for remaining coverage: |                |                 |          | Liabilities for remaining coverage: |                |                 |          |          |   |
|   | Excluding loss component            | Loss component | Incurred claims | Total    | Excluding loss component            | Loss component | Incurred claims | Total    | Total    |   |
| €000  | €000                                | €000           | €000            | €000     | €000                                | €000           | €000            | €000     | €000     |   |
| Opening assets  | —                                   | —              | —               | —        | —                                   | —              | —               | —        | —        | — |
| Opening liabilities   | 462,093                             | 1,528          | 4,232           | 467,853  | 50,695                              | 295            | 3,479           | 54,469   | 522,322  |   |
| Net opening balance at 1 Jan  | 462,093                             | 1,528          | 4,232           | 467,853  | 50,695                              | 295            | 3,479           | 54,469   | 522,322  |   |
| Changes in profit or loss   |                                     |                |                 |          |                                     |                |                 |          |          |   |
| Insurance service revenue   |                                     |                |                 |          |                                     |                |                 |          |          |   |
| Contract under fair value approach  | (10,379)                            | —              | —               | (10,379) | (10,724)                            | —              | —               | (10,724) | (21,103) |   |
| Other contracts   | (968)                               | —              | —               | (968)    | (3,039)                             | —              | —               | (3,039)  | (4,007)  |   |
| Total insurance service revenue   | (11,347)                            | —              | —               | (11,347) | (13,763)                            | —              | —               | (13,763) | (25,110) |   |
| Insurance service expenses  |                                     |                |                 |          |                                     |                |                 |          |          |   |
| Incurred claims and other insurance service expenses                              | —                                   | (39)           | 3,176           | 3,137    | —                                   | (144)          | 5,953           | 5,809    | 8,946    |   |
| Amortisation of insurance acquisition cash flows                                  | 83                                  | —              | —               | 83       | 518                                 | —              | —               | 518      | 601      |   |
| Losses and reversal of losses on onerous contracts                                | —                                   | (1,410)        | —               | (1,410)  | —                                   | 70             | —               | 70       | (1,340)  |   |
| Total insurance service expenses  | 83                                  | (1,449)        | 3,176           | 1,810    | 518                                 | (74)           | 5,953           | 6,397    | 8,207    |   |
| Investment components   | (62,009)                            | —              | 62,009          | —        | (305)                               | —              | 305             | —        | —        |   |
| Insurance service result before reinsurance contracts                             | (73,273)                            | (1,449)        | 65,185          | (9,537)  | (13,550)                            | (74)           | 6,258           | (7,366)  | (16,903) |   |
| Net finance expenses from insurance contracts                                     | 36,631                              | —              | —               | 36,631   | 1,246                               | (1)            | —               | 1,245    | 37,876   |   |
| Total changes in profit or loss   | (36,642)                            | (1,449)        | 65,185          | 27,094   | (12,304)                            | (75)           | 6,258           | (6,121)  | 20,973   |   |
| Cash flows  |                                     |                |                 |          |                                     |                |                 |          |          |   |
| Premiums received   | 40,779                              | —              | —               | 40,779   | 14,256                              | —              | —               | 14,256   | 55,035   |   |
| Claims and other insurance service expenses paid, including investment components | (570)                               | —              | (66,983)        | (67,553) | —                                   | —              | (6,754)         | (6,754)  | (74,307) |   |
| Insurance acquisition cash flows  | (444)                               | —              | —               | (444)    | (1,443)                             | —              | —               | (1,443)  | (1,887)  |   |
| Transfer  | —                                   | —              | —               | —        | 63                                  | (63)           | —               | —        | —        |   |
| Total cash flows  | 39,765                              | —              | (66,983)        | (27,218) | 12,876                              | (63)           | (6,754)         | 6,059    | (21,159) |   |
| Net closing balance at 31 Dec   | 465,216                             | 79             | 2,434           | 467,729  | 51,267                              | 157            | 2,983           | 54,407   | 522,136  |   |
| Closing assets  | —                                   | —              | —               | —        | —                                   | —              | —               | —        | —        |   |
| Closing liabilities   | 465,216                             | 79             | 2,434           | 467,729  | 51,267                              | 157            | 2,983           | 54,407   | 522,136  |   |
| Net closing balance 31 Dec  | 465,216                             | 79             | 2,434           | 467,729  | 51,267                              | 157            | 2,983           | 54,407   | 522,136  |   |

1 Other contracts are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at transition and contracts inception after transition.

### Movements in carrying amounts of reinsurance contracts assets - Analysis by remaining coverage and incurred claims

#### Reinsurance contracts

|  | 2025                              |                         |                           |                | 2024                              |                         |                           |                |
|--|-----------------------------------|-------------------------|---------------------------|----------------|-----------------------------------|-------------------------|---------------------------|----------------|
|  | Excluding loss recovery component | Loss recovery component | Incurred claims component | Total          | Excluding loss recovery component | Loss recovery component | Incurred claims component | Total          |
|  | €000                              | €000                    | €000                      | €000           | €000                              | €000                    | €000                      | €000           |
| Opening assets   | (2,783)                           | 7                       | 5,688                     | 2,912          | (222)                             | 12                      | 2,767                     | 2,557          |
| Opening liabilities  | —                                 | —                       | —                         | —              | —                                 | —                       | —                         | —              |
| <b>Net opening balance at 1 Jan</b>  | <b>(2,783)</b>                    | <b>7</b>                | <b>5,688</b>              | <b>2,912</b>   | <b>(222)</b>                      | <b>12</b>               | <b>2,767</b>              | <b>2,557</b>   |
| Changes in profit or loss  |                                   |                         |                           |                |                                   |                         |                           |                |
| Reinsurance expenses - amounts relating to the changes in the remaining coverage | (7,534)                           | —                       | —                         | (7,534)        | (7,706)                           | —                       | —                         | (7,706)        |
| Recoveries of incurred claims and other insurance service expenses               | —                                 | —                       | 1,522                     | 1,522          | —                                 | —                       | 4,928                     | 4,928          |
| Recoveries or reversals of recoveries of losses on onerous underlying contracts  | (13)                              | —                       | —                         | (13)           | (1)                               | (5)                     | —                         | (6)            |
| <b>Total amounts recoverable from reinsurer</b>                                  | <b>(7,547)</b>                    | <b>—</b>                | <b>1,522</b>              | <b>(6,025)</b> | <b>(7,707)</b>                    | <b>(5)</b>              | <b>4,928</b>              | <b>(2,784)</b> |
| Net finance expense from reinsurance contracts                                   | 1,785                             | —                       | —                         | 1,785          | (752)                             | —                       | —                         | (752)          |
| <b>Total changes in profit or loss</b>   | <b>(5,762)</b>                    | <b>—</b>                | <b>1,522</b>              | <b>(4,240)</b> | <b>(8,459)</b>                    | <b>(5)</b>              | <b>4,928</b>              | <b>(3,536)</b> |
| Cash flows   |                                   |                         |                           |                |                                   |                         |                           |                |
| Premiums paid  | 6,056                             | —                       | —                         | 6,056          | 5,898                             | —                       | —                         | 5,898          |
| Claims and other recoverables received   | —                                 | —                       | (4,762)                   | (4,762)        | —                                 | —                       | (2,007)                   | (2,007)        |
| <b>Total cash flows</b>  | <b>6,056</b>                      | <b>—</b>                | <b>(4,762)</b>            | <b>1,294</b>   | <b>5,898</b>                      | <b>—</b>                | <b>(2,007)</b>            | <b>3,891</b>   |
| <b>Net closing balance at 31 Dec</b>   | <b>(2,489)</b>                    | <b>7</b>                | <b>2,448</b>              | <b>(34)</b>    | <b>(2,783)</b>                    | <b>7</b>                | <b>5,688</b>              | <b>2,912</b>   |
| Closing assets   | —                                 | —                       | 1,307                     | 1,307          | (2,783)                           | 7                       | 5,688                     | 2,912          |
| Closing liabilities  | (2,489)                           | 7                       | 1,141                     | (1,341)        | —                                 | —                       | —                         | —              |
| <b>Net closing balance at 31 Dec</b>   | <b>(2,489)</b>                    | <b>7</b>                | <b>2,448</b>              | <b>(34)</b>    | <b>(2,783)</b>                    | <b>7</b>                | <b>5,688</b>              | <b>2,912</b>   |

## Notes on the financial statements

### Movements in carrying amounts of insurance contracts liabilities – Analysis by measurement component

|  | 2025  |  |   |                              |              |                 |
|--|---|--|---|------------------------------|--------------|-----------------|
|  | Life direct participating                                     |  |   |                              |              |                 |
|  | Estimates of present value of future cashflows (excluding RA) | Risk adjustment for non-financial risk | Estimates of present value of future cashflows (including RA) | Contractual service margin   |              | Total           |
| Contracts under fair value approach  |   |  |   | Other contracts <sup>1</sup> |              |                 |
|  | €000  | €000                                   | €000  | €000                         | €000         | €000            |
| Opening assets   | –   | –                                      | –   | –                            | –            | –               |
| Opening liabilities  | 451,412   | 3,770                                  | 455,182   | 7,382                        | 5,165        | 467,729         |
| <b>Net opening balance at 1 Jan</b>  | <b>451,412</b>  | <b>3,770</b>                           | <b>455,182</b>  | <b>7,382</b>                 | <b>5,165</b> | <b>467,729</b>  |
| <b>Changes in profit or loss</b>   |   |  |   |                              |              |                 |
| <b>Changes that relate to current services</b>   |   |  |   |                              |              |                 |
| CSM recognised for services provided   | –   | –                                      | –   | (2,353)                      | (628)        | (2,981)         |
| Change in risk adjustment for non-financial risk for risk expired                                    | –   | (257)                                  | (257)   | –                            | –            | (257)           |
| Experience adjustments   | 4,067   | –                                      | 4,067   | –                            | –            | 4,067           |
| <b>Changes that relate to future services</b>  |   |  |   |                              |              |                 |
| Contracts initially recognised in the year   | (1,018)   | 168                                    | (850)   | –                            | 883          | 33              |
| Changes in estimates that adjust the CSM <sup>2</sup>  | (9,047)   | 164                                    | (8,883)   | 7,407                        | 1,476        | –               |
| Changes in estimates that result in losses and reversal of losses on onerous contracts               | (52)  | 2                                      | (50)  | –                            | –            | (50)            |
| <b>Insurance service result before reinsurance contracts</b>   | <b>(6,050)</b>  | <b>77</b>                              | <b>(5,973)</b>  | <b>5,054</b>                 | <b>1,731</b> | <b>812</b>      |
| Net finance expenses from insurance contracts  | 31,019  | –                                      | 31,019  | –                            | –            | 31,019          |
| <b>Total changes in profit or loss</b>   | <b>24,969</b>   | <b>77</b>                              | <b>25,046</b>   | <b>5,054</b>                 | <b>1,731</b> | <b>31,831</b>   |
| <b>Cash flows</b>  |   |  |   |                              |              |                 |
| Premiums received  | 43,156  | –                                      | 43,156  | –                            | –            | 43,156          |
| Claims, other insurance service expenses paid (including investment components) and other cash flows | (56,540)  | –                                      | (56,540)  | –                            | –            | (56,540)        |
| Insurance acquisition cash flows   | (255)   | –                                      | (255)   | –                            | –            | (255)           |
| <b>Total cash flows</b>  | <b>(13,639)</b>   | <b>–</b>                               | <b>(13,639)</b>   | <b>–</b>                     | <b>–</b>     | <b>(13,639)</b> |
| <b>Net closing balance at 31 Dec</b>   | <b>462,742</b>  | <b>3,847</b>                           | <b>466,589</b>  | <b>12,436</b>                | <b>6,896</b> | <b>485,921</b>  |
| Closing assets   | –   | –                                      | –   | –                            | –            | –               |
| Closing liabilities  | 462,742   | 3,847                                  | 466,589   | 12,436                       | 6,896        | 485,921         |
| <b>Net closing balance at 31 Dec</b>   | <b>462,742</b>  | <b>3,847</b>                           | <b>466,589</b>  | <b>12,436</b>                | <b>6,896</b> | <b>485,921</b>  |

1 Other contracts are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at transition and contracts inception after transition.

2 Changes in estimates that adjust the CSM is mainly driven by updates to future cash flows, discount rates, risk adjustments and other assumptions, impacting profit recognition over time.

## Notes on the financial statements

### Movements in carrying amounts of insurance contracts liabilities – Analysis by measurement component (continued)

|  | 2025  |  |   |  |                                 |                 | Total<br>€000 |
|--|---|--|---|--|---------------------------------|-----------------|---------------|
|  | Life other contracts  |  |   |  |                                 |                 |               |
|  | Estimates of<br>present value of<br>future<br>cashflows<br>(excluding RA) | Risk adjustment<br>for non-financial<br>risk | Estimates of<br>present value<br>of future<br>cashflows<br>(including RA) | Contractual service margin               |                                 | Total           |               |
|  |   |  |   | Contract under<br>fair value<br>approach | Other<br>contracts <sup>1</sup> |                 |               |
| €000   | €000  | €000   | €000  | €000                                     | €000                            |                 |               |
| Opening assets   | –   | –  | –   | –  | –                               | –               |               |
| Opening liabilities  | (6,178)   | 5,417  | (761)   | 44,687                                   | 10,481                          | 54,407          |               |
| <b>Net opening balance at 1 Jan</b>  | <b>(6,178)</b>  | <b>5,417</b>                                 | <b>(761)</b>  | <b>44,687</b>                            | <b>10,481</b>                   | <b>54,407</b>   |               |
| <b>Changes in profit or loss</b>   |   |  |   |  |                                 |                 |               |
| <b>Changes that relate to current services</b>   |   |  |   |  |                                 |                 |               |
| CSM recognised for services provided   | –   | –  | –   | (5,245)                                  | (1,446)                         | (6,691)         |               |
| Change in risk adjustment for non-financial risk for risk expired                                    | –   | (183)  | (183)   | –  | –                               | (183)           |               |
| Experience adjustments   | (3,670)   | –  | (3,670)   | –  | –                               | (3,670)         |               |
| <b>Changes that relate to future services</b>  |   |  |   |  |                                 |                 |               |
| Contracts initially recognised in the year   | (2,119)   | 202  | (1,917)   | –  | 1,997                           | 80              |               |
| Changes in estimates that adjust the CSM <sup>2</sup>  | (3,097)   | (404)  | (3,501)   | 2,189                                    | 1,312                           | –               |               |
| Changes in estimates that result in losses and reversal of losses on onerous contracts               | (11)  | 7  | (4)   | –  | –                               | (4)             |               |
| <b>Insurance service result before reinsurance contracts</b>   | <b>(8,897)</b>  | <b>(378)</b>                                 | <b>(9,275)</b>  | <b>(3,056)</b>                           | <b>1,863</b>                    | <b>(10,468)</b> |               |
| Net finance expenses from insurance contracts  | (5,049)   | –  | (5,049)   | 509                                      | 143                             | (4,397)         |               |
| <b>Total changes in profit or loss</b>   | <b>(13,946)</b>   | <b>(378)</b>                                 | <b>(14,324)</b>   | <b>(2,547)</b>                           | <b>2,006</b>                    | <b>(14,865)</b> |               |
| <b>Cash flows</b>  |   |  |   |  |                                 |                 |               |
| Premiums received  | 14,147  | –  | 14,147  | –  | –                               | 14,147          |               |
| Claims, other insurance service expenses paid (including investment components) and other cash flows | (3,222)   | –  | (3,222)   | –  | –                               | (3,222)         |               |
| Insurance acquisition cash flows   | (878)   | –  | (878)   | –  | –                               | (878)           |               |
| <b>Total cash flows</b>  | <b>10,047</b>   | <b>–</b>                                     | <b>10,047</b>   | <b>–</b>                                 | <b>–</b>                        | <b>10,047</b>   |               |
| <b>Net closing balance at 31 Dec</b>   | <b>(10,077)</b>   | <b>5,039</b>                                 | <b>(5,038)</b>  | <b>42,140</b>                            | <b>12,487</b>                   | <b>49,589</b>   |               |
| Closing assets   | –   | –  | –   | –  | –                               | –               |               |
| Closing liabilities  | (10,077)  | 5,039  | (5,038)   | 42,140                                   | 12,487                          | 49,589          |               |
| <b>Net closing balance at 31 Dec</b>   | <b>(10,077)</b>   | <b>5,039</b>                                 | <b>(5,038)</b>  | <b>42,140</b>                            | <b>12,487</b>                   | <b>49,589</b>   |               |

1 Other contracts are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at transition and contracts inceptioned after transition.

2 Changes in estimates that adjust CSM are driven by an improvement in the morbidity assumption and changes in expense assumptions including the estimated attributable expense.

## Notes on the financial statements

### Movements in carrying amounts of insurance contracts liabilities - Analysis by measurement component (continued)

|  | 2024   |  |  |                              |       |          | Total<br>€000 |
|--|--|--|--|------------------------------|-------|----------|---------------|
|  | Life direct participating  |  |  |                              |       |          |               |
|  | Estimates of<br>present value of<br>future cashflows<br>(excluding RA) | Risk adjustment<br>for non-financial<br>risk | Estimates of<br>present value of<br>future cashflows<br>(including RA) | Contractual service margin   |       |          |               |
| Contracts under<br>fair value<br>approach  |  |  |  | Other contracts <sup>1</sup> |       |          |               |
|  | €000   | €000   | €000   | €000                         | €000  | €000     |               |
| Opening assets   | —  | —  | —  | —                            | —     | —        |               |
| Opening liabilities  | 454,806  | 3,643  | 458,449  | 5,470                        | 3,934 | 467,853  |               |
| Net opening balance at 1 Jan   | 454,806  | 3,643  | 458,449  | 5,470                        | 3,934 | 467,853  |               |
| Changes in profit or loss  |  |  |  |                              |       |          |               |
| Changes that relate to current services  |  |  |  |                              |       |          |               |
| CSM recognised for services provided   | —  | —  | —  | (6,699)                      | (400) | (7,099)  |               |
| Change in risk adjustment for non-financial risk for risk expired                                    | —  | (278)  | (278)  | —                            | —     | (278)    |               |
| Experience adjustments   | (750)  | —  | (750)  | —                            | —     | (750)    |               |
| Changes that relate to future services   |  |  |  |                              |       |          |               |
| Contracts initially recognised in the year   | (942)  | 174  | (768)  | —                            | 826   | 58       |               |
| Changes in estimates that adjust the CSM <sup>2</sup>  | (9,550)  | 134  | (9,416)  | 8,611                        | 805   | —        |               |
| Changes in estimates that result in losses and reversal of losses on onerous contracts               | (1,565)  | 97   | (1,468)  | —                            | —     | (1,468)  |               |
| Insurance service result before reinsurance contracts  | (12,807)   | 127  | (12,680)   | 1,912                        | 1,231 | (9,537)  |               |
| Net finance expenses from insurance contracts  | 36,631   | —  | 36,631   | —                            | —     | 36,631   |               |
| Total changes in profit or loss  | 23,824   | 127  | 23,951   | 1,912                        | 1,231 | 27,094   |               |
| Cash flows   |  |  |  |                              |       |          |               |
| Premiums received  | 40,779   | —  | 40,779   | —                            | —     | 40,779   |               |
| Claims, other insurance service expenses paid (including investment components) and other cash flows | (67,553)   | —  | (67,553)   | —                            | —     | (67,553) |               |
| Insurance acquisition cash flows   | (444)  | —  | (444)  | —                            | —     | (444)    |               |
| Total cash flows   | (27,218)   | —  | (27,218)   | —                            | —     | (27,218) |               |
| Net closing balance at 31 Dec  | 451,412  | 3,770  | 455,182  | 7,382                        | 5,165 | 467,729  |               |
| Closing assets   | —  | —  | —  | —                            | —     | —        |               |
| Closing liabilities  | 451,412  | 3,770  | 455,182  | 7,382                        | 5,165 | 467,729  |               |
| Net closing balance at 31 Dec  | 451,412  | 3,770  | 455,182  | 7,382                        | 5,165 | 467,729  |               |

1 Other contracts are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at transition and contracts incepted after transition.

2 The change in estimate that adjusts the CSM is mainly driven by a re-assessment of the tax obligation estimate on the with-profits portfolio (which is in run off). This also resulted in a one-off CSM release of €6.1m, within 'CSM recognised for services provided'. Additionally the company has also updated its expense assumptions which led to a reduction in the future cash flows.

## Notes on the financial statements

### Movements in carrying amounts of insurance contracts - Analysis by measurement component (continued)

|  | 2024  |  |   |                                      |         |               |
|--|---|--|---|--------------------------------------|---------|---------------|
|  | Life other contracts  |  |   |                                      |         |               |
|  | Estimates of present value of future cashflows (excluding RA)<br>€000 | Risk adjustment for non-financial risk<br>€000 | Estimates of present value of future cashflows (including RA)<br>€000 | Contractual service margin           |         | Total<br>€000 |
| Contract under fair value approach<br>€000   |   |  |   | Other contracts <sup>1</sup><br>€000 |         |               |
| Opening assets   | —   | —  | —   | —                                    | —       | —             |
| Opening liabilities  | (7,319)   | 5,985  | (1,334)   | 47,386                               | 8,417   | 54,469        |
| Net opening balance at 1 Jan   | (7,319)   | 5,985  | (1,334)   | 47,386                               | 8,417   | 54,469        |
| Changes in profit or loss  |   |  |   |                                      |         |               |
| Changes that relate to current services  |   |  |   |                                      |         |               |
| CSM recognised for services provided   | —   | —  | —   | (5,421)                              | (1,197) | (6,618)       |
| Change in risk adjustment for non-financial risk for risk expired                                    | —   | (202)  | (202)   | —                                    | —       | (202)         |
| Experience adjustments   | (616)   | —  | (616)   | —                                    | —       | (616)         |
| Changes that relate to future services   |   |  |   |                                      |         |               |
| Contracts initially recognised in the year   | (2,307)   | 242  | (2,065)   | —                                    | 2,138   | 73            |
| Changes in estimates that adjust the CSM   | (2,698)   | (610)  | (3,308)   | 2,291                                | 1,017   | —             |
| Changes in estimates that result in losses and reversal of losses on onerous contracts               | (5)   | 2  | (3)   | —                                    | —       | (3)           |
| Insurance service result before reinsurance contracts  | (5,626)   | (568)  | (6,194)   | (3,130)                              | 1,958   | (7,366)       |
| Net finance expenses from insurance contracts  | 708   | —  | 708   | 431                                  | 106     | 1,245         |
| Total changes profit or loss   | (4,918)   | (568)  | (5,486)   | (2,699)                              | 2,064   | (6,121)       |
| Cash flows   |   |  |   |                                      |         |               |
| Premiums received  | 14,256  | —  | 14,256  | —                                    | —       | 14,256        |
| Claims, other insurance service expenses paid (including investment components) and other cash flows | (6,754)   | —  | (6,754)   | —                                    | —       | (6,754)       |
| Insurance acquisition cash flows   | (1,443)   | —  | (1,443)   | —                                    | —       | (1,443)       |
| Total cash flows   | 6,059   | —  | 6,059   | —                                    | —       | 6,059         |
| Net closing balance at 31 Dec  | (6,178)   | 5,417  | (761)   | 44,687                               | 10,481  | 54,407        |
| Closing assets   | —   | —  | —   | —                                    | —       | —             |
| Closing liabilities  | (6,178)   | 5,417  | (761)   | 44,687                               | 10,481  | 54,407        |
| Net closing balance at 31 Dec  | (6,178)   | 5,417  | (761)   | 44,687                               | 10,481  | 54,407        |

1 Other contracts are those contracts measured by applying IFRS 17 from inception of the contracts. This includes contracts measured under the full retrospective approach at transition and contracts inception after transition.



## Notes on the financial statements

### Effect of insurance contracts initially recognised in the year

|   | 2025                                |                                  |               | 2024                                |                                  |               |
|---|-------------------------------------|----------------------------------|---------------|-------------------------------------|----------------------------------|---------------|
|   | Profitable contracts issued<br>€000 | Onerous contracts issued<br>€000 | Total<br>€000 | Profitable contracts issued<br>€000 | Onerous contracts issued<br>€000 | Total<br>€000 |
| <b>Life direct participating</b>                      |                                     |                                  |               |                                     |                                  |               |
| Estimates of present value of cash outflows           | 23,526                              | 2,441                            | 25,967        | 19,899                              | 2,903                            | 22,802        |
| – insurance acquisition cash flows                    | 288                                 | 72                               | 360           | 313                                 | 113                              | 426           |
| – claims and other insurance service expenses payable | 23,238                              | 2,369                            | 25,607        | 19,586                              | 2,790                            | 22,376        |
| Estimates of present value of cash inflows            | (24,565)                            | (2,420)                          | (26,985)      | (20,882)                            | (2,862)                          | (23,744)      |
| Risk adjustment for non-financial risk                | 156                                 | 12                               | 168           | 156                                 | 18                               | 174           |
| Contractual service margin                            | 883                                 | —                                | 883           | 826                                 | —                                | 826           |
| Losses recognised on initial recognition              | —                                   | (33)                             | (33)          | —                                   | (58)                             | (58)          |
| <b>Life other contracts</b>                           |                                     |                                  |               |                                     |                                  |               |
| Estimates of present value of cash outflows           | 4,385                               | 421                              | 4,806         | 5,566                               | 509                              | 6,075         |
| – insurance acquisition cash flows                    | 864                                 | 58                               | 922           | 918                                 | 90                               | 1,008         |
| – claims and other insurance service expenses payable | 3,521                               | 363                              | 3,884         | 4,648                               | 419                              | 5,067         |
| Estimates of present value of cash inflows            | (6,566)                             | (359)                            | (6,925)       | (7,926)                             | (456)                            | (8,382)       |
| Risk adjustment for non-financial risk                | 184                                 | 18                               | 202           | 222                                 | 20                               | 242           |
| Contractual service margin                            | 1,997                               | —                                | 1,997         | 2,138                               | —                                | 2,138         |
| Losses recognised on initial recognition              | —                                   | (80)                             | (80)          | —                                   | (73)                             | (73)          |

### Effect of reinsurance contracts initially recognised in the year

|   | 2025                                |                           | 2024                                |                           |
|---|-------------------------------------|---------------------------|-------------------------------------|---------------------------|
|   | Profitable contracts issued<br>€000 | Onerous contracts<br>€000 | Profitable contracts issued<br>€000 | Onerous contracts<br>€000 |
| <b>Life other contracts</b>                 |                                     |                           |                                     |                           |
| Estimates of present value of cash outflows | (2,188)                             | —                         | (2,317)                             | —                         |
| Estimates of present value of cash inflows  | 2,004                               | —                         | 1,873                               | —                         |
| Risk adjustment for non-financial risk      | 47                                  | —                         | 42                                  | —                         |
| Contractual service margin                  | 137                                 | —                         | 402                                 | —                         |

### Present value of expected future cash flows of insurance contract liabilities and contractual service margin and reinsurance contracts

|   | less than<br>1 year | 1-2<br>years  | 2-3<br>years  | 3-4<br>years  | 4-5<br>years | 5-10<br>years | 10-20<br>years | Over 20<br>years | Total          |
|---|---------------------|---------------|---------------|---------------|--------------|---------------|----------------|------------------|----------------|
|   | €000                | €000          | €000          | €000          | €000         | €000          | €000           | €000             | €000           |
| <b>Insurance liability future cash flows</b>                    |                     |               |               |               |              |               |                |                  |                |
| Life direct participating                                       | 5,199               | 24,397        | 15,323        | 17,095        | 11,081       | 60,647        | 153,934        | 175,066          | 462,742        |
| Life other contracts  | (5,373)             | (6,439)       | (5,868)       | (4,722)       | (3,871)      | (14,790)      | (984)          | 31,970           | (10,077)       |
| Reinsurance contracts   | 346                 | 1,485         | 1,440         | 1,419         | 1,400        | 6,659         | 11,361         | 4,928            | 29,038         |
| <b>Net insurance liability future cash flows at 31 Dec 2025</b> | <b>172</b>          | <b>19,443</b> | <b>10,895</b> | <b>13,792</b> | <b>8,610</b> | <b>52,516</b> | <b>164,311</b> | <b>211,964</b>   | <b>481,703</b> |
| <b>Remaining contractual service margin</b>                     |                     |               |               |               |              |               |                |                  |                |
| Life direct participating                                       | 2,249               | 2,000         | 1,764         | 1,558         | 1,382        | 4,853         | 3,836          | 1,690            | 19,332         |
| Life other contracts  | 6,106               | 5,442         | 4,907         | 4,426         | 3,980        | 14,498        | 12,434         | 2,834            | 54,627         |
| Reinsurance contracts   | (3,130)             | (2,773)       | (2,490)       | (2,241)       | (2,010)      | (7,258)       | (6,100)        | (1,429)          | (27,431)       |
| <b>Remaining contractual service margin at 31 Dec 2025</b>      | <b>5,225</b>        | <b>4,669</b>  | <b>4,181</b>  | <b>3,743</b>  | <b>3,352</b> | <b>12,093</b> | <b>10,170</b>  | <b>3,095</b>     | <b>46,528</b>  |

|   |               |                |               |               |               |               |                |                |                |
|---|---------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Insurance liability future cash flows                           |               |                |               |               |               |               |                |                |                |
| Life direct participating                                       | 23,935        | 1,088          | 21,143        | 15,094        | 18,953        | 67,047        | 153,376        | 150,776        | 451,412        |
| Life other contracts  | (4,836)       | (6,518)        | (6,026)       | (5,469)       | (4,290)       | (14,494)      | 1,725          | 33,730         | (6,178)        |
| Reinsurance contracts   | (3,076)       | 1,430          | 1,382         | 1,369         | 1,368         | 6,675         | 11,157         | 5,547          | 25,852         |
| <b>Net insurance liability future cash flows at 31 Dec 2024</b> | <b>16,023</b> | <b>(4,000)</b> | <b>16,499</b> | <b>10,994</b> | <b>16,031</b> | <b>59,228</b> | <b>166,258</b> | <b>190,053</b> | <b>471,086</b> |
| Remaining contractual service margin                            |               |                |               |               |               |               |                |                |                |
| Life direct participating                                       | 1,393         | 1,271          | 1,122         | 976           | 853           | 3,002         | 2,466          | 1,464          | 12,547         |
| Life other contracts  | 6,086         | 5,416          | 4,877         | 4,398         | 3,968         | 14,526        | 12,779         | 3,118          | 55,168         |
| Reinsurance contracts   | (3,131)       | (2,742)        | (2,451)       | (2,200)       | (1,977)       | (7,137)       | (6,095)        | (1,408)        | (27,141)       |
| <b>Remaining contractual service margin at 31 Dec 2024</b>      | <b>4,348</b>  | <b>3,945</b>   | <b>3,548</b>  | <b>3,174</b>  | <b>2,844</b>  | <b>10,391</b> | <b>9,150</b>   | <b>3,174</b>   | <b>40,574</b>  |

## 11 Net income from assets and liabilities of insurance businesses, measured at fair value through profit or loss

|  | Group         |               |
|--|---------------|---------------|
|  | 2025<br>€000  | 2024<br>€000  |
| Financial assets held to meet liabilities under insurance and investment contracts                                   | 43,537        | 56,213        |
| Liabilities to customers under investment contracts  | (11,044)      | (16,483)      |
| <b>Net income from assets and liabilities of insurance businesses, measured at fair value through profit or loss</b> | <b>32,493</b> | <b>39,730</b> |

## 12 Net trading income

|   | Group/Bank   |              |
|---|--------------|--------------|
|   | 2025         | 2024         |
|   | €000         | €000         |
| Net income from foreign exchange activities | 8,916        | 9,405        |
| Net income from trading activities          | 270          | 249          |
|   | <b>9,186</b> | <b>9,654</b> |

## 13 Dividend income from subsidiaries

Dividend income received by the bank in 2025 amounted to €1,231,000 (2024: €1,077,000) representing dividend received from a subsidiary company.

## 14 Other operating income

|   | Group        |            | Bank         |            |
|---|--------------|------------|--------------|------------|
|   | 2025         | 2024       | 2025         | 2024       |
|   | €000         | €000       | €000         | €000       |
| <b>Operating income</b>   |              |            |              |            |
| Gains arising on disposal of repossessed properties (Note 28)                 | 802          | 388        | 802          | 388        |
| Gains/(losses) arising on disposal of closed branches held for sale (Note 28) | 236          | (25)       | 236          | (25)       |
| Loss arising on disposal of equipment   | —            | (239)      | —            | (239)      |
| Other income  | 1,193        | 657        | 470          | 385        |
|   | <b>2,231</b> | <b>781</b> | <b>1,508</b> | <b>509</b> |

Other income includes income from HSBC Group entities amounting to €116,000 (2024: €381,000) for the bank and local group, and third party income amounting to €354,000 (2024: €4,000) for the bank and €1,077,000 (2024: €276,000) for the local group.

## 15 Change in expected credit losses and other credit impairment charges

|   | Group/Bank     |                 |
|---|----------------|-----------------|
|   | 2025           | 2024            |
|   | €000           | €000            |
| <b>Change in expected credit losses:</b>  |                |                 |
| – loans and advances to customers including accrued interest                                    | (4,228)        | (13,542)        |
| – loans and advances to banks   | 1              | —               |
| – balances with Central Bank of Malta   | (1)            | (20)            |
| – debt instruments measured at amortised cost   | (19)           | 17              |
| – loan commitments and financial guarantees   | (271)          | (344)           |
| – other financial assets  | —              | (1)             |
| – debt instruments and Treasury Bills measured at fair value through other comprehensive income | 1              | (11)            |
| <b>Other credit impairment charges:</b>   |                |                 |
| – bad debts written off   | 644            | 1,016           |
| – bad debts recovered   | (5,634)        | (1,759)         |
|   | <b>(9,507)</b> | <b>(14,644)</b> |

## 16 Employee compensation and benefits

|   | Group         |               | Bank          |               |
|---|---------------|---------------|---------------|---------------|
|   | 2025          | 2024          | 2025          | 2024          |
|   | €000          | €000          | €000          | €000          |
| Wages, salaries and allowances                        | 39,988        | 37,584        | 38,285        | 36,506        |
| Social security costs                                 | 2,420         | 2,383         | 2,262         | 2,229         |
| Termination benefits                                  | 128           | 311           | 128           | 311           |
| Defined contribution benefits                         | 911           | 356           | 856           | 334           |
| Post employment and other long-term employee benefits | 1,105         | 1,379         | 1,105         | 1,379         |
| Share-based payments                                  | 677           | 285           | 677           | 285           |
|   | <b>45,229</b> | <b>42,298</b> | <b>43,313</b> | <b>41,044</b> |
| <b>Average number of employees:</b>                   |               |               |               |               |
| – executive and senior managerial                     | 276           | 266           | 253           | 246           |
| – other managerial, supervisory and clerical          | 644           | 662           | 609           | 624           |
| – others  | 3             | 3             | 3             | 3             |
|   | <b>923</b>    | <b>931</b>    | <b>865</b>    | <b>873</b>    |

Employee compensation and benefits that are directly attributable to the acquisition or fulfilment of the insurance contracts, and which are accordingly incorporated in the CSM calculation and recognised in the insurance service result, are disclosed within Note 17.

### (a) Termination benefits

Termination benefits are awarded at the discretion of the local group and bank. In this respect, a provision amounting to €950,000, attributable to the local group and bank, was recognised during 2023. This provision was increased by €311,000 during the financial year ended 31 December 2024 and by a further €128,000 during the current financial year.

### (b) Post employment and other long-term employee benefits

The local group and the bank have liabilities for long-term employee benefits, treated as defined benefit obligations, arising out of the provisions of the Collective Agreement (refer to Note 38). The local group has a present obligation towards its employees in respect of long service bonuses, bonuses on retirement due to age and compensation paid upon retirement on medical grounds. In 2025, a release amounting to €145,000 (2024: €70,000) was recognised in profit or loss to reflect the actual number of employees that benefited from the retirement bonus as stipulated within the Collective Agreement during the current financial year (refer to Note 38). Current service costs attributable to these obligations, amounting to €1,264,000 (2024: €1,213,000), and actuarial gains attributable to changes in financial assumptions, demographic assumptions and experience adjustments of €14,000 (2024: actuarial losses amounting to €236,000) relating to long-term employee benefits, were recognised in profit or loss during the financial year ended 31 December 2025.

### (c) Defined contribution benefits

The local group also contributes towards an employee pension plan with no commitment beyond the payment of fixed contributions.

### (d) Share-based payments

In order to align the interests of employees with those of shareholders, restricted share awards are awarded to local group senior management under discretionary incentive plans and, in addition, local group employees are invited to join Share Match, an HSBC International Employee Share Purchase Plan to acquire shares in HSBC Holdings plc. Under this Plan, HSBC Holdings plc grants matching award shares to the local group's employees subject to a three year service condition. The share-based payment is classified as equity-settled since the share-based payment transactions with the employees are settled by the transfer of shares of HSBC Holdings plc. An employee is required to specify a monthly deduction (subject to a cap) from the salary for buying shares on a quarterly basis at the current fair value (investment shares). For every three investment shares bought, the employees receive an additional free share (matching share) on the third anniversary of the scheme (the vesting date) provided the employee remains employed and retains the investment shares until the end of the three-year holding period. The impact of this plan on the local group's financial results and financial position is insignificant, and accordingly the disclosures required by IFRS 2 in relation to share-based payment arrangements have not been deemed necessary.

In respect of the restricted share awards (including Group Performance Share Plans ('GPSP')) referred to above, an assessment of performance over the relevant period is used to determine the amount of the award to be granted. Deferred awards generally require employees to remain in employment over the vesting period and are not subject to performance conditions after the grant date. GPSP awards vest over five years. Vested shares may be subject to a retention requirement (restriction) post vesting. In view of the insignificant impact of HSBC restricted share awards on the local group's income statement charge, the other IFRS 2 disclosure requirements attributable to share-based payment arrangements are not being presented in these financial statements.

## 17 Profit before tax

Profit before tax of the local group is stated after charging auditors' fees (excluding VAT) amounting to €872,000 (2024: €873,000) in relation to the annual statutory audit of the financial statements, of which €536,000 (2024: €543,000) is attributable to the bank.

Other fees, exclusive of VAT, charged by the appointed independent auditors in relation to non-audit assurance services attributable to the financial year ended 31 December 2025 amounted to €113,000 (2024: €131,000) and €35,000 (2024: €58,000) for the local group and the bank respectively.

|   | Group         |               | Bank          |               |
|---|---------------|---------------|---------------|---------------|
|   | 2025<br>€000  | 2024<br>€000  | 2025<br>€000  | 2024<br>€000  |
| Premises and equipment costs              | 5,550         | 5,589         | 5,544         | 5,586         |
| IT support and telecommunication costs    | 17,330        | 15,814        | 16,900        | 15,572        |
| Insurance, security and maintenance costs | 2,056         | 2,210         | 2,056         | 2,210         |
| Actuarial services                        | —             | 203           | —             | —             |
| Service contracted out costs              | 14,503        | 14,294        | 13,975        | 14,026        |
| Movement in litigation provision          | (37)          | (730)         | (37)          | (730)         |
| Regulatory fees                           | 1,529         | 2,714         | 1,461         | 2,646         |
| Professional fees                         | 2,445         | 2,391         | 1,735         | 1,701         |
| Other administrative expenses             | 15,856        | 17,974        | 15,538        | 17,755        |
|   | <b>59,232</b> | <b>60,459</b> | <b>57,172</b> | <b>58,766</b> |

Other administrative expenses mainly comprise of expense items which are incurred in the course of the operations of the local group and bank, with the largest portion relating to indirect taxation arising on the local group's and bank's business activities.

## Notes on the financial statements

Under IFRS 17, directly attributable costs are incorporated in the CSM calculation and recognised in the insurance service result over the duration of the associated insurance contracts. Directly attributable costs amounting to €1,948,000 (2024: €3,067,000) are incorporated in the CSM calculation and insurance service result. A split of operating expenses which are directly attributable to the insurance business and non-attributable operating expenses are presented in the table below:

|   | 2025  |  |                                  | 2024  |  |                                  |
|---|---|--|----------------------------------|---|--|----------------------------------|
|   | Expenses attributed to insurance acquisition cashflow<br>€000 | Other directly attributable expenses<br>€000 | Other operating expenses<br>€000 | Expenses attributed to insurance acquisition cashflow<br>€000 | Other directly attributable expenses<br>€000 | Other operating expenses<br>€000 |
| Employees compensation and benefits   | 448   | 671  | 45,229                           | 731   | 647  | 42,298                           |
| General and administrative expenses   | 321   | 406  | 59,232                           | 743   | 805  | 60,459                           |
| Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible assets | 41  | 61   | 15,412                           | 75  | 66   | 9,994                            |
|   | <b>810</b>  | <b>1,138</b>                                 | <b>119,873</b>                   | 1,549   | 1,518  | 112,751                          |

## 18 Tax expense

The local group's and the bank's tax expense recognised in profit or loss is analysed below:

|   | Group         |              | Bank          |              |
|---|---------------|--------------|---------------|--------------|
|   | 2025<br>€000  | 2024<br>€000 | 2025<br>€000  | 2024<br>€000 |
| Current tax:  | <b>36,747</b> | 49,296       | <b>33,838</b> | 44,392       |
| – for this year                                     | <b>36,847</b> | 49,348       | <b>33,816</b> | 44,328       |
| – adjustments in respect of prior years             | <b>(100)</b>  | (52)         | <b>22</b>     | 64           |
| Deferred tax:                                       | <b>705</b>    | 5,089        | <b>742</b>    | 4,986        |
| – origination and reversal of temporary differences | <b>760</b>    | 4,981        | <b>797</b>    | 4,878        |
| – adjustments in respect of prior years             | <b>(55)</b>   | 108          | <b>(55)</b>   | 108          |
|   | <b>37,452</b> | 54,385       | <b>34,580</b> | 49,378       |

The tax recognised in profit or loss on the local group's and the bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

|   | Group          |              | Bank          |              |
|---|----------------|--------------|---------------|--------------|
|   | 2025<br>€000   | 2024<br>€000 | 2025<br>€000  | 2024<br>€000 |
| <b>Profit before tax</b>  | <b>109,044</b> | 154,492      | <b>98,997</b> | 139,832      |
| Tax at the applicable rate of 35%   | <b>38,165</b>  | 54,072       | <b>34,649</b> | 48,941       |
| Tax effect of:  |                |              |               |              |
| – income taxed at different rates   | <b>(853)</b>   | 178          | <b>(325)</b>  | 178          |
| – non-deductible expenses   | <b>68</b>      | 20           | <b>68</b>     | 20           |
| – disallowed expense arising from depreciation of property, plant and equipment | <b>437</b>     | 152          | <b>437</b>    | 152          |
| – current tax adjustments in respect of prior years                             | <b>(100)</b>   | (52)         | <b>22</b>     | 64           |
| – deferred tax adjustments in respect of prior years                            | <b>(55)</b>    | 108          | <b>(55)</b>   | 108          |
| – tax credit on pension contribution  | <b>(213)</b>   | (87)         | <b>(213)</b>  | (87)         |
| – others  | <b>3</b>       | (6)          | <b>(3)</b>    | 2            |
| <b>Tax expense</b>  | <b>37,452</b>  | 54,385       | <b>34,580</b> | 49,378       |

The tax impacts, which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity, are as follows:

|   | Group/Bank         |                    |                    |                    |                                 |                    |
|---|--------------------|--------------------|--------------------|--------------------|---------------------------------|--------------------|
|   | 2025               |                    |                    | 2024               |                                 |                    |
|   | Before tax<br>€000 | Tax charge<br>€000 | Net of tax<br>€000 | Before tax<br>€000 | Tax (charge)/<br>credit<br>€000 | Net of tax<br>€000 |
| Fair valuation of financial investments:              |                    |                    |                    |                    |                                 |                    |
| – net changes in fair value                           | <b>5,554</b>       | <b>(1,944)</b>     | <b>3,610</b>       | 9,474              | (3,316)                         | 6,158              |
| Fair valuation of properties:                         |                    |                    |                    |                    |                                 |                    |
| – net changes in fair value                           | <b>952</b>         | <b>(95)</b>        | <b>857</b>         | (3,918)            | 392                             | (3,526)            |
| Remeasurement of post employment benefit obligations: |                    |                    |                    |                    |                                 |                    |
| – net remeasurement                                   | <b>420</b>         | <b>(147)</b>       | <b>273</b>         | (489)              | 171                             | (318)              |
|   | <b>6,926</b>       | <b>(2,186)</b>     | <b>4,740</b>       | 5,067              | (2,753)                         | 2,314              |

## 19 Dividends

|                                   | Bank                     |                          |              |              |
|-----------------------------------|--------------------------|--------------------------|--------------|--------------|
|                                   | 2025<br>EUR<br>per share | 2024<br>EUR<br>per share | 2025<br>€000 | 2024<br>€000 |
| Gross of income tax               |                          |                          |              |              |
| – prior year’s final dividend     | 0.120                    | 0.090                    | 43,237       | 32,428       |
| – current year’s interim dividend | 0.100                    | 0.100                    | 36,031       | 36,031       |
|                                   | 0.220                    | 0.190                    | 79,268       | 68,459       |
| Net of income tax                 |                          |                          |              |              |
| – prior year’s final dividend     | 0.078                    | 0.059                    | 28,104       | 21,078       |
| – current year’s interim dividend | 0.065                    | 0.065                    | 23,420       | 23,420       |
|                                   | 0.143                    | 0.124                    | 51,524       | 44,498       |

The bank is proposing a final net dividend of €19,673,000 in respect of the financial year ended 31 December 2025. The final dividend will be paid on 6 May 2026 to shareholders who are on the bank’s register of shareholders on 30 March 2026 subject to approval by the Annual General Meeting scheduled for 29 April 2026.

|  | Bank             |                  |
|--|------------------|------------------|
|  | 2025<br>€000     | 2024<br>€000     |
| <b>Proposed dividend</b>                         |                  |                  |
| <b>Profit for the year</b>                       | 64,417           | 90,454           |
| Proposed dividend                                | 43,093           | 51,524           |
| Less: interim dividend paid                      | (23,420)         | (23,420)         |
| <b>Available for distribution</b>                | 19,673           | 28,104           |
| <b>Proposed final dividend</b>                   | 19,673           | 28,104           |
| <b>Issued and fully paid up shares (Note 41)</b> | 360,306,099      | 360,306,099      |
|  | EUR<br>per share | EUR<br>per share |
| <b>Proposed final dividend</b>                   |                  |                  |
| – gross of income tax per share                  | 0.084            | 0.120            |
| – net of income tax per share                    | 0.055            | 0.078            |

## 20 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the local group by the weighted average number of ordinary shares in issue during the year. The profit attributable to equity holders of the local group amounted to €71,592,000 (2024: €100,107,000), while the weighted average number of ordinary shares in issue was 360,306,099 (2024: 360,306,099). The basic earnings per share of the local group amounted to €0.20 (2024: €0.28). The local group has no instruments or arrangements which give rise to dilutive potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

## 21 Balances with Central Bank of Malta, Treasury Bills and cash

|  | Group/Bank   |              |
|--|--------------|--------------|
|  | 2025<br>€000 | 2024<br>€000 |
| Balances with Central Bank of Malta                                      | 950,980      | 808,971      |
| Treasury Bills measured at fair value through other comprehensive income | 307,519      | 234,541      |
| Cash   | 34,605       | 30,158       |
|  | 1,293,104    | 1,073,670    |

The average reserve deposit held with the Central Bank of Malta for the relevant maintenance period in terms of Regulation (EC) No. 1745/2003 of the European Central Bank amounted to €60,964,000 (2024: €58,861,000).

Balances with Central Bank of Malta and Treasury Bills in the table above are shown net of credit loss allowances amounting to nil (2024: €1,000) and €6,000 (2024: €2,000) respectively.

## 22 Financial assets mandatorily measured at fair value through profit or loss

|  | Group        |              |
|--|--------------|--------------|
|  | 2025<br>€000 | 2024<br>€000 |
| Debt securities and other fixed income instruments | 215,974      | 223,144      |
| Equity and other non-fixed income instruments      | 505,133      | 491,805      |
|  | 721,107      | 714,949      |

## Notes on the financial statements

### Debt securities and other fixed income instruments

|  | Group          |              |
|--|----------------|--------------|
|  | 2025<br>€000   | 2024<br>€000 |
| <b>Issued by public bodies:</b>        |                |              |
| – local government                     | 61,642         | 61,391       |
| – foreign governments                  | 53,138         | 68,509       |
| <b>Issued by other bodies:</b>         |                |              |
| – local banks                          | 5,401          | 10,021       |
| – foreign banks                        | 13,497         | 9,399        |
| – other local issuers                  | 16,409         | 9,683        |
| – other foreign issuers                | 65,887         | 64,141       |
|  | <b>215,974</b> | 223,144      |
| <b>Listing status:</b>                 |                |              |
| – listed on the Malta Stock Exchange   | 73,741         | 81,095       |
| – listed on other recognised exchanges | 142,233        | 142,049      |
|  | <b>215,974</b> | 223,144      |
| At 1 Jan                               | 223,144        | 232,364      |
| Acquisitions                           | 62,415         | 72,208       |
| Disposals/redemptions                  | (67,880)       | (83,982)     |
| Changes in fair value                  | (1,705)        | 2,554        |
| <b>At 31 Dec</b>                       | <b>215,974</b> | 223,144      |

### Equity and other non-fixed income instruments

|  | Group          |              |
|--|----------------|--------------|
|  | 2025<br>€000   | 2024<br>€000 |
| <b>Issued by other bodies:</b>         |                |              |
| – local banks                          | 49             | 1,744        |
| – foreign banks                        | 2,803          | 1,441        |
| – other local issuers                  | 113,659        | 105,599      |
| – other foreign issuers                | 388,622        | 383,021      |
|  | <b>505,133</b> | 491,805      |
| <b>Listing status:</b>                 |                |              |
| – listed on the Malta Stock Exchange   | 4,064          | 6,919        |
| – listed on other recognised exchanges | 38,652         | 43,068       |
| – local unlisted                       | 109,644        | 100,423      |
| – foreign unlisted                     | 352,773        | 341,395      |
|  | <b>505,133</b> | 491,805      |
| At 1 Jan                               | 491,805        | 460,660      |
| Acquisitions                           | 93,752         | 132,012      |
| Disposals                              | (115,314)      | (146,568)    |
| Changes in fair value                  | 34,890         | 45,701       |
| <b>At 31 Dec</b>                       | <b>505,133</b> | 491,805      |

## 23 Derivatives

The local group transacts derivatives primarily to create risk management solutions for clients, referred to as 'trading derivatives', and derivatives to manage and hedge own risks, referred to as 'hedge accounting derivatives'.

### Trading derivatives

Trading derivative transactions relate mainly to sales activities. These activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks.

All of the positions held for trading purposes are covered by back-to-back derivative transactions with HSBC Group entities, managing the market risk arising from these positions. Any market risk retained locally is managed within approved local trading mandates. Therefore, revenue is generated based on volume and spread.

### Hedge accounting derivatives

The local group uses derivatives (principally interest rate swaps) for hedging purposes in the management of its own asset portfolio. This enables the local group to optimise the overall cost of accessing debt capital markets, and to mitigate the market risk which would otherwise arise from structural imbalances in the maturity and other profiles of its assets and liabilities.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and the type of hedge transactions. Derivatives may qualify as hedges for accounting purposes if they are fair value hedges, or cash flow hedges, or hedges in net investment of foreign operations. During the financial year ended 31 December 2022, the local group entered into fair value hedges, which consisted of interest rate swaps that were used to protect against changes in the fair value of fixed-rate-long-term debt instruments due to the movements in market interest rates. The local group did not enter into new fair value hedges during the financial years ended 31 December 2025 and 31 December 2024. However, during the financial year ended 31 December 2025, one of the fixed-rate debt securities subject to fair value hedges as at 31 December 2024 reached its maturity date. Accordingly, the corresponding interest rate swap used to hedge fair value movements thereon also expired. This resulted in a reduction in the number of fair value hedges as 31 December 2025. For qualifying fair value hedges, all changes in the fair value of the derivatives (the 'hedging instrument') and in the fair value of the item in relation to the risk being hedged (the 'hedged item') are recognised in profit or loss.

## Notes on the financial statements

Hedge effectiveness is determined at inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The local group entered into interest rate swaps that had similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The local group matched the nominal amount of the hedged items with the notional amount of the interest rate swaps. As all critical terms matched since the inception of the fair value hedge, the hedging instruments share the same risk exposures as the hedged items and, as a result, an economic relationship is deemed to exist.

Hedge effectiveness for interest rate swaps was also assessed by reference to qualitative tests, including both retrospective and prospective effectiveness tests. However, to the extent hedging instruments are exposed to different risks than hedged items, this could result in hedge ineffectiveness. This may occur due to the credit value/debit value adjustment on the interest rate swaps which is not matched by the hedged item.

The hedge ratio in respect of the hedge accounting derivatives for the financial years ended 31 December 2025 and 31 December 2024 was 1:1. The weighted average swap rate in respect of the hedge accounting derivatives for the year was 1.19% per annum (2024: 2.62%). The contractual maturity date of the hedge derivatives is reflected in Note 4(c)(iv).

### Derivatives

|                                     | Group/Bank               |                 |                     |                 |               |                          |                 |               |
|-------------------------------------|--------------------------|-----------------|---------------------|-----------------|---------------|--------------------------|-----------------|---------------|
|                                     | Notional contract amount |                 | Fair value - Assets |                 |               | Fair value - Liabilities |                 |               |
|                                     | Trading<br>€000          | Hedging<br>€000 | Trading<br>€000     | Hedging<br>€000 | Total<br>€000 | Trading<br>€000          | Hedging<br>€000 | Total<br>€000 |
| <b>Foreign exchange derivatives</b> |                          |                 |                     |                 |               |                          |                 |               |
| Foreign exchange                    | 243,044                  | —               | 3,960               | —               | 3,960         | 3,801                    | —               | 3,801         |
| <b>Interest rate derivatives</b>    |                          |                 |                     |                 |               |                          |                 |               |
| Interest rate swaps                 | 78,418                   | 209,000         | 1,055               | 1,198           | 2,253         | 1,051                    | —               | 1,051         |
| <b>At 31 Dec 2025</b>               | <b>321,462</b>           | <b>209,000</b>  | <b>5,015</b>        | <b>1,198</b>    | <b>6,213</b>  | <b>4,852</b>             | <b>—</b>        | <b>4,852</b>  |
| Foreign exchange derivatives        |                          |                 |                     |                 |               |                          |                 |               |
| Foreign exchange                    | 344,085                  | —               | 12,689              | —               | 12,689        | 12,364                   | —               | 12,364        |
| Interest rate derivatives           |                          |                 |                     |                 |               |                          |                 |               |
| Interest rate swaps                 | 75,936                   | 271,000         | 1,400               | 3,153           | 4,553         | 1,383                    | —               | 1,383         |
| At 31 Dec 2024                      | 420,021                  | 271,000         | 14,089              | 3,153           | 17,242        | 13,747                   | —               | 13,747        |

The notional contract amounts of derivatives held for trading purposes and derivatives designated in hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk.

Foreign exchange derivatives represent commitments to purchase and sell pre-established amounts of currencies and are gross settled.

Interest rate swaps are commitments to exchange one set of cash flows for another (for example, fixed rate for floating rate). Usually, no exchange of principal takes place.

### Fair value hedges

The local group enters into fixed-for-floating interest rate swaps to hedge the exposure to change in fair value caused by the movement in interest rates on certain fixed-rate debt securities that are measured at fair value through other comprehensive income ('FVOCI'). Therefore, the hedges provide protection for changes in fair value of the relevant securities.

#### Hedging instrument and hedged item by hedged risk

|                       | Group/Bank            |  |                            |  |   |  |
|-----------------------|-----------------------|--|----------------------------|--|---|--|
|                       | Notional <sup>1</sup> | Accumulated fair value movements since hedge inception | Balance sheet presentation | Change in fair value for the year <sup>2,3</sup> | Hedge ineffectiveness recognised in profit and loss | Profit or loss presentation                                      |
|                       | €000                  | €000   |                            | €000   | €000  |  |
| Hedging instrument    | 209,000               | 1,161  | Derivatives                | (1,472)  |   |  |
| Hedged item           | N/A                   | (1,212)  | Financial investments      | 1,504  | 32  | Net profit representing ineffective portion of fair value hedges |
| <b>At 31 Dec 2025</b> | <b>209,000</b>        | <b>(51)</b>  |                            | <b>32</b>  | <b>32</b>   |  |
| Hedging instrument    | 271,000               | 2,633  | Derivatives                | (3,927)  |   |  |
| Hedged item           | N/A                   | (2,716)  | Financial investments      | 4,019  | 92  | Net profit representing ineffective portion of fair value hedges |
| At 31 Dec 2024        | 271,000               | (83)   |                            | 92   | 92  |  |

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

2 Used in effectiveness assessment; comprising amount attributable to the designated hedged risk that can be a risk component in respect of hedged item.

3 Used in effectiveness testing; comprising the full fair value change of hedging instrument not excluding any component.

The carrying amount of the hedged item as at 31 December 2025 amounted to €204,453,000 (2024: €261,387,000).

## Notes on the financial statements

### 24 Loans and advances to banks

|   | Group          |              | Bank           |              |
|---|----------------|--------------|----------------|--------------|
|   | 2025<br>€000   | 2024<br>€000 | 2025<br>€000   | 2024<br>€000 |
| Repayable on call and at short notice Term loans and advances | 492,158        | 467,207      | 467,557        | 452,872      |
| Term loans and advances                                       | 186,625        | 148,160      | 186,625        | 148,160      |
|   | <b>678,783</b> | 615,367      | <b>654,182</b> | 601,032      |

Loans and advances to banks in the table above are shown net of credit loss allowances amounting to €1,000 (2024: nil).

### 25 Loans and advances to customers

|  | Group/Bank       |              |
|--|------------------|--------------|
|  | 2025<br>€000     | 2024<br>€000 |
| Repayable on call and at short notice        | 225,371          | 225,463      |
| Term loans and advances                      | 2,565,498        | 2,679,870    |
| <b>Gross loans and advances to customers</b> | <b>2,790,869</b> | 2,905,333    |
| Allowance for ECL                            | (28,706)         | (32,175)     |
| <b>Net loans and advances to customers</b>   | <b>2,762,163</b> | 2,873,158    |
| <b>Allowance for ECL</b>                     |                  |              |
| – allowances booked under stage 1            | 5,846            | 7,501        |
| – allowances booked under stage 2            | 9,682            | 9,874        |
| – allowances booked under stage 3            | 13,178           | 14,800       |
|  | <b>28,706</b>    | 32,175       |

Loans and advances to customers with a carrying amount of €68,745,000 (2024: €78,770,000) have been pledged against the provision of credit lines by the Central Bank of Malta.

### 26 Financial investments

|   | Group            |              | Bank             |              |
|---|------------------|--------------|------------------|--------------|
|   | 2025<br>€000     | 2024<br>€000 | 2025<br>€000     | 2024<br>€000 |
| <b>Measured at fair value through other comprehensive income:</b> |                  |              |                  |              |
| Debt instruments  | 1,184,911        | 1,146,007    | 1,184,911        | 1,146,007    |
| Equity and other non-fixed income instruments                     | 47               | 45           | 45               | 43           |
| <b>Measured at amortised cost:</b>                                |                  |              |                  |              |
| Debt instruments  | 1,352,502        | 1,145,128    | 1,352,502        | 1,145,128    |
|   | <b>2,537,460</b> | 2,291,180    | <b>2,537,458</b> | 2,291,178    |

#### Debt instruments measured at fair value through other comprehensive income

|  | Group/Bank       |              |
|--|------------------|--------------|
|  | 2025<br>€000     | 2024<br>€000 |
| <b>Issued by public bodies:</b>        |                  |              |
| – local government                     | 284,854          | 320,300      |
| – foreign governments                  | 374,181          | 340,413      |
| <b>Issued by other bodies:</b>         |                  |              |
| – other foreign issuers                | 525,876          | 485,294      |
|  | <b>1,184,911</b> | 1,146,007    |
| <b>Listing status:</b>                 |                  |              |
| – listed on the Malta Stock Exchange   | 284,854          | 320,300      |
| – listed on other recognised exchanges | 900,057          | 825,707      |
|  | <b>1,184,911</b> | 1,146,007    |
| At 1 Jan                               | 1,146,007        | 456,930      |
| Exchange adjustments                   | (526)            | 768          |
| Amortisation of premium/discount       | 8,264            | 4,865        |
| Acquisitions                           | 473,133          | 860,231      |
| Redemptions                            | (449,443)        | (190,397)    |
| Changes in fair value                  | 7,476            | 13,610       |
| <b>At 31 Dec</b>                       | <b>1,184,911</b> | 1,146,007    |

The financial investments which are denominated in currencies other than the reporting currency are economically hedged through balances in corresponding currencies mainly forming part of customer accounts and deposits by banks. Thus, the exchange adjustment reflected above does not result in an exchange gain or loss recognised in profit or loss.

Credit loss allowances in respect of debt instruments measured at fair value through other comprehensive income amounted to €33,000 as at 31 December 2025 (2024: €36,000).

## Notes on the financial statements

Debt securities measured at fair value through other comprehensive income with a carrying amount of €34,458,000 (2024: €33,488,000) have been pledged against the provision of credit lines by the Central Bank of Malta. At 31 December 2025 and 2024, no balances were outstanding against these credit lines. In addition, debt securities measured at fair value through other comprehensive income with a carrying amount of €13,763,000 (2024: €14,319,000) have been pledged in terms of the Depositor Compensation Scheme (refer to Note 43).

### Debt instruments measured at amortised cost

|  | Group/Bank       |                  |
|--|------------------|------------------|
|  | 2025<br>€000     | 2024<br>€000     |
| <b>Issued by public bodies:</b>        |                  |                  |
| – local government                     | 164,602          | 164,987          |
| – foreign governments                  | 758,842          | 492,518          |
| <b>Issued by other bodies:</b>         |                  |                  |
| – other foreign issuers                | 429,058          | 487,623          |
|  | <b>1,352,502</b> | <b>1,145,128</b> |
| <b>Listing status:</b>                 |                  |                  |
| – listed on the Malta Stock Exchange   | 164,602          | 164,987          |
| – listed on other recognised exchanges | 1,187,900        | 980,141          |
|  | <b>1,352,502</b> | <b>1,145,128</b> |
| At 1 Jan                               | 1,145,128        | 858,886          |
| Exchange adjustments                   | –                | 56               |
| Acquisitions                           | 365,577          | 275,437          |
| Amortisation of premium/discount       | 14,247           | 12,971           |
| Redemptions                            | (172,450)        | (2,222)          |
| <b>At 31 Dec</b>                       | <b>1,352,502</b> | <b>1,145,128</b> |

The financial investments which are denominated in currencies other than the reporting currency are economically hedged through balances in corresponding currencies mainly forming part of customer accounts and deposits by banks. Thus, the exchange adjustment reflected above does not result in an exchange gain or loss recognised in profit or loss.

Debt securities measured at amortised cost with a carrying amount of €135,708,000 (2024: €55,287,000) have been pledged against the provision of credit lines by the Central Bank of Malta. At 31 December 2025 and 2024, no balances were outstanding against these credit lines.

Debt instruments measured at amortised cost in the table above are shown net of credit loss allowances amounting to €27,000 (2024:€46,000).

### Equity and other non-fixed income instruments

|  | Group        |              | Bank         |              |
|--|--------------|--------------|--------------|--------------|
|  | 2025<br>€000 | 2024<br>€000 | 2025<br>€000 | 2024<br>€000 |
| <b>Issued by issuers other than public bodies and banks:</b> |              |              |              |              |
| – local issuers  | 7            | 7            | 5            | 5            |
| – foreign issuers  | 40           | 38           | 40           | 38           |
|  | <b>47</b>    | <b>45</b>    | <b>45</b>    | <b>43</b>    |
| <b>Listing status:</b>                                       |              |              |              |              |
| – unlisted   | 47           | 45           | 45           | 43           |
|  | <b>47</b>    | <b>45</b>    | <b>45</b>    | <b>43</b>    |

The increase in value of equity instruments for the local group and bank is due to an increase in the equity's fair value during the year.

## 27 Prepayments, accrued income and other assets

|   | Group         |               | Bank          |               |
|---|---------------|---------------|---------------|---------------|
|   | 2025<br>€000  | 2024<br>€000  | 2025<br>€000  | 2024<br>€000  |
| Gross accrued interest                                  | 31,114        | 29,456        | 28,453        | 26,840        |
| Allowance for ECL                                       | (4,398)       | (4,773)       | (4,398)       | (4,773)       |
| <b>Net accrued interest</b>                             | <b>26,716</b> | <b>24,683</b> | <b>24,055</b> | <b>22,067</b> |
| Other accrued income                                    | 2,308         | 2,015         | 1,757         | 1,413         |
| Prepayments   | 773           | 843           | 734           | 823           |
| Committed letters of credit                             | 133           | 592           | 133           | 592           |
| Amounts pledged in favour of the Single Resolution Fund | 1,760         | 1,760         | 1,760         | 1,760         |
| Other   | 5,733         | 5,531         | 5,376         | 6,892         |
|   | <b>37,423</b> | <b>35,424</b> | <b>33,815</b> | <b>33,547</b> |

The credit loss allowances in respect of the committed letters of credit in the table above are insignificant.

Other assets mainly comprise settlement account balances with international card payment processors.

The table above includes an amount of €1,760,000 (2024: €1,760,000) placed in an account held in respect of the Single Resolution Fund as an Irrevocable Payment Commitment ('IPC') in terms of the Recovery and Resolution Regulations.

## Notes on the financial statements

### 28 Non-current assets held for sale

|  | Group/Bank   |              |
|--|--------------|--------------|
|  | 2025<br>€000 | 2024<br>€000 |
| Assets acquired in satisfaction of debt              | 1,844        | 2,388        |
| Assets held for sale attributable to closed branches | —            | 1,350        |
|  | <b>1,844</b> | <b>3,738</b> |

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The local group does not generally occupy repossessed properties for its business use. Repossessed properties consist mainly of immovable property that had been pledged as collateral by customers. During the financial year ended 31 December 2025, eleven repossessed properties (2024: six repossessed properties) with a total carrying amount of €544,000 (2024: €361,000) were disposed of, resulting in a gain on disposal of €802,000 (2024: €388,000), which was recorded and recognised in profit or loss under 'Other operating income'.

Assets acquired in satisfaction of debt, amounting to €1,844,000 as at 31 December 2025 (2024: €2,388,000), are net of an impairment provision of €472,000 (2024: €472,000), raised as a result of impairment assessments performed by management in preceding financial years.

During the financial year ended 31 December 2025, one branch with a carrying amount of €1,350,000 was disposed of, with gain on disposal amounting to €236,000 being recognised in profit or loss under 'Other operating income'. Upon sale, the property revaluation reserve in respect of these branches, amounting to €798,000 net of deferred tax, was transferred to retained earnings (Refer to Note 42).

During the financial year ended 31 December 2024, two branches with a carrying amount of €1,717,000, were disposed of, with a loss on disposal amounting to €25,000 being recognised in profit or loss under 'Other operating income'. Upon sale, the property revaluation reserve in respect of these branches, amounting to €1,527,000 net of deferred tax, was transferred to retained earnings (Refer to Note 42).

The carrying amount of Non-current assets held for sale as at 31 December 2025 will be recovered through sale transactions rather than through continuing use.

### 29 Investments in subsidiaries

|  | Bank                          |                      | 2025<br>€000  | 2024<br>€000  |
|--|-------------------------------|----------------------|---------------|---------------|
|  | Nature of business            | Equity interest<br>% |               |               |
| HSBC Life Assurance (Malta) Ltd              | Life insurance                | 99.99                | 28,578        | 28,578        |
| HSBC Global Asset Management (Malta) Limited | Portfolio management services | 99.99                | 2,281         | 2,281         |
|  |                               |                      | <b>30,859</b> | <b>30,859</b> |

All subsidiaries are incorporated in Malta.

### 30 Right-of-use assets

The local group leases various off-site ATMs, offices and branches as well as low value items such as IT equipment. Rental contracts are typically made for fixed periods but may have extension options. Extension and termination options are included in a number of property leases across the local group. These are used to maximise operational flexibility in terms of managing the assets used in the local group's operations. The majority of extension and termination options held are exercisable only by the local group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

A corresponding liability representing the future outflows in terms of the lease agreements is reported in Note 37 Accruals, deferred income and other liabilities.

|  | Group/Bank   |              |
|--|--------------|--------------|
|  | 2025<br>€000 | 2024<br>€000 |
| <b>Right-of-use assets</b>               |              |              |
| At 1 Jan                                 | 2,620        | 2,284        |
| Additions                                | 137          | 1,013        |
| Impact of derecognition of leased assets | —            | (55)         |
| Depreciation                             | (671)        | (622)        |
| <b>At 31 Dec</b>                         | <b>2,086</b> | <b>2,620</b> |
| <b>Lease liabilities at 31 Dec</b>       |              |              |
| Current                                  | 269          | 527          |
| Non-current                              | 1,762        | 2,001        |
|  | <b>2,031</b> | <b>2,528</b> |

## Notes on the financial statements

|  | Group/Bank |      |
|--|------------|------|
|  | 2025       | 2024 |
|  | €000       | €000 |
| <b>The income statement reflects the following amounts relating to leases:</b>   |            |      |
| Depreciation charge of right-of-use assets   | 671        | 622  |
| Interest expense   | 89         | 59   |
| Expense relating to short-term leases (included in administrative expenses)  | 12         | 34   |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | 342        | 357  |

The total cash payments for leases, including short-term and low-value leases, in 2025 was €734,000 (2024: €1,123,000).

## 31 Property, plant and equipment

|                                       | Group                      |                            |                |               |
|---------------------------------------|----------------------------|----------------------------|----------------|---------------|
|                                       | Land and buildings<br>€000 | Computer equipment<br>€000 | Others<br>€000 | Total<br>€000 |
| <b>Cost/revaluation</b>               |                            |                            |                |               |
| <b>At 1 Jan 2025</b>                  | <b>35,696</b>              | <b>4,551</b>               | <b>46,822</b>  | <b>87,069</b> |
| Additions                             | 350                        | 2,005                      | 5,772          | 8,127         |
| Revaluation                           | 606                        | —                          | —              | 606           |
| Write-offs                            | —                          | (1,172)                    | (391)          | (1,563)       |
| <b>At 31 Dec 2025</b>                 | <b>36,652</b>              | <b>5,384</b>               | <b>52,203</b>  | <b>94,239</b> |
| <b>Accumulated depreciation</b>       |                            |                            |                |               |
| <b>At 1 Jan 2025</b>                  | <b>2,172</b>               | <b>2,986</b>               | <b>23,140</b>  | <b>28,298</b> |
| Depreciation charge for the year      | 326                        | 724                        | 3,133          | 4,183         |
| Revaluation                           | (346)                      | —                          | —              | (346)         |
| Write-offs                            | —                          | (1,172)                    | (391)          | (1,563)       |
| <b>At 31 Dec 2025</b>                 | <b>2,152</b>               | <b>2,538</b>               | <b>25,882</b>  | <b>30,572</b> |
| <b>Carrying amount at 1 Jan 2025</b>  | <b>33,524</b>              | <b>1,565</b>               | <b>23,682</b>  | <b>58,771</b> |
| <b>Carrying amount at 31 Dec 2025</b> | <b>34,500</b>              | <b>2,846</b>               | <b>26,321</b>  | <b>63,667</b> |
| <b>Cost/revaluation</b>               |                            |                            |                |               |
| At 1 Jan 2024                         | 37,605                     | 15,977                     | 47,362         | 100,944       |
| Additions                             | 2,424                      | 837                        | 10,577         | 13,838        |
| Revaluation                           | (4,333)                    | —                          | —              | (4,333)       |
| Disposals/Write-offs                  | —                          | (12,263)                   | (11,117)       | (23,380)      |
| At 31 Dec 2024                        | 35,696                     | 4,551                      | 46,822         | 87,069        |
| <b>Accumulated depreciation</b>       |                            |                            |                |               |
| At 1 Jan 2024                         | 2,272                      | 14,708                     | 32,270         | 49,250        |
| Depreciation charge for the year      | 315                        | 530                        | 1,759          | 2,604         |
| Revaluation                           | (415)                      | —                          | —              | (415)         |
| Disposals/Write-offs                  | —                          | (12,252)                   | (10,889)       | (23,141)      |
| At 31 Dec 2024                        | 2,172                      | 2,986                      | 23,140         | 28,298        |
| Carrying amount at 1 Jan 2024         | 35,333                     | 1,269                      | 15,092         | 51,694        |
| Carrying amount at 31 Dec 2024        | 33,524                     | 1,565                      | 23,682         | 58,771        |

## Notes on the financial statements

|                                       | Bank                       |                            |                |               |
|---------------------------------------|----------------------------|----------------------------|----------------|---------------|
|                                       | Land and buildings<br>€000 | Computer equipment<br>€000 | Others<br>€000 | Total<br>€000 |
| <b>Cost/revaluation</b>               |                            |                            |                |               |
| <b>At 1 Jan 2025</b>                  | <b>35,696</b>              | <b>4,418</b>               | <b>46,709</b>  | <b>86,823</b> |
| Additions                             | 350                        | 2,005                      | 5,772          | 8,127         |
| Revaluation                           | 606                        | —                          | —              | 606           |
| Write-offs                            | —                          | (1,172)                    | (391)          | (1,563)       |
| <b>At 31 Dec 2025</b>                 | <b>36,652</b>              | <b>5,251</b>               | <b>52,090</b>  | <b>93,993</b> |
| <b>Accumulated depreciation</b>       |                            |                            |                |               |
| <b>At 1 Jan 2025</b>                  | <b>2,172</b>               | <b>2,853</b>               | <b>23,034</b>  | <b>28,059</b> |
| Depreciation charge for the year      | 326                        | 721                        | 3,133          | 4,180         |
| Revaluation                           | (346)                      | —                          | —              | (346)         |
| Write-offs                            | —                          | (1,172)                    | (391)          | (1,563)       |
| <b>At 31 Dec 2025</b>                 | <b>2,152</b>               | <b>2,402</b>               | <b>25,776</b>  | <b>30,330</b> |
| <b>Carrying amount at 1 Jan 2025</b>  | <b>33,524</b>              | <b>1,565</b>               | <b>23,675</b>  | <b>58,764</b> |
| <b>Carrying amount at 31 Dec 2025</b> | <b>34,500</b>              | <b>2,849</b>               | <b>26,314</b>  | <b>63,663</b> |

|                                  |         |          |          |          |
|----------------------------------|---------|----------|----------|----------|
| Cost/revaluation                 |         |          |          |          |
| At 1 Jan 2024                    | 37,605  | 15,751   | 47,166   | 100,522  |
| Additions                        | 2,424   | 833      | 10,577   | 13,834   |
| Revaluation                      | (4,333) | —        | —        | (4,333)  |
| Disposals/Write-offs             | —       | (12,166) | (11,034) | (23,200) |
| At 31 Dec 2024                   | 35,696  | 4,418    | 46,709   | 86,823   |
| Accumulated depreciation         |         |          |          |          |
| At 1 Jan 2024                    | 2,272   | 14,482   | 32,077   | 48,831   |
| Depreciation charge for the year | 315     | 530      | 1,759    | 2,604    |
| Revaluation                      | (415)   | —        | —        | (415)    |
| Disposals/Write-offs             | —       | (12,159) | (10,802) | (22,961) |
| At 31 Dec 2024                   | 2,172   | 2,853    | 23,034   | 28,059   |
| Carrying amount at 1 Jan 2024    | 35,333  | 1,269    | 15,089   | 51,691   |
| Carrying amount at 31 Dec 2024   | 33,524  | 1,565    | 23,675   | 58,764   |

Land and buildings and fixtures and fittings pertaining to specific closed branches with a carrying amount of €1,391,000 (2024: €1,407,000) have not been reclassified to Non-current assets held for sale as these assets do not meet the criteria within IFRS 5, Non-current assets held for sale and discontinued operations for initial classification as held for sale.

During 2024, equipment with a carrying amount of €239,000 was disposed of as part of the refurbishment of the Qormi - HSBC HUB complex, resulting in a loss on disposal amounting to €239,000 recognised within 'Other operating income'. During the current financial year, fully depreciated equipment and furniture and fittings were written off as a result of the replacement of the bank's ATM fleet and an exercise to write off obsolete branch assets.

With the exception of the above, other land and buildings reported are all utilised for own activities.

If the land and buildings were stated on the historical cost basis, the carrying amounts would be:

|                          | Group/Bank    |               |
|--------------------------|---------------|---------------|
|                          | 2025<br>€000  | 2024<br>€000  |
| <b>At 31 Dec</b>         |               |               |
| Cost                     | 22,844        | 22,494        |
| Accumulated depreciation | (2,498)       | (2,587)       |
| <b>Carrying amount</b>   | <b>20,346</b> | <b>19,907</b> |

Valuations of land and buildings are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period.

## 32 Intangible assets

|          | Group         |               | Bank          |               |
|----------|---------------|---------------|---------------|---------------|
|          | 2025<br>€000  | 2024<br>€000  | 2025<br>€000  | 2024<br>€000  |
| Software | 19,271        | 23,185        | 19,085        | 22,964        |
|          | <b>19,271</b> | <b>23,185</b> | <b>19,085</b> | <b>22,964</b> |

## Notes on the financial statements

### Software

|  | Group         |               | Bank          |               |
|--|---------------|---------------|---------------|---------------|
|  | 2025<br>€000  | 2024<br>€000  | 2025<br>€000  | 2024<br>€000  |
| <b>Cost</b>  |               |               |               |               |
| At 1 Jan   | 63,800        | 66,898        | 61,278        | 64,356        |
| Additions  | 6,746         | 9,332         | 6,556         | 9,288         |
| Write-offs   | —             | (12,430)      | —             | (12,366)      |
| <b>At 31 Dec</b>                                       | <b>70,546</b> | <b>63,800</b> | <b>67,834</b> | <b>61,278</b> |
| <b>Accumulated amortisation and impairment charges</b> |               |               |               |               |
| At 1 Jan   | 40,615        | 46,136        | 38,314        | 44,000        |
| Amortisation charge for the year                       | 10,453        | 6,768         | 10,330        | 6,680         |
| Impairment charges and write offs                      | 105           | (12,430)      | 105           | (12,366)      |
| Amortisation costs transferred to CSM                  | 102           | 141           | —             | —             |
| <b>At 31 December</b>                                  | <b>51,275</b> | <b>40,615</b> | <b>48,749</b> | <b>38,314</b> |
| <b>Carrying amount at 1 Jan</b>                        | <b>23,185</b> | <b>20,762</b> | <b>22,964</b> | <b>20,356</b> |
| <b>Carrying amount at 31 Dec</b>                       | <b>19,271</b> | <b>23,185</b> | <b>19,085</b> | <b>22,964</b> |

Amortisation costs amounting to €102,000 (2024: €141,000) were transferred to CSM and not charged to profit or loss. This cost will be released to profit or loss over the expected coverage period and is reported in the above table under 'Amortisation costs transferred to CSM'.

On 23 December 2025, HBCE and CrediaBank entered into a definitive agreement for the sale and purchase of HBCE's shareholding in the local group, subject to the attainment of the necessary regulatory approvals. As a result, the local group undertook a comprehensive review to identify intangible assets requiring a reassessment of their remaining useful lives, resulting in the acceleration of amortisation for those assets amounting to €3,082,000, recognised during the financial year ended 31 December 2025.

During 2024, the local group performed an exercise to write off intangible assets that were no longer in use and had a net book value of zero.

### 33 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts determined after appropriate offsetting are shown in the statement of financial position:

|                          | Group         |               | Bank          |               |
|--------------------------|---------------|---------------|---------------|---------------|
|                          | 2025<br>€000  | 2024<br>€000  | 2025<br>€000  | 2024<br>€000  |
| Deferred tax assets      | 20,072        | 22,880        | 19,759        | 22,604        |
| Deferred tax liabilities | (3,418)       | (3,429)       | (3,418)       | (3,429)       |
|                          | <b>16,654</b> | <b>19,451</b> | <b>16,341</b> | <b>19,175</b> |

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. The principal tax rate used is 35% (2024: 35%), with the exception of deferred taxation on the fair valuation of property, which is computed on the basis applicable to disposals of immovable property mainly giving rise to a tax effect of 8% or 10% (depending on date of acquisition) of the transfer value (2024: 8% or 10%).

The local group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the local group.

The balance at 31 December represents temporary differences attributable to:

|   | Group         |               | Bank          |               |
|---|---------------|---------------|---------------|---------------|
|   | 2025<br>€000  | 2024<br>€000  | 2025<br>€000  | 2024<br>€000  |
| Depreciation of property, plant and equipment | (1,485)       | (2,302)       | (1,484)       | (2,301)       |
| Expected credit loss allowances               | 11,856        | 13,302        | 11,856        | 13,302        |
| Fair valuation of properties                  | (3,418)       | (3,429)       | (3,418)       | (3,429)       |
| Fair value of financial instruments           | 2,141         | 4,085         | 2,141         | 4,085         |
| Provisions                                    | 6,455         | 6,942         | 6,136         | 6,678         |
| Right-of-use assets                           | (730)         | (917)         | (730)         | (917)         |
| Lease liabilities                             | 711           | 885           | 711           | 885           |
| Other   | 1,124         | 885           | 1,129         | 872           |
|   | <b>16,654</b> | <b>19,451</b> | <b>16,341</b> | <b>19,175</b> |

## Notes on the financial statements

The movement in deferred tax assets and liabilities during the year is as follows:

|   | Group         |                              |                   |                               |                |
|---|---------------|------------------------------|-------------------|-------------------------------|----------------|
|   | At 1 Jan 2025 | Recognised in profit or loss | Recognised in OCI | Recognised directly in equity | At 31 Dec 2025 |
|   | €000          | €000                         | €000              | €000                          | €000           |
| Depreciation of property, plant and equipment | (2,302)       | 817                          | —                 | —                             | (1,485)        |
| Expected credit loss allowances               | 13,302        | (1,446)                      | —                 | —                             | 11,856         |
| Fair valuation of properties                  | (3,429)       | 106                          | (95)              | —                             | (3,418)        |
| Fair value movements on financial instruments | 4,085         | —                            | (1,944)           | —                             | 2,141          |
| Provisions                                    | 6,942         | (340)                        | (147)             | —                             | 6,455          |
| Right-of-use assets                           | (917)         | 187                          | —                 | —                             | (730)          |
| Lease liabilities                             | 885           | (174)                        | —                 | —                             | 711            |
| Other   | 885           | 145                          | —                 | 94                            | 1,124          |
|   | <b>19,451</b> | <b>(705)</b>                 | <b>(2,186)</b>    | <b>94</b>                     | <b>16,654</b>  |
| Depreciation of property, plant and equipment | (2,440)       | 138                          | —                 | —                             | (2,302)        |
| Expected credit loss allowances               | 18,049        | (4,747)                      | —                 | —                             | 13,302         |
| Fair valuation of properties                  | (3,727)       | (94)                         | 392               | —                             | (3,429)        |
| Fair value movements on financial instruments | 7,401         | —                            | (3,316)           | —                             | 4,085          |
| Provisions                                    | 7,186         | (415)                        | 171               | —                             | 6,942          |
| Right-of-use assets                           | (799)         | (118)                        | —                 | —                             | (917)          |
| Lease liabilities                             | 798           | 87                           | —                 | —                             | 885            |
| Other   | 807           | 60                           | —                 | 18                            | 885            |
|   | 27,275        | (5,089)                      | (2,753)           | 18                            | 19,451         |

|   | Bank          |                              |                   |                               |                |
|---|---------------|------------------------------|-------------------|-------------------------------|----------------|
|   | At 1 Jan 2025 | Recognised in profit or loss | Recognised in OCI | Recognised directly in equity | At 31 Dec 2025 |
|   | €000          | €000                         | €000              | €000                          | €000           |
| Depreciation of property, plant and equipment | (2,301)       | 817                          | —                 | —                             | (1,484)        |
| Expected credit loss allowances               | 13,302        | (1,446)                      | —                 | —                             | 11,856         |
| Fair valuation of properties                  | (3,429)       | 106                          | (95)              | —                             | (3,418)        |
| Fair value movements on financial instruments | 4,085         | —                            | (1,944)           | —                             | 2,141          |
| Provisions                                    | 6,678         | (395)                        | (147)             | —                             | 6,136          |
| Right-of-use assets                           | (917)         | 187                          | —                 | —                             | (730)          |
| Lease liabilities                             | 885           | (174)                        | —                 | —                             | 711            |
| Other   | 872           | 163                          | —                 | 94                            | 1,129          |
|   | <b>19,175</b> | <b>(742)</b>                 | <b>(2,186)</b>    | <b>94</b>                     | <b>16,341</b>  |
| Depreciation of property, plant and equipment | (2,422)       | 121                          | —                 | —                             | (2,301)        |
| Expected credit loss allowances               | 18,049        | (4,747)                      | —                 | —                             | 13,302         |
| Fair valuation of properties                  | (3,727)       | (94)                         | 392               | —                             | (3,429)        |
| Fair value movements on financial instruments | 7,401         | —                            | (3,316)           | —                             | 4,085          |
| Provisions                                    | 6,790         | (283)                        | 171               | —                             | 6,678          |
| Right-of-use assets                           | (799)         | (118)                        | —                 | —                             | (917)          |
| Lease liabilities                             | 798           | 87                           | —                 | —                             | 885            |
| Other   | 806           | 48                           | —                 | 18                            | 872            |
|   | 26,896        | (4,986)                      | (2,753)           | 18                            | 19,175         |

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than 12 months from the end of the reporting period.

### 34 Deposits by banks

As at 31 December 2025, deposits by banks represented balances repayable on demand amounting to €1,429,000 (2024: €2,398,000).

### 35 Customer accounts

|                     | Group            |                  | Bank             |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | 2025<br>€000     | 2024<br>€000     | 2025<br>€000     | 2024<br>€000     |
| Term deposits       | 888,628          | 845,784          | 888,628          | 845,784          |
| Repayable on demand | 5,639,258        | 5,312,486        | 5,658,919        | 5,330,045        |
|                     | <b>6,527,886</b> | <b>6,158,270</b> | <b>6,547,547</b> | <b>6,175,829</b> |

## 36 Liabilities under investment contracts

|  | Group          |                |
|--|----------------|----------------|
|  | 2025<br>€000   | 2024<br>€000   |
| At 1 Jan   | 162,718        | 153,999        |
| Premiums received  | 6,208          | 3,094          |
| Amounts paid on surrender and other terminations during the year | (17,420)       | (10,858)       |
| Changes in unit prices and other movements                       | 11,044         | 16,483         |
| <b>At 31 Dec</b>   | <b>162,550</b> | <b>162,718</b> |

## 37 Accruals, deferred income and other liabilities

|                                      | Group         |               | Bank          |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2025<br>€000  | 2024<br>€000  | 2025<br>€000  | 2024<br>€000  |
| Accrued interest                     | 3,556         | 3,949         | 3,556         | 3,949         |
| Accrued expenses                     | 25,666        | 37,709        | 23,691        | 35,471        |
| Deferred income                      | 131           | 144           | 35            | 76            |
| Committed letters of credit          | 133           | 592           | 133           | 592           |
| Lease liabilities (refer to Note 30) | 2,031         | 2,528         | 2,031         | 2,528         |
| Other                                | 10,407        | 10,603        | 7,796         | 6,316         |
|                                      | <b>41,924</b> | <b>55,525</b> | <b>37,242</b> | <b>48,932</b> |

Other liabilities mainly comprise settlement account balances with international card payment processors and direct insurance payables.

## 38 Provisions

|  | Group                        |                              |   |                          |               |
|--|------------------------------|------------------------------|---|--------------------------|---------------|
|  | Termination benefits<br>€000 | Litigation provision<br>€000 | Post employment and other long-term employee benefits<br>€000 | Other provisions<br>€000 | Total<br>€000 |
| <b>Provisions (excluding contractual commitments)</b>                  |                              |                              |   |                          |               |
| At 31 Dec 2024   | 794                          | 738                          | 16,027  | 2,135                    | 19,694        |
| Additions  | 128                          | 131                          | 1,264   | 243                      | 1,766         |
| Amounts utilised   | (922)                        | (26)                         | (870)   | (18)                     | (1,836)       |
| Unused amounts reversed  | —                            | (168)                        | (145)   | (549)                    | (862)         |
| Remeasurement of post employment and other long-term employee benefits | —                            | —                            | (434)   | —                        | (434)         |
| <b>At 31 Dec 2025</b>  | <b>—</b>                     | <b>675</b>                   | <b>15,842</b>   | <b>1,811</b>             | <b>18,328</b> |

|                          | Loan commitments and financial guarantees<br>€000       | Performance and other guarantees<br>€000 | Total<br>€000 |
|--------------------------|---|--|---------------|
|                          | <b>Provisions in respect of contractual commitments</b> |  |               |
| At 31 Dec 2024           | 974   | 140                                      | 1,114         |
| Movement during the year | (271)   | (24)                                     | (295)         |
| <b>At 31 Dec 2025</b>    | <b>703</b>  | <b>116</b>                               | <b>819</b>    |
| <b>Total Provisions</b>  |   |  |               |
| At 31 Dec 2024           |   |  | 20,808        |
| <b>At 31 Dec 2025</b>    |   |  | <b>19,147</b> |

## Notes on the financial statements

|  | Group                   |                         |   |                     | Total<br>€000 |
|--|-------------------------|-------------------------|---|---------------------|---------------|
|  | Termination<br>benefits | Litigation<br>provision | Post employment<br>and other long-term<br>employee benefits | Other<br>provisions |               |
|  | €000                    | €000                    | €000  | €000                |               |
| Provisions (excluding contractual commitments)                         |                         |                         |   |                     |               |
| At 31 Dec 2023   | 942                     | 1,957                   | 14,629  | 2,478               | 20,006        |
| Additions  | 311                     | 440                     | 1,213   | 567                 | 2,531         |
| Amounts utilised   | (459)                   | (489)                   | (470)   | (228)               | (1,646)       |
| Unused amounts reversed  | —                       | (1,170)                 | (70)  | (682)               | (1,922)       |
| Remeasurement of post employment and other long-term employee benefits | —                       | —                       | 725   | —                   | 725           |
| At 31 Dec 2024   | 794                     | 738                     | 16,027  | 2,135               | 19,694        |

|  | Loan commitments<br>and financial<br>guarantees |      | Performance<br>and other<br>guarantees |       | Total<br>€000 |
|--|---|------|--|-------|---------------|
|  | €000  | €000 | €000                                   | €000  |               |
| Provisions in respect of contractual commitments |   |      |  |       |               |
| At 31 Dec 2023                                   |   |      | 1,318                                  | 525   | 1,843         |
| Movement during the year                         |   |      | (344)                                  | (385) | (729)         |
| At 31 Dec 2024                                   |   |      | 974                                    | 140   | 1,114         |
| Total Provisions                                 |   |      |  |       |               |
| At 31 Dec 2023                                   |   |      |  |       | 21,849        |
| At 31 Dec 2024                                   |   |      |  |       | 20,808        |

|  | Bank                    |                         |   |                     |         |
|--|-------------------------|-------------------------|---|---------------------|---------|
|  | Termination<br>benefits | Litigation<br>provision | Post employment<br>and other long-term<br>employee benefits | Other<br>provisions | Total   |
|  | €000                    | €000                    | €000  | €000                | €000    |
| Provisions (excluding contractual commitments)                         |                         |                         |   |                     |         |
| At 31 Dec 2024   | 794                     | 738                     | 16,027  | 1,381               | 18,940  |
| Additions  | 128                     | 131                     | 1,264   | 83                  | 1,606   |
| Amounts utilised   | (922)                   | (26)                    | (870)   | (18)                | (1,836) |
| Unused amounts reversed  | —                       | (168)                   | (145)   | (549)               | (862)   |
| Remeasurement of post employment and other long-term employee benefits | —                       | —                       | (434)   | —                   | (434)   |
| At 31 Dec 2025   | —                       | 675                     | 15,842  | 897                 | 17,414  |

|  | Loan commitments<br>and financial<br>guarantees |      | Performance<br>and other<br>guarantees |      | Total<br>€000 |
|--|---|------|--|------|---------------|
|  | €000  | €000 | €000                                   | €000 |               |
| Provisions in respect of contractual commitments |   |      |  |      |               |
| At 31 Dec 2024                                   |   |      | 974                                    | 140  | 1,114         |
| Movement during the year                         |   |      | (271)                                  | (24) | (295)         |
| At 31 Dec 2025                                   |   |      | 703                                    | 116  | 819           |
| Total Provisions                                 |   |      |  |      |               |
| At 31 Dec 2024                                   |   |      |  |      | 20,054        |
| At 31 Dec 2025                                   |   |      |  |      | 18,233        |

## Notes on the financial statements

|  | Bank                            |                                 |   |  | Total<br>€000 |
|--|---------------------------------|---------------------------------|---|--|---------------|
|  | Termination<br>benefits<br>€000 | Litigation<br>provision<br>€000 | Post employment<br>and other long-term<br>employee benefits<br>€000 | Other<br>provisions<br>€000                    |               |
| Provisions (excluding contractual commitments)                         |                                 |                                 |   |  |               |
| At 31 Dec 2023   | 942                             | 1,957                           | 14,629  | 1,348  | 18,876        |
| Additions  | 311                             | 440                             | 1,213   | 567  | 2,531         |
| Amounts utilised   | (459)                           | (489)                           | (470)   | (228)  | (1,646)       |
| Unused amounts reversed  | —                               | (1,170)                         | (70)  | (306)  | (1,546)       |
| Remeasurement of post employment and other long-term employee benefits | —                               | —                               | 725   | —  | 725           |
| At 31 Dec 2024   | 794                             | 738                             | 16,027  | 1,381  | 18,940        |
|  |                                 |                                 | Loan commitments<br>and financial<br>guarantees<br>€000             | Performance<br>and other<br>guarantees<br>€000 | Total<br>€000 |
| Provisions in respect of contractual commitments                       |                                 |                                 |   |  |               |
| At 31 Dec 2023   |                                 |                                 | 1,318   | 525  | 1,843         |
| Movement during the year   |                                 |                                 | (344)   | (385)  | (729)         |
| At 31 Dec 2024   |                                 |                                 | 974   | 140  | 1,114         |
| Total Provisions   |                                 |                                 |   |  |               |
| At 31 Dec 2023   |                                 |                                 |   |  | 20,719        |
| At 31 Dec 2024   |                                 |                                 |   |  | 20,054        |

### (a) Termination benefits

As 31 December 2023, the bank held a provision amounting to €942,000 relating to termination benefits awarded to identified employees. This provision was subsequently increased by €311,000 during the financial year ended 31 December 2024 and by a further €128,000 during the current financial year. During 2024, an amount of €459,000 was utilised, with the remaining balance of €922,000 being fully utilised in 2025.

### (b) Litigation provision

The litigation provision as at 31 December 2025 amounted to €675,000 for both the local group and bank (2024: €738,000 for both the local group and bank). This provision is expected to be settled after more than one year from the reporting date. The impact of discounting is not considered to be significant. The movement in this provision during 2025, comprises a net decrease in provisions of €37,000 for both the local group and for the bank (2024: a net decrease in provisions of €730,000 for both the local group and for the bank), recognised in profit or loss under 'General and administrative expenses', as well as amounts utilised during the year amounting to €26,000 (2024: €489,000) for both the local group and the bank.

Based on legal advice, the Board believes that adequate provisions have been recognised, taking into consideration the timing and amount of the probable economic outflows required in respect of the litigation cases opened against the local group and the bank.

### (c) Post employment and other long-term employee benefits

The local group has a present obligation towards its employees in respect of long service bonuses, bonuses on retirement due to age and compensation paid upon retirement for medical grounds. This provision is principally non-current in nature, with the maturity profile of the obligation spanning over the estimated remaining working life. These obligations emanate from the provisions of the Collective Agreement. The obligations as at 31 December 2025 have been estimated at €15,842,000 (2024: €16,027,000) by independent actuaries using the projected unit credit method. In 2025, a release amounting to €145,000 (2024: €70,000), was recognised in profit or loss to reflect the actual number of employees that benefited from the retirement bonus as stipulated within the Collective Agreement during the current financial year.

Furthermore, net current service charges of €1,264,000 (2024: €1,213,000) reported under 'Additions' were recognised in profit or loss during the financial year ended 31 December 2025. In addition, actuarial gains attributable to changes in financial assumptions, demographic assumptions and experience adjustments of €420,000 (2024: actuarial losses amounting to €489,000) in respect of post-employment benefits and €14,000 (2024: actuarial losses amounting to €236,000) attributable to long-term employee benefits, reported under 'Remeasurement of post employment and other long-term employee benefits', were recognised in other comprehensive income and in profit or loss, respectively.

The present value of the defined benefit obligation at 31 December 2025 and 2024 has been estimated after taking into consideration the following assumptions:

- a rate of 3.66% (2024: 3.40%) to discount the future obligations to present value, which is based on the eurozone corporate bond yield curve. The yield curve is derived by considering the market yields on high-quality corporate bonds with currency and term of the corporate bonds (rated AA- or better) consistent with the currency and term of the liabilities. For longer durations, where such data is not available, the shape of the composite AA-rated government bond yield curve is used to extrapolate the curve to very long durations;
- an inflation rate of 2.50% (2024: 2.50%) in line with the eurozone inflation curve;
- a salary increase assumption, inclusive of cost-of-living adjustments of 4.50% for 2026, 3.50% for 2027, 3.00% for the period 2028-2029 and 2.75% for 2030 onwards (2024: 5.00% for 2025-2026, 3.00% for the period 2027-2029 and 2.75% for 2030 onwards, inclusive of cost-of-living adjustments);
- withdrawal rates, representing the local group's expectations in respect of retirement of employees, which were based on standard tables used by actuaries after taking into consideration the observed retirement history of the local group;
- retirement age of 65 (2024: 65);

## Notes on the financial statements

---

- mortality rates based on generational tables used by actuaries; and
- ill health rates mainly based on the local group's historical experience.

A sensitivity analysis for significant actuarial assumptions as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at that date is not deemed necessary taking into account the materiality and significance of the amount of the provisions in the context of the aggregate level of assets and liabilities of the local group and the level of financial results registered during the current period.

### (d) Other provisions

Other provisions as at 31 December 2025 amounted to €1,811,000 for the local group (2024: €2,135,000) and €897,000 (2024: €1,381,000) for the bank. This represents mainly an onerous contract provision resulting from a closed investment product held by one of the subsidiary companies whereby future losses were estimated and a provision for obligations in respect of medical insurance cost for employees who retired under previous voluntary schemes.

### (e) Provisions in respect of contractual commitments

The component of provisions for liabilities and other charges in respect of contractual commitments represents expected credit losses in relation to off-balance sheet financial guarantee contracts and commitments where the local group has become party to an irrevocable commitment, as defined under IFRS 9 'Financial Instruments'. As at 31 December 2025, expected credit losses under IFRS 9 in respect of these commitments amounted to €703,000 (2024: €974,000). The movement in expected credit losses in respect of such instruments is disclosed within the 'Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees' within Note 4(b)(iii).

Contractual commitments also comprise performance and other guarantee contracts that fall outside the scope of IFRS 9, including standby letters of credit and non-financial guarantees, such as performance guarantees. As at 31 December 2025, provisions calculated in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' in respect of such instruments amounted to €116,000 (2024: €140,000). Further details in this respect are set out in Note 43.

---

## 39 Borrowings from a group undertaking

The bank has a number of loan agreements with HSBC Continental Europe for the purpose of meeting the targets for Minimum Requirement for own funds and Eligible Liabilities ('MREL') as set by the Single Resolution Board. These loans are unsecured and have been granted on normal commercial terms subject to the terms and conditions of the Loan Agreement and applicable laws and regulations as follows:

- €60,000,000 loan agreement with HSBC Continental Europe with a maturity date of 16 December 2031 and an option of early call in December 2030. This loan bears interest at a rate equal to three-month Euribor plus a margin of 117 basis points. As at 31 December 2025, the interest rate was 3.25% (2024: 4.06%). This loan agreement was initially contracted with HSBC Bank plc. In December 2023, the bank agreed to a transfer arrangement of the loan agreement, by virtue of which the loan agreement was transferred to HSBC Continental Europe, as the new parent company of HSBC Bank Malta p.l.c. following the change of control in November 2022. No changes to the terms and conditions of the original agreement were made.
- €30,000,000 loan agreement with HSBC Continental Europe with a maturity date of 30 January 2027 and an option of early call in January 2026. It bears interest at a rate equal to three-month Euribor plus a margin of 127 basis points. As at 31 December 2025, the interest rate was 3.34% (2024: 4.32%).
- €60,000,000 loan agreement with HSBC Continental Europe with a maturity date of 30 January 2028 and an option of early call in January 2027. This loan, which was contracted in January 2025, bears interest at a rate equal to three-month Euribor plus a margin of 76 basis points. As at 31 December 2025, the interest rate was 2.83%.

These loans are designated as, and will constitute, the lower ranking liabilities referred to in regulation 108(4) of the Recovery and Resolution Regulations (Subsidiary Legislation 330.09).

### Subsequent events

In January 2026 the bank announced that following regulatory approval pursuant to Article 77(2) of Regulation (EU) No 575/2013, it has triggered the Optional Early Redemption clause in respect of the loan of €30,000,000 with a maturity date of 30 January 2027 and an option of early call in January 2026. In this respect, the loan has been redeemed after the end of the reporting period.

---

## 40 Subordinated liabilities

As at 31 December 2025 and 2024, the bank's subordinated liabilities comprised a €65,000,000 subordinated unsecured loan stock, issued in December 2023 to HSBC Continental Europe and having a floating rate linked to three-month Euribor.

The term of the subordinated loan is 10 years, with a maturity date of 14 December 2033 and an option of early redemption after 5 years callable in December 2028. It bears interest at a rate equal to three-month Euribor plus a margin of 237 basis points. As at 31 December 2025, the interest rate was 4.47% (2024: 5.26%).

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.

## 41 Called up share capital

|   | Group/Bank   |              |
|---|--------------|--------------|
|   | 2025<br>€000 | 2024<br>€000 |
| <b>Authorised</b>                           |              |              |
| 470,000,000 ordinary shares of 30 cent each | 141,000      | 141,000      |
| <b>Issued and fully paid up</b>             |              |              |
| 360,306,099 ordinary shares of 30 cent each | 108,092      | 108,092      |

## 42 Reserves

### Revaluation reserve

The revaluation reserve comprises the surplus arising on the revaluation of the local group's freehold and long leasehold properties and the cumulative net change in fair value of financial investments measured at fair value through other comprehensive income held by the local group, net of deferred taxation. The revaluation reserve is not available for distribution.

|   | Group/Bank<br>€000 |
|---|--------------------|
| <b>On land and buildings</b>  |                    |
| 1 Jan 2024  | 24,152             |
| – loss arising on revaluation   | (3,918)            |
| – deferred tax on revaluation loss  | 392                |
| – transfer to retained earnings upon realisation through disposal                 | (1,697)            |
| – deferred tax on transfer upon realisation through disposal                      | 170                |
| <b>31 Dec 2024</b>  | <b>19,099</b>      |
| – surplus arising on revaluation  | 952                |
| – deferred tax on revaluation surplus   | (95)               |
| – transfer to retained earnings upon realisation through disposal                 | (887)              |
| – deferred tax on transfer to retained earnings upon realisation through disposal | 89                 |
| <b>31 Dec 2025</b>  | <b>19,158</b>      |
| <b>On financial investments and Treasury Bills</b>                                |                    |
| 1 Jan 2024  | (13,744)           |
| – fair value adjustments  | 9,474              |
| – deferred tax on fair value adjustments  | (3,316)            |
| <b>31 Dec 2024</b>  | <b>(7,586)</b>     |
| – fair value adjustments  | 5,554              |
| – deferred tax on fair value adjustments  | (1,944)            |
| <b>31 Dec 2025</b>  | <b>(3,976)</b>     |
| <b>Total revaluation reserve</b>  |                    |
| Total at 31 Dec 2024  | 11,513             |
| <b>Total at 31 Dec 2025</b>   | <b>15,182</b>      |

## 43 Contingent liabilities, contractual commitments and guarantees

|  | Group<br>Contract amount |                | Bank<br>Contract amount |                |
|--|--------------------------|----------------|-------------------------|----------------|
|  | 2025<br>€000             | 2024<br>€000   | 2025<br>€000            | 2024<br>€000   |
| <b>Guarantees and other contingent liabilities:</b>              |                          |                |                         |                |
| – financial guarantees   | 19,403                   | 12,788         | 19,403                  | 12,788         |
| – performance and other guarantees                               | 189,980                  | 171,476        | 189,980                 | 171,476        |
| – standby letters of credit                                      | 17,851                   | 15,411         | 17,851                  | 15,411         |
| – other contingent liabilities                                   | 16,246                   | 16,224         | 16,246                  | 16,174         |
| <b>At 31 Dec</b>   | <b>243,480</b>           | <b>215,899</b> | <b>243,480</b>          | <b>215,849</b> |
| <b>Commitments:</b>  |                          |                |                         |                |
| – documentary credits  | 2,307                    | 4,695          | 2,307                   | 4,695          |
| – standby facilities, credit lines and other commitments to lend | 1,155,525                | 958,676        | 1,155,525               | 958,676        |
| <b>At 31 Dec</b>   | <b>1,157,832</b>         | <b>963,371</b> | <b>1,157,832</b>        | <b>963,371</b> |

The local group provides guarantees and standby letters of credit on behalf of third party customers. These are generally provided in the normal course of the local group's banking business. The maximum potential amount of future payments which the local group could be required to make at 31 December is disclosed in the table above. The risks and exposures arising from guarantees and standby letters of credit are captured and managed in accordance with the local group's overall credit risk management policies and procedures. Guarantees and standby letters of credit have a term of less than one year.

Guarantees provided by the local group comprise financial guarantees as well as performance and other guarantees. Financial guarantees are within the scope of the impairment requirements emanating from IFRS 9 in view of the fact that these represent irrevocable commitments which exposes the local group to credit risk. In contrast, performance and other guarantees represent transaction-related guarantees and, as such, do not meet the definition of financial guarantees in accordance with IFRS 9. Similarly, standby letters of credit represent exposures relating to particular contracts or to non-financial transactions. In this respect, performance guarantees and standby letters of credit fall outside the scope of the impairment requirements emanating from IFRS 9 in view of the fact that such contracts do not give rise to credit risk.

## Notes on the financial statements

---

Consequently, the local group assesses whether such contracts give rise to provisions or contingent liabilities in line with the requirements emanating from IAS 37.

The above table discloses the nominal principal amounts, which represents the maximum amounts at risk should the contracts be fully drawn upon. As a significant portion of guarantees and standby letters of credit is expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements.

Other contingent liabilities relate to possible future contributions payable to the Depositor Compensation Scheme ('DCS') and the Single Resolution Fund ('SRF'), as well as legal claims against the bank. The DCS provides compensation, up to certain limits, to eligible customers of credit institutions that are unable, or likely to be unable, to pay claims against them. The DCS may impose a further contribution on the bank to the extent the contributions imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate contribution to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the DCS, changes in the level of protected products (including deposits and investments) and the population of DCS members at the time. At 31 December 2025, assets pledged in favour of the DCS comprised debt securities measured at fair value through other comprehensive income with a carrying amount of €13,763,000 (2024: €14,319,000). The Depositor Compensation Scheme reserve amounts to €12,581,000 (2024: €12,982,000). A contingent liability for an identical amount is disclosed in the table above to reflect the possibility that this commitment becomes payable.

In addition, in accordance with article 70(3) of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, at 31 December 2025, irrevocable payment commitments to the SRF amounted to €1,760,000 (2024: €1,760,000). The cash collateral is classified within 'Other assets' in the statement of financial position. A contingent liability for an identical amount is disclosed in the table above to reflect the possibility that this commitment becomes payable.

In November 2025, the European Court of Justice dismissed an appeal made by BNP Paribas Public Sector SA, as a result of which the latter was ordered to pay the amounts committed to the SRF, upon surrender of license using an irrevocable payment commitment or forfeit its deposit in lieu of a separate cash payment. Based on this judgement, it was determined that the principal value of the cash collateral will never be returned by the SRF and, as a result, an entity will need to settle the irrevocable payment commitment at the earlier of two triggering events: a) the loss of the banking licence; or b) the occurrence of a banking crisis. As a result, the criteria for the recognition of a provision relating to the irrevocable payment commitment in accordance with IAS 37 are deemed to have been met as at 31 December 2025.

A similar determination has also been made in respect of the payment commitment in favour of the DCS, which is required to be settled at the earlier of the loss of the banking licence or the failure of a local institution whose deposits are covered by the DCS.

In this respect, the local group performed an assessment to estimate the provision in respect of both commitments. Based on this assessment, the probability of occurrence of either of the two triggering events within the foreseeable future is deemed to be remote and, as a result, the estimated liability is deemed to be insignificant as at 31 December 2025, due to the impact of discounting future cash flows over a long time horizon.

Other contingent liabilities also include legal claims against the local group and the bank amounting to €1,905,000 (2024: €1,482,000) and €1,905,000 (2024: €1,432,000) respectively. Based on legal advice, it is not considered probable that settlement will require the outflow of economic benefits in the case of these legal claims, or the amount of the obligation cannot be reliably measured. The above commitments exclude commitments in relation to capital expenditure which are disclosed in Note 44.

The local group also enters into loan commitments in the form of documentary credits, undrawn formal standby facilities and credit lines and other commitments to lend. These represent irrevocable commitments to lend and, as such, give rise to an exposure to credit risk in the event that these contracts are fully drawn and the client defaults. The local group measures ECL in respect of such commitments in accordance with the impairment requirements emanating from IFRS 9.

The expected credit loss allowances relating to financial guarantees and commitments is disclosed in Note 4.

---

## 44 Capital commitments

Capital commitments as at 31 December 2025 amounting to €45,000 (2024: €5,121,000) are mainly related to the acquisition of equipment.

## 45 Cash and cash equivalents

|   | Group            |                  | Bank             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2025<br>€000     | 2024<br>€000     | 2025<br>€000     | 2024<br>€000     |
| <b>Balances of cash and cash equivalents are analysed below:</b>  |                  |                  |                  |                  |
| Cash  | 34,605           | 30,158           | 34,605           | 30,158           |
| Balances with Central Bank of Malta (excluding reserve deposit) of three months or less                 | 890,016          | 750,110          | 890,016          | 750,110          |
| Loans and advances to banks of one month or less  | 447,398          | 463,842          | 422,796          | 454,183          |
| Items in course of collection from other banks  | 4,628            | 4,061            | 4,628            | 4,061            |
| Less: Items in course of transmission to other banks  | (11,837)         | (10,872)         | (11,837)         | (10,872)         |
| <b>Per Statements of Cash Flows</b>   | <b>1,364,810</b> | <b>1,237,299</b> | <b>1,340,208</b> | <b>1,227,640</b> |
| Adjustment to reflect balances with contractual maturity of more than one or three months as applicable | 599,868          | 444,927          | 599,869          | 440,251          |
| <b>Per Statements of Financial Position</b>   | <b>1,964,678</b> | <b>1,682,226</b> | <b>1,940,077</b> | <b>1,667,891</b> |
| <b>Analysed as follows:</b>   |                  |                  |                  |                  |
| Cash and balances with Central Bank of Malta  | 985,585          | 839,129          | 985,585          | 839,129          |
| Malta Government Treasury Bills   | 307,519          | 234,541          | 307,519          | 234,541          |
| Loans and advances to banks   | 678,783          | 615,367          | 654,182          | 601,032          |
| Items in course of collection from other banks  | 4,628            | 4,061            | 4,628            | 4,061            |
| Items in course of transmission to other banks  | (11,837)         | (10,872)         | (11,837)         | (10,872)         |
|   | <b>1,964,678</b> | <b>1,682,226</b> | <b>1,940,077</b> | <b>1,667,891</b> |

## 46 Segmental information

### Our global businesses

The local group provides a comprehensive range of banking and related financial services to its customers. Following HSBC Group's organisational announcement in October 2024, effective from 1 January 2025, the local group's reporting segments under IFRS 8 'Operating Segments' comprise the following two businesses, which replace our previously reported operating segments up to 31 December 2024. The products and services offered to customers are organised by these two businesses as follows:

- International Wealth and Premier Banking ('IWPB') comprises Personal banking including Premier and our wealth manufacturing businesses of Asset Management and Insurance. IWPB provides a full range of products and services to meet the personal banking and wealth management needs of individual customers. Typically, customer offerings include retail banking products such as current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services. IWPB also provides wealth management services, including insurance and investment products, global asset management services and financial planning.
- Corporate and Institutional Banking ('CIB') is formed from the integration of Commercial Banking business with Global Banking and Markets business. CIB offers a broad range of products and services to serve the needs of our commercial customers, including small and medium-sized enterprises, mid-market enterprises and corporates. These include credit and lending, international trade and receivables finance. CIB also provides its corporate and institutional clients with tailored financial solutions, including assistance with managing risk via interest rate derivatives, the provision of foreign exchange spot and derivative products.

The local group's internal reporting to the Board of Directors and Senior Management is analysed according to these business lines. For each of the businesses, the Senior Management, in particular the Chief Executive Officer ('CEO'), reviews internal management reports in order to make decisions about allocating resources and assessing performance.

The Board considers that business segments represent the most appropriate information for the users of the financial statements to best evaluate the nature and financial effects of the business activities in which the local group engages, and the economic environments in which it operates. As a result, the local group's operating segments are considered to be the global business.

Business segments' results are assessed by the CEO on the basis of adjusted performance that removes the effects of notable items. 'Notable items' are components of our profit or loss that management would consider as outside the normal course of business and generally non-recurring in nature. As a result, management and investors would ordinarily identify and consider notable items separately to improve the understanding of the underlying trends in the business.

Results are presented in the tables below on a reported basis in view of the fact that notable items were not considered to be significant. The local group's operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributable to business segments. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Where relevant, income and expense amounts presented include the results of inter-segment funding. All such transactions are undertaken on arm's length terms.

## Notes on the financial statements

### Reported profit before tax and balance sheet data

Reported performance for 2025 includes a notable item related to the Proposed Transaction, as a result of which, the local group undertook a comprehensive review to identify intangible assets requiring a reassessment of their remaining useful lives, resulting in the acceleration of amortisation for those assets amounting to €3,082,000, recognised during the financial year ended 31 December 2025.

Reported performance for 2024 includes a notable item amounting to €6,100,000. This is attributable to a re-assessment of the tax obligation estimate on the with-profits run off portfolio of the life subsidiary, resulting in a one-off expense release.

|   | Group  |   |                     |  |   |                     |
|---|--|---|---------------------|--|---|---------------------|
|   | 2025   |   |                     | 2024   |   |                     |
|   | International Wealth and Premier Banking<br>€000 | Corporate and Institutional Banking<br>€000 | Group Total<br>€000 | International Wealth and Premier Banking<br>€000 | Corporate and Institutional Banking<br>€000 | Group Total<br>€000 |
| <b>Net interest income</b>  | <b>118,469</b>                                   | <b>56,905</b>                               | <b>175,374</b>      | 142,945  | 63,141                                      | 206,086             |
| – external  | 117,146  | 58,228                                      | 175,374             | 146,171  | 59,915                                      | 206,086             |
| – internal  | 1,323  | (1,323)                                     | —                   | (3,226)  | 3,226                                       | —                   |
| Net non-interest income   | 13,162   | 19,587                                      | 32,749              | 12,660   | 18,632                                      | 31,292              |
| Insurance service result  | 3,631  | —   | 3,631               | 14,119   | —   | 14,119              |
| Net income from assets and liabilities of insurance businesses, measured at fair value through profit or loss | 32,493   | —   | 32,493              | 39,730   | —   | 39,730              |
| Insurance finance expense   | (24,837)   | —   | (24,837)            | (38,628)   | —   | (38,628)            |
| <b>Net operating income before loan impairment charges</b>  | <b>142,918</b>                                   | <b>76,492</b>                               | <b>219,410</b>      | 170,826  | 81,773                                      | 252,599             |
| Change in expected credit losses and other credit impairment charges  | 4,434  | 5,073                                       | 9,507               | 6,365  | 8,279                                       | 14,644              |
| <b>Net operating income</b>   | <b>147,352</b>                                   | <b>81,565</b>                               | <b>228,917</b>      | 177,191  | 90,052                                      | 267,243             |
| Employee compensation and benefits  | (35,074)   | (10,155)                                    | (45,229)            | (32,949)   | (9,349)                                     | (42,298)            |
| General and administrative expenses   | (44,704)   | (14,528)                                    | (59,232)            | (46,454)   | (14,005)                                    | (60,459)            |
| Depreciation and impairment of property, plant and equipment and right-of-use assets                          | (3,914)  | (940)                                       | (4,854)             | (2,636)  | (590)                                       | (3,226)             |
| Amortisation and impairment of intangible assets  | (7,747)  | (2,811)                                     | (10,558)            | (5,066)  | (1,702)                                     | (6,768)             |
| <b>Total operating expenses</b>   | <b>(91,439)</b>                                  | <b>(28,434)</b>                             | <b>(119,873)</b>    | (87,105)   | (25,646)                                    | (112,751)           |
| <b>Reported profit before tax</b>   | <b>55,913</b>                                    | <b>53,131</b>                               | <b>109,044</b>      | 90,086   | 64,406                                      | 154,492             |
| <b>Reported balance sheet data</b>  |  |   |                     |  |   |                     |
| Loans and advances to customers (net)   | 1,953,670  | 808,493                                     | 2,762,163           | 2,071,356  | 801,802                                     | 2,873,158           |
| Financial assets mandatorily measured at fair value through profit or loss                                    | 721,106  | —   | 721,106             | 714,949  | —   | 714,949             |
| Total external assets   | 5,795,174  | 2,355,953                                   | 8,151,127           | 5,994,480  | 1,747,246                                   | 7,741,726           |
| Customer accounts   | 4,509,101  | 2,018,785                                   | 6,527,886           | 4,535,973  | 1,622,297                                   | 6,158,270           |
| Liabilities under investment contracts  | 162,550  | —   | 162,550             | 165,677  | —   | 165,677             |
| Insurance contract liabilities  | 535,510  | —   | 535,510             | 519,177  | —   | 519,177             |

### 47 Related party transactions

Since 30 November 2022, the immediate parent company of the local group and the bank is HSBC Continental Europe ('HBCE'), a company incorporated in France, with its registered address 38, avenue Kléber – 75116 Paris.

The ultimate parent company of the local group and the bank is and remains HSBC Holdings plc, a company incorporated in England, with its registered address at 8, Canada Square, London E14 5HQ, United Kingdom.

Related parties of the local group and the bank include subsidiaries, the ultimate parent, all entities controlled by the ultimate parent, key management personnel, close family members of key management personnel and entities which are controlled or jointly controlled by key management personnel or their close family members.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of HSBC Bank Malta p.l.c., being the Directors and the bank's Executive Committee members (excluding General Counsel, Head of Internal Audit, Head of Human Resources and Head of Communications).

## Notes on the financial statements

### (a) Transactions, arrangements and agreements involving Directors and other key management personnel

Particulars of transactions, arrangements and agreements entered into with Directors and other key management personnel, close family members and companies controlled or jointly controlled by them:

|                                 | Group                           |                        |                                 |                        | Bank                            |                        |                                 |                        |
|---------------------------------|---------------------------------|------------------------|---------------------------------|------------------------|---------------------------------|------------------------|---------------------------------|------------------------|
|                                 | Highest balance during the year | Balance at end of year | Highest balance during the year | Balance at end of year | Highest balance during the year | Balance at end of year | Highest balance during the year | Balance at end of year |
|                                 | 2025                            | 2025                   | 2024                            | 2024                   | 2025                            | 2025                   | 2024                            | 2024                   |
|                                 | €000                            | €000                   | €000                            | €000                   | €000                            | €000                   | €000                            | €000                   |
| Loans and advances to customers | 2,958                           | 2,284                  | 2,701                           | 2,647                  | 2,392                           | 1,742                  | 2,146                           | 2,095                  |
| Commitments to lend             | 865                             | 741                    | 2,599                           | 470                    | 809                             | 706                    | 2,565                           | 448                    |
| Deposits                        | 4,244                           | 3,364                  | 4,953                           | 3,473                  | 2,690                           | 2,089                  | 3,568                           | 2,450                  |

The above banking facilities are part of long-term commercial relationships and were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

### (b) Compensation of Directors and other key management personnel

The following represents the compensation of Directors and other key management personnel in exchange for services rendered to the local group and the bank for the period they served during the year.

|  | Group |       | Bank  |       |
|--|-------|-------|-------|-------|
|  | 2025  | 2024  | 2025  | 2024  |
|  | €000  | €000  | €000  | €000  |
| <b>Directors' emoluments (including Non-Executive Directors)</b> |       |       |       |       |
| Salaries and other emoluments                                    | 1,627 | 1,980 | 1,136 | 1,132 |
| Benefits   | 12    | 13    | 6     | 5     |
| Share-based payments   | 16    | 32    | 16    | 32    |
|  | 1,655 | 2,025 | 1,158 | 1,169 |
| <b>Other key management personnel</b>                            |       |       |       |       |
| Salaries and other emoluments                                    | 1,890 | 1,227 | 2,058 | 1,819 |
| Benefits   | 56    | 29    | 60    | 35    |
| Share-based payments   | 8     | 10    | 8     | 10    |
|  | 1,954 | 1,266 | 2,126 | 1,864 |

Directors' emoluments for the local group include the compensation of certain key management personnel of the bank amounting to €172,000 (2024: €598,000) that also serve as Directors of subsidiary companies, as well as the compensation of Executive and Non-executive Directors of subsidiary companies amounting to €325,000 (2024: €259,000).

### (c) Balances and transactions with other related parties

#### Balance and transactions with HSBC Continental Europe

|   | Group   |         | Bank    |         |
|---|---------|---------|---------|---------|
|   | 2025    | 2024    | 2025    | 2024    |
|   | €000    | €000    | €000    | €000    |
| <b>Assets</b>                                   |         |         |         |         |
| Derivatives                                     | 2,369   | 5,750   | 2,369   | 5,750   |
| Loans and advances to banks                     | 623,279 | 599,203 | 600,309 | 586,824 |
| Prepayments, accrued income and other assets    | 905     | 923     | 759     | 788     |
| <b>Liabilities</b>                              |         |         |         |         |
| Deposits by banks                               | 429     | —       | 429     | —       |
| Borrowings from a group undertaking             | 150,000 | 90,000  | 150,000 | 90,000  |
| Subordinated liabilities                        | 65,000  | 65,000  | 65,000  | 65,000  |
| Accruals, deferred income and other liabilities | 1,703   | 1,302   | 1,503   | 1,090   |
| <b>Guarantees and commitments</b>               | 18,775  | 19,337  | 18,775  | 19,337  |
| <b>Income statement</b>                         |         |         |         |         |
| Interest income                                 | 22,153  | 28,324  | 22,153  | 28,324  |
| Interest expense                                | 7,967   | 8,523   | 7,967   | 8,523   |
| Fee income                                      | 608     | 510     | 46      | 58      |
| Fee expense                                     | 146     | 125     | 87      | 125     |
| Net trading income                              | (762)   | 1,107   | (762)   | 1,107   |
| Other income                                    | 12      | 633     | 12      | 633     |
| General and administrative expenses             | 1,587   | 1,393   | 1,435   | 1,181   |

## Notes on the financial statements

### Balance and transactions with HSBC Bank plc

|   | Group        |              | Bank         |              |
|---|--------------|--------------|--------------|--------------|
|   | 2025<br>€000 | 2024<br>€000 | 2025<br>€000 | 2024<br>€000 |
| <b>Assets</b>                                   |              |              |              |              |
| Derivatives                                     | 175          | 10,915       | 175          | 10,915       |
| Loans and advances to banks                     | 3,202        | 3,441        | 1,607        | 1,865        |
| <b>Liabilities</b>                              |              |              |              |              |
| Derivatives                                     | 3,575        | 523          | 3,575        | 523          |
| Deposits by banks                               | 1,000        | 2,339        | 1,000        | 2,339        |
| Accruals, deferred income and other liabilities | 651          | 525          | 373          | 193          |
| <b>Income statement</b>                         |              |              |              |              |
| Interest income                                 | 48           | 71           | 48           | 71           |
| Interest expense                                | —            | (2)          | —            | (2)          |
| Fee expense                                     | 230          | 14           | 24           | 18           |
| Net trading income                              | (13,279)     | 13,458       | (13,279)     | 13,458       |
| Other income                                    | 23           | 83           | 23           | 83           |
| General and administrative expenses             | 480          | 757          | 477          | 553          |

### Balances and transactions with other subsidiaries of HSBC Holdings plc

|   | Group        |              | Bank         |              |
|---|--------------|--------------|--------------|--------------|
|   | 2025<br>€000 | 2024<br>€000 | 2025<br>€000 | 2024<br>€000 |
| <b>Assets</b>                                   |              |              |              |              |
| Loans and advances to banks                     | 50,327       | 9,394        | 50,327       | 9,394        |
| Prepayments, accrued income and other assets    | 98           | 105          | —            | 2            |
| <b>Liabilities</b>                              |              |              |              |              |
| Deposits by banks                               | —            | 59           | —            | 59           |
| Customer accounts                               | —            | 3,590        | —            | 3,590        |
| Accruals, deferred income and other liabilities | 10,061       | 19,752       | 9,922        | 19,473       |
| <b>Guarantees and commitments</b>               | 9,836        | —            | 9,836        | —            |
| <b>Income statement</b>                         |              |              |              |              |
| Interest income                                 | 210          | 1,059        | 210          | 1,059        |
| Interest expense                                | 3            | 1            | 3            | 1            |
| Fee income                                      | 583          | 897          | —            | —            |
| Fee expense                                     | 169          | 148          | 62           | 31           |
| Net trading income                              | 2            | 47           | 2            | 47           |
| Other income                                    | 81           | 260          | 81           | 260          |
| General and administrative expenses             | 34,720       | 35,861       | 34,129       | 35,586       |

### Balances and transactions with local group entities

|   | Bank         |              |
|---|--------------|--------------|
|   | 2025<br>€000 | 2024<br>€000 |
| <b>Assets</b>                                   |              |              |
| Prepayments, accrued income and other assets    | 1,158        | 2,447        |
| Investment in subsidiaries                      | 30,859       | 30,859       |
| <b>Liabilities</b>                              |              |              |
| Customer accounts                               | 19,661       | 17,559       |
| Accruals, deferred income and other liabilities | 34           | —            |
| <b>Income statement</b>                         |              |              |
| Fee income                                      | 2,551        | 2,419        |
| Net trading income                              | 87           | 11           |
| Dividend income                                 | 1,231        | 1,077        |

The outstanding balances, reflected in tables above, arose from the ordinary course of business and are of substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

## 48 Fiduciary activities

The local group provides fiduciary services to individuals and retirement benefit plans, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer.

The local group receives fee income for providing these services. Assets held in a fiduciary capacity are not assets of the local group and are not recognised in the statements of financial position. The local group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2025, total assets held by the local group on behalf of customers amounted to €326,343,000 (2024: €308,327,000).

## 49 Unconsolidated structured entities

The term 'unconsolidated structured entities' refers to all structured entities that are not controlled by the local group. The local group has established and manages investment funds to provide customers with investment opportunities.

| Type of structured entity | Nature and purpose  | Interest held by the group                |
|---------------------------|---|---|
| Investment funds          | – These vehicles are financed through the issue of units to investors.      | – Investments in units issued by the fund |
|                           | – To generate fees from managing assets on behalf of third party investors. | – Management fees                         |

The local group is entitled to receive a management and performance fee based on the assets under management. The total management fees earned during the year were €3,259,000 (2024: €2,878,000) as presented under 'Fee income' in profit or loss.

The table below shows the total assets of unconsolidated structured entities in which the local group has an interest at the reporting date, and the maximum exposure to loss in relation to those interests. The maximum exposure to loss from the local group's interests in unconsolidated structured entities represents the maximum loss that the local group could incur as a result of its involvement with unconsolidated structured entities regardless of the probability of the loss being incurred.

|   | 2025<br>€000 | 2024<br>€000 |
|---|--------------|--------------|
| Carrying amount of units in HSBC managed investment funds - classified as financial investments mandatorily measured at fair value through profit or loss | 109,644      | 100,423      |
| Total assets of HSBC managed funds  | 412,842      | 377,788      |

The maximum exposure to loss is equivalent to the carrying amount of the assets held at the reporting date.

## 50 Registered office and ultimate parent company

The addresses of the registered and principal offices of the bank and its subsidiary companies included in the consolidated financial statements can be found in a separate statement which is filed at the Registrar of Companies in accordance with the provisions of the Third Schedule to the Companies Act, 1995.

Currently, the ultimate parent company of HSBC Bank Malta p.l.c. is HSBC Holdings plc and the immediate parent company is HSBC Continental Europe ('HBCE'), which are incorporated and registered in the United Kingdom and France respectively. The registered address of HSBC Holdings plc is 8, Canada Square, London E14 5HQ, United Kingdom and the registered address of HBCE is 38, avenue Kléber – 75116 Paris, France. Copies of the HSBC Holdings plc Annual Report and Accounts may be obtained from its registered office or viewed on [www.hsbc.com](http://www.hsbc.com).

## 51 Investor compensation scheme

In accordance with the provisions of the Investor Compensation Scheme Regulations, 2003, issued under the Investment Services Act, 1994, licence holders are required to transfer a variable contribution to an Investor Compensation Scheme Reserve and place the equivalent amount with a bank, pledged in favour of the Scheme. Alternatively, licence holders can elect to pay the amount of variable contribution directly to the Scheme. The local group has elected to pay the amount of the variable contribution directly to the Scheme. The variable contribution deposited in prior years amounted to €10,000. Given that the variable contributions required for the financial years ended 31 December 2025 and 31 December 2024 did not exceed the prior year contributions, no further payments were made in the current and previous financial years.

## 52 Critical estimates and judgements

This note contains information about critical judgements, significant assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment and that have the most significant effects on the amounts recognised in the financial statements.

Information about assumptions and estimation uncertainties relating to fair valuation of financial instruments is disclosed in Note 5.

Estimates and judgements are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Expected credit loss allowances on loans and advances

Credit loss allowances represent management's best estimate of expected credit losses in the loan portfolios and other financial assets subject to IFRS 9 impairment requirements at the balance sheet date. In this respect, management is required to exercise judgement in a number of areas including in:

- defining what is considered to be a SICR;
- determining the lifetime and point of initial recognition of revolving facilities;
- calibrating PD, LGD and EAD models which support the ECL calculations, including making assumptions and estimates about how models react to relevant information about current and future economic conditions;
- selecting economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected losses; and
- making management judgemental adjustments to account for late breaking events, model and data limitations and deficiencies, and expert credit judgements.

In particular, the measurement of the expected credit loss allowances is an area that requires the use of complex models and of statistical analyses of historical information, supplemented with significant management judgement, to assess whether current and future macroeconomic conditions are such that the level of expected credit losses is likely to be greater or less than historical experience. The PD, LGD and EAD models, which support the measurement of ECL, are reviewed regularly in light of differences between loss estimates and actual loss experience, although available information in respect of the local group's historical loss experience since the initial adoption of IFRS 9 is still contained.

## Notes on the financial statements

During the financial year ended 31 December 2025, management refreshed the underlying model development data used to estimate PDs and LGDs in respect of the mortgage portfolio in order to reflect more recent bank-specific historical default experience. This entailed a recalibration of PDs and LGDs using the refreshed data, as well as a critical assessment of the ongoing appropriateness of key assumptions and judgements applied within the mortgage ECL model. As part of this process, management applied a level of expert judgement in order to assess the impact of model and data limitations attributable to government support schemes applicable during the model development period on both the incidence of default events as well as the severity of losses. In this respect, such model and data limitations have been addressed through the estimation of a management overlay to account for the possible underestimation of default rates and loss severities.

The exercise of judgement in making estimations requires the use of assumptions that are highly subjective and very sensitive to the risk factors, detailed in Note 4(b)(iii). In addition, many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole is sensitive.

The level of estimation uncertainty and judgement has remained elevated since 31 December 2024, characterised by a level of macroeconomic uncertainty which has been exacerbated by global geopolitical conflicts, particularly the ongoing military conflicts between Russia and Ukraine and between Israel and Hamas in the Middle East, as well as economic tensions between the United States of America and its trading partners. In this respect, the level of estimation uncertainty and judgement has remained high during 2025.

Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain highly subjective. Significant judgement is required in establishing the number, severity and relative weightings of forward-looking economic scenarios given the rapidly changing economic conditions and wide economic forecasts due to the above-mentioned uncertainties. In this respect, management applied a level of expert judgement in making assumptions about the effects of global trade and tariff policies, as well as the resulting impact on inflation rates and monetary policy, on the forecasted incidence of defaults and severity of losses under different scenarios. An additional downside scenario – the Downside 2 scenario – was modelled to capture tail risk based on expert judgement, as described in further detail in Note 4(b)(iii) to the financial statements.

Specifically in respect of the mortgage portfolio, the selection of the macroeconomic variables used to determine forward-looking point-in-time PDs as well as the calibration of the impact of changes in macroeconomic variables on modelled ECL remain key assumptions. The ECL model for mortgages takes into consideration two macroeconomic variables, namely unemployment and real GDP growth, with relative 80:20 weights applied respectively. In this respect, the determination of the relative weights requires a significant level of expert judgement to be applied by management.

Judgement was also required in determining whether individually significant loans have experienced a SICR or a UTP event within the wholesale portfolio. In this respect, the bank assesses and individually rates those individually significant borrowers within wholesale sub-portfolios deemed mostly impacted by ongoing macroeconomic pressures through individual periodic credit assessments on the basis of recently obtained management information, including forecasts. As part of these credit assessments, judgement is exercised in evaluating all relevant information on indicators of impairment, particularly where factors indicate deterioration in the financial condition and outlook of borrowers affecting their ability to pay.

In view of the above, management considered the sensitivity of the ECL outcome to the macroeconomic forecasts by recalculating the ECL under the different scenarios, applying a 100% weighting to each scenario. The effect of economic uncertainty on the ECL outcome is disclosed in the sensitivity analysis presented in Note 4(b)(iii) within the section entitled 'Economic scenarios sensitivity analysis of ECL estimates'. The ECL calculated for the upside and downside scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes as there is a high degree of estimation uncertainty in the numbers representing tail risk scenarios when assigned a 100% weighting.

In addition, in view of the expert judgement required to determine the relative weights applied to the macroeconomic variables used in the ECL calculation for the mortgage portfolio, management also considered the sensitivity of the ECL outcome to changes in the relative weights. The sensitivity analysis is presented in Note 4(b)(iii) within the section entitled 'Economic scenarios sensitivity analysis of ECL estimates'.

For individually significant credit impaired loans, management determines the size of the allowance required based on a range of factors such as the realisable value of security, the viability of the customer's business model and the capacity to generate cash flows to service debt obligations, under different scenarios. Judgement is applied in estimating the expected future cash flows from each borrower and the time to recover these cash flows under the different scenarios as well as to attach probabilities to those scenarios. The assumptions around forecasted recoveries from the sale of collateralised properties, including valuation haircuts and time to recovery, are key drivers in the estimation of credit loss allowances in respect of individually assessed loans. The heightened level of uncertainty within the local property market, driven by the ongoing macroeconomic developments, increases the level of expert judgement required to predict with reasonable accuracy the recoverability of exposures through the sale of collateral, since the real impact of these macroeconomic pressures will not be fully known until market conditions stabilise.

## (b) Valuation of insurance contract liabilities

### Transition classification

The standard was applied retrospectively using a fully retrospective approach ('FRA') as if it had always existed unless it is impracticable to do so, in which case either a modified retrospective approach ('MRA') or a fair value approach ('FVA') can be used. Impracticability assessments were performed based on the requirements of IFRS 17 and considered the availability of data and systems and the requirement not to apply hindsight within the measurement.

Following the completion of impracticability assessments, the local group applied the following approaches for both insurance and reinsurance contracts:

- FRA was applied to new business issued from 2020 onwards. FRA contributed to 17% of the CSM at the transition date.
- FVA was applied for all other business issued when FRA is not practicable to be applied. The FVA approach contributed to 83% of the CSM balance at the transition date.
- FVA was applied to reinsurance.

## Notes on the financial statements

The local group has determined that it would be impracticable to apply the full retrospective approach where any of the following conditions existed:

- The effects of the full retrospective application were not determinable, for example:
  - Some reasonable and supportable information about actual historical cash flows might have been available from the local group's systems, but in many cases such information was only available at higher levels or different levels of aggregation compared to the groups required by IFRS 17. This lack of information made it impracticable to accurately calculate the FCF on a retrospective basis and to segregate groups based on profitability.
  - The information necessary to estimate the effect of contracts derecognised before the transition date on allocation of the CSM between past and future periods on the transition date was not available in many cases.
- The full retrospective application required assumptions that would have been made in an earlier period, for example:
  - For contracts with direct participation features, the local group's expectations regarding the policyholder's share of underlying assets at contract inception would not have been possible to recreate without the use of hindsight.
  - Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an IFRS 17 basis (such as discount rates, risk adjustment for non-financial risk or expenses).
  - Changes in assumptions have not been historically documented on an ongoing basis.
  - The older the in-force contracts (such as term life products), the more challenging it would have been to retrieve data from the past on assumptions.
- The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the consolidated financial statements for that prior period were authorised for issue, and other information, for example:
  - The local group had limited or no information required for the allocation of acquisition cash flows to respective groups of insurance contracts issued or expected to be issued and other overhead expenses to respective groups under IFRS 17. Systems have not been tracking or allocating acquisition costs, because previous accounting policies did not require this. In addition, the allocation of applicable overheads to groups of contracts required information that has not historically been tracked/recorded.
  - The local group has not historically been accumulating information about the changes in estimates that would have been recognised in profit or loss for each accounting period, because they did not relate to future service, and the extent to which changes in the FCF would have been allocated to the loss component.

### Determination of the fair value of insurance contract liabilities on transition

Under the FVA approach as required by IFRS 17, the valuation of insurance liabilities on transition is based on the requirements of IFRS 13 'Fair Value Measurement'. This requires consideration of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Under the FVA, the CSM is calculated as the difference between what a market participant would demand for assuming the unexpired risk associated with insurance contracts including required profit, and the future cash flows committed to under the contract (the fulfilment cash flows - determined using IFRS 17 principles). There is significant judgement involved in determining an appropriate fair value, as there is lack of observable data for actual transactions for closed book insurance businesses and a range of possible modelling approaches. In determining the fair value, the local group considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities, and the discount rate that would be applied within the IFRS 13 calculation.

The approach for setting these included the following:

- The discount rate was derived with an allowance for an illiquidity premium that takes into account the level of 'matching' between the local group's assets and related liabilities.
- A profit margin was determined considering the level of capital that a market participant would be required to hold under Solvency II regulations and the associated cost of capital. These assumptions were set taking into account the assumptions that a hypothetical market participant would consider.

### Coverage units

The local group's approach to the determination of coverage units is set out in Note 3(i). Significant judgement was involved in the determination of the approach that most faithfully represents the nature of the local group's business and the benefits that are ascribed to the policyholder over the duration of insurance contracts, as the standard does not specify a required basis for determination of coverage units. This judgement is most significant for investment services, which constitute the most material element of service for most of the local group's contracts. The local group determined that the coverage unit basis that best reflects the provision of investment services is the availability of the facility over time. The quantity of benefit selected is therefore a constant measure. Coverage units are discounted using 'locked-in rates' for the GMM and 'current rates' for the VFA.

### Discount rates

The discount rate methodology is a fundamental assumption underpinning the IFRS 17 reporting. While IFRS 17 does not specify the actual methodology of setting the discount rate, it requires that the methodology should be market consistent, set based on the liability characteristics, and that only financial risk should be allowed for in the discount rate. The local group has elected to apply a bottom-up approach where risk-free rates are adjusted for an illiquidity premium as set out in Note 3(i). In setting the risk-free rate, the local group uses a market observable approach where either swaps or government bond yields are used as the reference instruments. This selection depends on factors such as information availability, term structure, and currency. In setting the illiquidity premium, the local group determines a market consistent spread of a reference portfolio, applied when the illiquidity of the cash flows are clearly identifiable. Therefore, the illiquidity premium varies by the level at which assets are managed and the illiquidity characteristics of the liabilities.

## Notes on the financial statements

The table below shows a comparison of the yield curves that were used to discount the estimates of future cashflows that do not vary based on the returns of the underlying items:

|                     | 1 year | 5 years | 10 years | 20 years | 30 years | 40 years | 50 years |
|---------------------|--------|---------|----------|----------|----------|----------|----------|
| At 31 December 2025 | 2.08%  | 2.48%   | 2.86%    | 3.21%    | 3.28%    | 3.31%    | 3.31%    |
| At 31 December 2024 | 2.24%  | 2.14%   | 2.27%    | 2.26%    | 2.39%    | 2.56%    | 2.70%    |

### Expenses

IFRS 17 requires the determination of whether cash flows are directly attributable to the acquisition or fulfilment of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the local group also allocates fixed and variable overheads cash flows directly attributable to the fulfilment of insurance contracts. Judgement is involved in identifying and allocating costs and this determination has been informed by time study assessments which consider factors such as the allocation of frontline staff costs related to distribution including salaries, commissions and bonuses, and associated overhead allocations. For further information in relation to expenses which are directly attributable to the acquisition or fulfilment of insurance contracts please refer to Note 17.

### Estimates of future cash flows to fulfil insurance contracts including risk adjustment

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The local group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the local group uses information about past events, current conditions and forecasts of future conditions. The local group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

The local group also estimates risk adjustment for non-financial risk.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis such as activity-based costing method. The local group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force within groups.

Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. This includes an allocation of acquisition cash flows among existing as well as future groups of insurance contracts issued.

Claims settlement-related expenses are allocated based on the number of claims expected for all groups, where such expenses are allocated based on claims costs.

Uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in policyholder behaviour, and uncertainties regarding future inflation rates and expenses growth and estimated policyholders exit tax.

For the participating contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the variability in policyholder behaviour. The guarantee on embedded insurance contracts with DPF was measured using a closed form model. The guarantee was measured using a full range of scenarios representing possible future interest rate environments.

The principal assumptions used to value the life reserves of the main classes of business were as follows:

| <b>At 31 Dec 2025</b>            |                               |                            |
|----------------------------------|-------------------------------|----------------------------|
| <b>Class of business</b>         | <b>Renewal expense (p.a.)</b> | <b>Mortality</b>           |
| <b>Life direct participating</b> | <b>€49.6</b>                  | <b>90% TM08 / 90% TF08</b> |
| <b>Life other</b>                | <b>€28.1</b>                  | <b>80% TM08 / 80% TF08</b> |

| <b>At 31 Dec 2024</b>     |                               |                   |
|---------------------------|-------------------------------|-------------------|
| <b>Class of business</b>  | <b>Renewal expense (p.a.)</b> | <b>Mortality</b>  |
| Life direct participating | €44.3                         | 85% TM08/85% TF08 |
| Life other                | €26.1                         | 85% TM08/85% TF08 |

### Mortality

The estimate of insurance contract cashflows is a significant and complex estimate sensitive to the choice of assumptions, with those pertaining to mortality and expenses highlighted as those having the biggest effect on the local group. The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the local group. Estimates are made as to the expected number of deaths for each of the years in which the local group is exposed to risk. The local group bases these estimates on industry standard mortality tables. A base mortality table is selected which is most appropriate for each type of contract. The mortality rates above are adjusted by the expected mortality based on a statistical investigation into the local group's mortality experience.

The estimated number of deaths determines the value of future benefit payments. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the local group has significant exposure to mortality risk. The local group is also exposed to the volatility of the yield curve. New estimates are made each subsequent year to reflect the current long-term outlook.

For the sensitivities to mortality and/or morbidity rates please refer to Note 4(f).

## Notes on the financial statements

---

### Maintenance expenses and inflation

The local group estimates expected maintenance expenses by considering the current level of expenses, expected reductions in certain expense categories, expected inflation and policy values. The current level of expected renewal expenses is considered to be an appropriate expense base by the directors. The local group assesses and holds an expense overrun provision for potential future shortfalls for the period that per-policy costs are forecast to be higher than current allowance within the liabilities. Expense inflation is based on the French inflation swap curve modified to estimate future inflation for Malta.

Expense inflation is calculated as a blend of wage inflation and price inflation, with the latter based on an adjusted French inflation curve. The assumed wage inflation is 4.5% until year 2030 and the long-term wage inflation beyond that point is set in line with the price inflation (2024: 3% to 5% until 2028). This results in a term dependent expense inflation assumption ranging from 1.4% p.a. to 2.6% p.a. (2024: 1.98% p.a. to 2.9% p.a.). A change of 1% in expense attribution rates would equate to a change in €500,000 in CSM with a corresponding impact of €50,000 in Insurance Release. There are no other material second order impacts.

Sensitivities of key assumptions are disclosed in Note 4(f).

### Expense overruns

The local group holds two sets of expense overrun provisions, one for an 'investment contract' portfolio that is in run-off (see note 36) related to a specific fixed expense, and another for the 'insurance contract' portfolio to allow for potential future shortfalls for the periods where expense allowance being generated by volumes is lower than the expense liabilities being projected.

In setting the first provision, judgements are made in relation to the future management actions to reduce the fixed expenses in line with the run-off of the portfolio. Should these actions not be executed, this may lead to a negative profit before tax impact of circa €4,700,000 (2024: €5,100,000).

In setting the second provision (note 10), the potential future expense shortfalls are reliant on achieving the new business sales plan. A 25% reduction to the future volumes will lead to a negative profit before tax impact of circa €700,000 (2024: €800,000).

## (c) Valuation of financial instruments

The local group's financial instruments measured at fair value comprise Treasury Bills, derivative instruments, financial assets mandatorily measured at fair value through profit or loss relating to the insurance business, as well as a portfolio of debt and equity instruments classified within 'Financial investments' measured at fair value through other comprehensive income.

The local group applies a range of valuation techniques, dependent on instrument type and available market data, predominantly based upon discounted cash flow analyses. The key assumptions and valuation techniques applied in the estimation of the fair value of the above mentioned financial instruments are described in Note 5.

## (d) Measurement of post employment and other long-term employee benefits

The local group has a present obligation towards its employees in respect of long service bonuses, bonuses on retirement due to age and compensation paid upon retirement for medical grounds. The local group's liabilities in respect of these present obligations arising from the collective agreement are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method, which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build the final obligation.

The calculation of the defined benefit pension obligation includes assumptions in respect of the discount rate, inflation rate, expected future salary levels, experience of employee departures and mortality rates. In this respect, a range of assumptions could be applied, and different assumptions could significantly alter the defined benefit obligation and the amounts recognised in profit or loss or other comprehensive income. Management determines these assumptions in consultation with the independent actuaries.

The key assumptions used in calculating the defined benefit pension obligation for the principal plan are described in Note 38.

---

## 53 Comparative financial information

Certain comparative information disclosed in the notes to these financial statements have been reclassified to conform with the current year's presentation for the purposes of fairer representation.

# Five-year comparison: Income statements and statements of comprehensive income

## Group Income Statements

|  | 2025<br>€000   | 2024<br>€000   | 2023<br>€000   | 2022<br>€000   | 2021<br>€000  |
|--|----------------|----------------|----------------|----------------|---------------|
| Interest receivable and similar income                               | 198,597        | 232,087        | 213,876        | 116,639        | 105,710       |
| Interest expense   | (23,223)       | (26,001)       | (18,064)       | (8,397)        | (7,952)       |
| <b>Net interest income</b>   | <b>175,374</b> | <b>206,086</b> | <b>195,812</b> | <b>108,242</b> | <b>97,758</b> |
| Net non-interest income  | 44,036         | 46,513         | 35,858         | 37,555         | 33,535        |
| Change in expected credit losses and other credit impairment charges | 9,507          | 14,644         | 4,580          | 9,561          | 995           |
| Operating expenses   | (119,873)      | (112,751)      | (102,396)      | (99,770)       | (105,406)     |
| <b>Profit before tax</b>   | <b>109,044</b> | <b>154,492</b> | <b>133,854</b> | <b>55,588</b>  | <b>26,882</b> |
| Tax expense  | (37,452)       | (54,385)       | (47,098)       | (19,406)       | (9,127)       |
| <b>Profit for the year</b>   | <b>71,592</b>  | <b>100,107</b> | <b>86,756</b>  | <b>36,182</b>  | <b>17,755</b> |
| Earnings per share   | €0.20          | €0.28          | €0.24          | €0.10          | €0.05         |

## Group Statements of Comprehensive Income

|   | 2025<br>€000  | 2024<br>€000   | 2023<br>€000  | 2022<br>€000    | 2021<br>€000   |
|---|---------------|----------------|---------------|-----------------|----------------|
| <b>Profit for the year</b>  | <b>71,592</b> | <b>100,107</b> | <b>86,756</b> | <b>36,182</b>   | <b>17,755</b>  |
| <b>Other comprehensive income</b>   |               |                |               |                 |                |
| <b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b> |               |                |               |                 |                |
| Debt instruments measured at fair value through other comprehensive income:                             | 3,609         | 6,157          | 8,697         | (23,177)        | (6,095)        |
| – fair value gains/(losses)   | 5,552         | 9,472          | 13,380        | (35,657)        | (9,377)        |
| – income taxes  | (1,943)       | (3,315)        | (4,683)       | 12,480          | 3,282          |
| <b>Items that will not be reclassified subsequently to profit or loss:</b>                              |               |                |               |                 |                |
| Properties:   | 857           | (3,526)        | 1,643         | 166             | 2,150          |
| – surplus/(loss) arising on revaluation   | 952           | (3,918)        | 1,826         | 185             | 2,389          |
| – income taxes  | (95)          | 392            | (183)         | (19)            | (239)          |
| Post employment benefit obligations:  | 273           | (318)          | (14)          | 893             | 292            |
| – remeasurement of post employment benefit obligations  | 420           | (489)          | (22)          | 1,374           | 450            |
| – income taxes  | (147)         | 171            | 8             | (481)           | (158)          |
| Equity instruments designated at fair value through other comprehensive income:                         | 1             | 1              | 4             | 1               | 1              |
| – fair value gains  | 2             | 2              | 6             | 2               | 2              |
| – income taxes  | (1)           | (1)            | (2)           | (1)             | (1)            |
| <b>Other comprehensive income for the year, net of tax</b>  | <b>4,740</b>  | <b>2,314</b>   | <b>10,330</b> | <b>(22,117)</b> | <b>(3,652)</b> |
| <b>Total comprehensive income for the year</b>  | <b>76,332</b> | <b>102,421</b> | <b>97,086</b> | <b>14,065</b>   | <b>14,103</b>  |

## Five-year comparison

# Five-year comparison: Statements of financial position

|  | 2025<br>€000     | 2024<br>€000     | 2023<br>€000     | 2022<br>€000     | 2021<br>€000     |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Assets</b>  |                  |                  |                  |                  |                  |
| Balances with Central Bank of Malta, Treasury Bills and cash               | 1,293,104        | 1,073,670        | 1,676,639        | 1,583,348        | 1,495,135        |
| Items in course of collection from other banks                             | 4,628            | 4,061            | 8,427            | 6,921            | 4,453            |
| Financial assets mandatorily measured at fair value through profit or loss | 721,107          | 714,949          | 693,024          | 660,446          | 767,808          |
| Derivatives  | 6,213            | 17,242           | 13,577           | 25,745           | 4,640            |
| Loans and advances to banks  | 678,783          | 615,367          | 720,583          | 732,507          | 619,273          |
| Loans and advances to customers  | 2,762,163        | 2,873,158        | 3,083,843        | 3,175,167        | 3,196,725        |
| Financial investments  | 2,537,460        | 2,291,180        | 1,315,859        | 1,004,770        | 845,735          |
| Prepayments, accrued income and other assets                               | 37,423           | 35,424           | 33,699           | 34,092           | 28,683           |
| Current tax assets   | 1,999            | 2,569            | 1,153            | 3,496            | 3,669            |
| Reinsurance contract assets  | 1,307            | 2,912            | 2,557            | 2,959            | 63               |
| Non-current assets held for sale   | 1,844            | 3,738            | 5,816            | 5,173            | 6,673            |
| Investment property  | —                | —                | —                | —                | 1,600            |
| Right-of-use assets  | 2,086            | 2,620            | 2,284            | 2,459            | 2,569            |
| Property, plant and equipment  | 63,667           | 58,771           | 51,694           | 44,627           | 41,923           |
| Intangible assets  | 19,271           | 23,185           | 20,762           | 19,169           | 16,603           |
| Deferred tax assets  | 20,072           | 22,880           | 31,002           | 35,767           | 29,886           |
| <b>Total assets</b>  | <b>8,151,127</b> | <b>7,741,726</b> | <b>7,660,919</b> | <b>7,336,646</b> | <b>7,065,438</b> |
| <b>Liabilities</b>   |                  |                  |                  |                  |                  |
| Deposits by banks  | 1,429            | 2,398            | 5,117            | 2,861            | 1,397            |
| Customer accounts  | 6,527,886        | 6,158,270        | 6,141,520        | 5,970,958        | 5,621,195        |
| Items in the course of transmission to other banks                         | 11,837           | 10,872           | 18,359           | 27,397           | 21,573           |
| Liabilities under investment contracts                                     | 162,550          | 162,718          | 156,958          | 162,123          | 185,137          |
| Derivatives  | 4,852            | 13,747           | 5,748            | 10,252           | 4,592            |
| Accruals, deferred income and other liabilities                            | 41,924           | 55,525           | 55,055           | 42,550           | 34,471           |
| Current tax liabilities  | 677              | 35,901           | 35,190           | 2,104            | 499              |
| Insurance contract liabilities   | 535,510          | 522,136          | 519,363          | 499,507          | 582,373          |
| Reinsurance contract liabilities   | 1,341            | —                | —                | —                | —                |
| Provisions   | 19,147           | 20,808           | 21,849           | 20,080           | 21,252           |
| Deferred tax liabilities   | 3,418            | 3,429            | 3,727            | 3,569            | 3,649            |
| Borrowings from a group undertaking  | 150,000          | 90,000           | 90,000           | 60,000           | 60,000           |
| Subordinated liabilities   | 65,000           | 65,000           | 65,000           | 62,000           | 62,000           |
| <b>Total liabilities</b>   | <b>7,525,571</b> | <b>7,140,804</b> | <b>7,117,886</b> | <b>6,863,401</b> | <b>6,598,138</b> |
| <b>Total equity</b>  | <b>625,556</b>   | <b>600,922</b>   | <b>543,033</b>   | <b>473,245</b>   | <b>467,300</b>   |
| <b>Total liabilities and equity</b>  | <b>8,151,127</b> | <b>7,741,726</b> | <b>7,660,919</b> | <b>7,336,646</b> | <b>7,065,438</b> |
| <b>Memorandum items</b>  |                  |                  |                  |                  |                  |
| Guarantees and other contingent liabilities                                | 243,480          | 215,899          | 200,858          | 182,250          | 164,388          |
| Commitments  | 1,157,832        | 963,371          | 838,659          | 842,320          | 967,739          |

From 1 January 2023, the local group adopted IFRS 17 'Insurance Contracts', which replaced IFRS 4 'Insurance Contracts'. The comparative information in respect of the financial years ended 31 December 2022 and 31 December 2021 has been restated accordingly.

## Five-year comparison

# Five-year comparison: Statements of cash flows

|  | 2025<br>€000     | 2024<br>€000 | 2023<br>€000 | 2022<br>€000 | 2021<br>€000 |
|--|------------------|--------------|--------------|--------------|--------------|
| Net cash from operating activities   | <b>383,837</b>   | 435,892      | 165,291      | 618,670      | 745,603      |
| <b>Cash flows from investing activities</b>  |                  |              |              |              |              |
| Interest received from financial investments   | <b>21,945</b>    | 20,820       | 11,097       | 6,142        | 11,897       |
| Purchase of financial investments  | <b>(838,710)</b> | (1,135,668)  | (568,904)    | (464,793)    | (221,697)    |
| Proceeds from sale and maturity of financial investments                                     | <b>621,893</b>   | 192,619      | 283,058      | 255,296      | 249,667      |
| Purchase of property, plant and equipment, investment property and intangible assets         | <b>(14,873)</b>  | (23,173)     | (16,055)     | (12,808)     | (8,508)      |
| Proceeds on sale of property, plant and equipment, investment property and intangible assets | —                | —            | —            | 1,600        | 56           |
| <b>Net cash flows from investing activities</b>  | <b>(209,745)</b> | (945,402)    | (290,804)    | (214,563)    | 31,415       |
| <b>Cash flows from financing activities</b>  |                  |              |              |              |              |
| Dividends paid   | <b>(51,524)</b>  | (44,498)     | (27,190)     | (8,010)      | (2,717)      |
| Interest paid on subordinated liabilities and borrowings from a group undertaking            | <b>(8,170)</b>   | (8,405)      | (7,598)      | (2,199)      | (980)        |
| Proceeds from borrowings from a group undertaking  | <b>60,000</b>    | —            | 30,000       | —            | 60,000       |
| Issue of subordinated liabilities  | —                | —            | 65,000       | —            | —            |
| Repayment of subordinated liabilities  | —                | —            | (62,000)     | —            | —            |
| <b>Net cash from financing activities</b>  | <b>306</b>       | (52,903)     | (1,788)      | (10,209)     | 56,303       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                  | <b>174,398</b>   | (562,413)    | (119,703)    | 396,097      | 834,301      |

# Five-year comparison: Accounting ratios

|   | 2025<br>%   | 2024<br>% | 2023<br>% | 2022<br>% | 2021<br>% |
|---|-------------|-----------|-----------|-----------|-----------|
| Net operating income before loan impairment charges to total assets | <b>2.7</b>  | 3.3       | 3.0       | 2.0       | 1.9       |
| Operating expenses to total assets                                  | <b>1.5</b>  | 1.5       | 1.3       | 1.4       | 1.5       |
| Cost efficiency ratio   | <b>54.6</b> | 44.6      | 44.2      | 68.4      | 80.3      |
| Profit before tax to total assets                                   | <b>1.3</b>  | 2.0       | 1.7       | 0.8       | 0.4       |
| Profit before tax to average equity                                 | <b>17.4</b> | 25.7      | 24.6      | 11.7      | 5.8       |
| Profit after tax to total assets                                    | <b>0.9</b>  | 1.3       | 1.1       | 0.5       | 0.2       |
| Profit after tax to average equity                                  | <b>11.7</b> | 17.5      | 17.1      | 7.7       | 3.8       |

|                                     | 2025         | 2024  | 2023  | 2022  | 2021  |
|-------------------------------------|--------------|-------|-------|-------|-------|
| Shares in issue (millions)          | <b>360.3</b> | 360.3 | 360.3 | 360.3 | 360.3 |
| Net assets per 30 cent share (euro) | <b>1.7</b>   | 1.7   | 1.5   | 1.3   | 1.3   |
| Earnings per 30 cent share (euro)   | <b>0.20</b>  | 0.28  | 0.24  | 0.10  | 0.05  |
| Dividend per 30 cent share (euro)   |              |       |       |       |       |
| – gross                             | <b>0.18</b>  | 0.22  | 0.15  | 0.06  | 0.03  |
| – net                               | <b>0.12</b>  | 0.14  | 0.10  | 0.04  | 0.02  |
| Dividend cover                      | <b>1.7</b>   | 1.9   | 2.5   | 2.8   | 2.2   |

# Branches and offices

## Malta offices

### Registered Office/Head Office

116 Archbishop Street, Valletta VLT 1444

Tel: 2380 2380

### International Wealth and Premier Banking

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 2380

### Premier Centre

### Wealth Management Office

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2148 9100

### Corporate and Institutional Banking

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 8000

### International Banking Centre

High Street, Sliema SLM 1549

Tel: 2380 2380

### Trade Services

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 1828

### Operations Centre

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 2380

### Card Operations

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 2380

### Contact Centre

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 2380

### Inheritance Unit

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 3360/1/2/3/4

### Legal Office

32 Merchants Street, Valletta VLT 1173

Tel: 2380 2411

### Contracts Centre

32 Merchants Street, Valletta VLT 1173

Tel: 2380 3382

## Branches

### Birkirkara

1 Naxxar Road BKR 9049

Tel: 2380 2380

### Gzira

196 The Strand GZR 1023

Tel: 2380 2380

### Mosta

61/63 Constitution Street MST 9058

Tel: 2380 2380

### Paola

12 Antoine De Paule Square PLA 1261

Tel: 2380 2380

### Qormi

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 2380

### Rabat

12 Saqqajja Square RBT 1190

Tel: 2380 2380

### Sliema

Airways House, High Street SLM 1549

Tel: 2380 2380

### Swieqi

St Andrew's Road SWQ 9020

Tel: 2380 2380

### Valletta

32 Merchants Street VLT 1173

Tel: 2380 2380

### Zejtun

25th November Avenue, Door 24, ZTN 2018

Tel: 2380 2380

### Zurrieq

36/38/40 Main Street ZRQ 1318

Tel: 2380 2380

## Gozo office

### Victoria

90 Republic Street VCT 1017

Tel: 2380 2380

**Subsidiary companies**

**HSBC Global Asset Management  
(Malta) Limited**

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 5128

**HSBC Life Assurance (Malta) Ltd**

80 Mill Street, Zone 5, Central Business District, Qormi CBD 5090

Tel: 2380 8699

# Independent auditor's report

To the Shareholders of HSBC Bank Malta p.l.c.

## Report on the audit of the financial statements

### Our opinion

In our opinion:

- The Consolidated financial statements and the Parent Company ("the bank") financial statements (the "financial statements") of HSBC Bank Malta p.l.c. give a true and fair view of the Consolidated and the Parent Company's financial position as at 31 December 2025, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

### What we have audited

HSBC Bank Malta p.l.c.'s financial statements comprise:

- the Consolidated and Parent Company income statements and statements of comprehensive income for the year ended 31 December 2025;
- the Consolidated and Parent Company statements of financial position as at 31 December 2025;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the bank and its subsidiaries in accordance with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to audits of financial statements of an EU Public Interest Entity in Malta and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the bank and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the bank and its subsidiaries, in the period from 1 January 2025 to 31 December 2025, are disclosed in note 17 to the financial statements.

### Our audit approach

#### Overview



Overall group materiality: €5.2 million, which represents approximately 5% of profit before tax.

The group auditor carried out a full scope audit on the bank. HSBC Life Assurance (Malta) Ltd was deemed to be a significant component and, in this respect, the financial statements of this component were audited by a component auditor within the same office as the group auditor.

- Credit loss allowances attributable to loans and advances to customers.
- Valuation of insurance contract liabilities.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

# Independent auditor's report

## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

|   |   |
|---|---|
| Overall group materiality                       | €5,200,000  |
| How we determined it                            | Approximately 5% of profit before tax   |
| Rationale for the materiality benchmark applied | We chose profit before tax as the benchmark because in our view, it is the benchmark against which the performance of the local group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is within the range of quantitative materiality thresholds that we consider acceptable. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €260,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <b>Credit loss allowances attributable to loans and advances to customers</b> <p>Credit loss allowances in respect of loans and advances to customers, with particular focus on the more material Wholesale and Mortgage portfolios, represent management's best estimate of expected credit losses ('ECLs') within the loan portfolios at the balance sheet date. The development of the models designed to estimate ECLs on loans measured at amortised cost in accordance with the requirements of IFRS 9 requires a considerable level of judgement since the determination of ECLs is subject to a high degree of estimation uncertainty.</p> <p>In general, the bank calculates ECL by using the following key inputs: probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'). The maximum period considered when measuring ECL is the maximum period over which the bank is exposed to credit risk. The bank also applies overlays where management's view is that the calculated ECLs based on these key inputs do not fully capture the risks within the bank's portfolio.</p>   | <p>During our audit of the financial statements for the year ended 31 December 2025, we continued to focus on the key drivers of the estimation of ECL and assessed the continuing appropriateness of management assumptions and key parameters.</p> <p>Discussions with the Audit Committee included:</p> <ul style="list-style-type: none"><li>– Key model parameters within the bank's ECL models, for which we provided updates on the results of our testing procedures, including observations in respect of changes in model parameters applied in the bank's Mortgage ECL model following updates to the underlying model development data;</li><li>– the application of forward economic guidance, particularly in relation to the incorporation of possible scenarios linked to idiosyncratic risks arising in the local context;</li><li>– considerations around post-model adjustments; and</li><li>– observations in relation to the determination of Customer Risk Ratings ('CRRs') assigned to individually significant loans classified within the Wholesale portfolio.</li></ul>   |
| <b>ECL calculation for Wholesale exposures</b> <p>Credit loss allowances relating to all loans and advances within the Wholesale portfolio are determined at an instrument level. For non-defaulted (Stages 1 and 2) exposures, the bank uses an ECL model that relies on risk parameters, specifically proxy PDs, determined at HSBC Group level. Through-The-Cycle ('TTC') PDs are determined by reference to a Global Master Scale which captures historical default rates at credit rating level observed in respect of similar portfolios held by the HSBC Group across a number of countries. TTC PDs are converted to Point-in-Time ('PIT') PDs for the proxy country, which is then converted to a Malta-specific PIT PD on the basis of correlations attributable to the proxy country/portfolio within the HSBC Group that has the credit risk characteristics which are most similar to those of the bank's portfolio. In addition, the output proxy PD is further adjusted using a scalar to reflect local macroeconomic conditions.</p> <p>The LGD used for the Wholesale portfolio is driven by the loan-to-value ratio of the individual facilities and takes into account other assumptions, including market value haircut (which includes costs to sell), time to sell and the impact of discounting the collateral from the date of realisation back to the date of default.</p> <p>Staging is determined on the basis of both quantitative criteria and qualitative criteria. In respect of the former, for the Wholesale portfolio, the bank's ECL model captures Significant Increase in Credit Risk ('SICR') events at an individual borrower level through a quantitative comparison of changes in PIT PDs at reporting date with the equivalent estimation at origination date. In respect of the latter, a Customer Risk Rating ('CRR') is assigned at individual borrower level at least annually to assess the default risk by reference to a defined set of criteria, with pre-established notch deteriorations in CRR grades representing a SICR event. The application of the SICR criteria used by management therefore involves a significant level of judgement.</p> <p>For defaulted (Stage 3) exposures within the Wholesale portfolio, discounted cash flow models are utilised in order to estimate ECLs. Judgement is required to determine when a default has occurred and then to estimate the expected future cash flows related to that loan which are dependent on parameters or assumptions such as the valuation of collateral (including forced sale discounts and assumed realisation period) or forecasted operating cash flows. The bank is also required to assess multiple scenarios in this respect, which scenarios have probabilities attached.</p> | <p><b>ECL calculation for non-defaulted Wholesale exposures and for all Mortgage exposures</b></p> <p>We understood and critically assessed the models used for ECL estimation in both Wholesale and Mortgage portfolios. Since modelling assumptions and parameters are based on historic data, we assessed the impact of the current circumstances on the adequacy of key model parameters, since these are not necessarily reflective of the circumstances and economic conditions observed during the period covered by the model development data. The appropriateness of management's judgements was also independently considered in respect of calculation methodologies, calibration of PDs/loss rates and LGDs, segmentation, selection of macroeconomic variables and post-model adjustments. Model calculations were also tested independently.</p> <p>The design and operating effectiveness of key controls management has established across the processes relevant to the ECL models were tested as follows:</p> <ul style="list-style-type: none"><li>– Model performance monitoring, including reconciliation of model parameters against approved models.</li><li>– Review and challenge of multiple economic scenarios by an expert panel and internal governance committee.</li><li>– Inputs of critical data into source systems, and the flow and transformation of data between source systems to the impairment calculation engine.</li><li>– Testing over the automated calculation of ECLs, in view of the update of development data of the Mortgage ECL model, to ensure it is performing in line with business requirements.</li><li>– Review and challenge to assess ECL output and approval of overlays.</li></ul> <p>We determined that we could rely on these controls for the purposes of our audit.</p> |

# Independent auditor's report

## Key audit matter

### ECL calculation for Mortgage exposures

Credit loss allowances relating to all loans and advances within the Mortgage portfolio (Stages 1, 2 and 3) are determined through the use of an ECL model which inherently requires a significant level of judgement to be applied in the determination of key assumptions and calibration of key model parameters. The model is used to calculate ECLs based on key assumptions, such as loss rates (reflecting PDs that are exposure value weighted) and loss severities (which represent the LGD including the impact of implied cure rates, valuation haircuts of collateral and recovery rates). Loss rates and loss severities are estimated using internally developed statistical models and historical model development data based on the bank's own experience as available at the reporting date. The loss severities for the Mortgage portfolio are also driven by the loan-to-value ratio of exposures, taking into account similar assumptions as those applied for the Wholesale portfolio, as well as the status of the perfection of collateral and the vintage years in default. The model for loss severities takes into consideration multiple work-out options. During the financial year ended 31 December 2025, the bank updated the underlying model development data used to estimate loss rates and loss severities for Mortgages in order to reflect more recent historical observations. In this respect, a significant level of judgement is required to be applied by management in the determination of key assumptions and calibration of key model parameters. Staging in respect of the Mortgage portfolio is determined at segment level in view of the homogeneity in nature and relatively low value of exposures. Segmentation is determined on the basis of the relevant identified credit risk characteristics. Exposures classified within the Mortgage portfolio are segmented by reference to delinquency status, past delinquency in the previous 12 months, as well as a behavioural score in case of exposures with no history of delinquency throughout the previous 12 months. A SICR threshold is determined by reference to the average PD twelve months prior to exposures falling more than 30 days past due. In this respect, PDs are estimated in respect of each segment and segments with a PD in excess of the SICR threshold are classified as stage 2 exposures.

### Forward-looking scenarios applied in the ECL calculation of loans and advances to customers

Under IFRS 9, the bank is also required to formulate and incorporate multiple forward-looking economic conditions, reflecting management's view of potential future economic variables and environments, into the ECL estimates. A number of macroeconomic scenarios based on the selected macroeconomic variables are considered to capture non-linearity across credit portfolios. The complexity attributable to this factor requires management to develop multiple macroeconomic scenarios involving the use of significant judgements. The bank utilises a methodology to generate the economic inputs applied within the ECL models. Specifically, the bank applies four macroeconomic scenarios to capture the current economic environment, reflecting management's view of the range of potential outcomes. For the Mortgage portfolio, the impact of macroeconomic scenarios on PDs is modelled at a portfolio level. In contrast, no impact is modelled on LGDs. The macroeconomic variables applied for Mortgages are specific to Malta, comprising unemployment, real Gross Domestic Product ('GDP') growth, and the House Price Index ('HPI'). The forward-looking PDs and LGDs applied in respect of non-credit impaired Wholesale exposures are also modelled at a portfolio level by reference to a proxy country's macroeconomic paths, shifted by a scalar to reflect the difference between the proxy country's and local sensitivities to economic shocks. The most suitable proxy country is determined using a methodology designed to compare proxy sites' principal component macroeconomic variables to local variables. The selected macroeconomic variables applied in the ECL calculation of non-credit impaired Wholesale exposures comprise the proxy country's real GDP growth rate, unemployment rate, consumer price index, short-term interest rate, and HPI. For credit impaired Wholesale exposures, LGD estimates take into account independent recovery valuations provided by external consultants, or internal forecasts corresponding to anticipated economic conditions and individual company conditions. The macroeconomic uncertainty induced by ongoing geopolitical developments impact macroeconomic factors such as GDP, unemployment, the consumer price index and interest rates, increasing the uncertainty around judgements made in determining the severity and likelihood of macroeconomic forecasts across the different economic scenarios used in ECL models. Overly sensitive ECL modelled outcomes can be observed when current conditions fall outside the range of historical experience. In this respect, the selection of the macroeconomic variables applied to modelled PDs as well as the methodology used to calibrate the sensitivity of PDs to changes in macroeconomic conditions require a significant level of expert judgement. Data used in the impairment calculation is sourced from a number of systems, including systems that are not necessarily used for the preparation of accounting records. This increases risk around completeness and accuracy of certain data used to create assumptions and operate the models. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

## How our audit addressed the key audit matter

Substantive procedures were performed as follows:

- Performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the bank's portfolios, risk profile, credit risk management practices and the macroeconomic environment.
- Tested a sample of loans within the Wholesale portfolio to independently review the borrower's financial performance and ability to meet loan repayments and assess the appropriateness of the CRR assigned by management.
- Challenged the criteria used to allocate an exposure to stage 1, 2 or 3 in accordance with IFRS 9 and tested exposures in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.
- Tested the completeness and accuracy of the critical data, extracted from the underlying systems, that is utilised within the Wholesale and Mortgage ECL models for the purposes of the year end ECL calculation.
- Reviewed the script codes for the impairment engine against business requirements and our expectations of how the calculation should operate.
- Risk based testing of models, including a review of the continuing appropriateness of model assumptions. We tested the assumptions, inputs and formulas used in ECL models on a sample basis. This included assessing the appropriateness of model design and formulas used.
- Specifically in the context of the update of the development data used to estimate ECL in respect of the Mortgages portfolio, challenged and tested the assumptions and judgements applied by management to estimate the key ECL parameters. In particular, we assessed the appropriateness of data periods used for model development purposes as well as the reasonableness of the ECL movement attributable to the recalibration of loss rates and loss severities. We also assessed the continuing appropriateness of other key judgements and assumptions within the Mortgages ECL model, including the calibration of staging criteria; the definition of default; assessment of appropriateness of rank ordering of PDs across segments; and LGD assumptions within the model.
- For both the Wholesale and Mortgage portfolios, assessed the reasonableness of modelled PDs through a comparison of historically predicted and observed default rates.
- For both the Wholesale and Mortgage portfolios, assessed the reasonableness of market value haircuts and time to sell assumptions used as inputs to modelled LGDs. For the Mortgage portfolio, we also tested the accuracy of the bank's data in respect of the status of perfection of collateral and the vintage years in default, assessing the key judgements applied by management to identify the exposures which are deemed to carry a higher level of risk in the estimation of ECL.
- Independent testing of model calculations for refreshed models.
- Tested the multiple macroeconomic scenarios and variables using our experts to assess their reasonableness. We assessed the appropriateness of changes effected to factor the impact of the current macroeconomic environment, including the reasonableness of probability weights. We assessed whether the severity of the forecasted macroeconomic variables was appropriate.
- Tested the accuracy and reasonableness of post-model adjustments applied by the bank.

Based on the evidence obtained, we found that the model assumptions, data used within the models and overlays to be reasonable.

### ECL calculation for defaulted Wholesale exposures

For defaulted exposures within the Wholesale portfolio, the appropriateness of the methodology and policy used to calculate ECLs was independently assessed. We understood and evaluated the processes for identifying default events within loan portfolios, as well as the impairment assessment processes. In respect of defaulted exposures, the design and operating effectiveness of key controls established by management were tested over:

- The timeliness of the performance and review of the credit file review processes.
- The determination of which loans and advances are credit-impaired, including the timely identification of such defaulted exposures.

We determined that we could rely on these controls for the purposes of our audit. Substantive procedures were performed in respect of identification of defaults by selecting a sample of performing loans which had not been identified by management as potentially defaulted to form our own judgement as to whether management's judgement was appropriate and to further challenge whether all relevant events had been identified by management.

# Independent auditor's report

## Key audit matter

The bank's application of the IFRS 9 impairment requirements is deemed to be an area of focus due to the subjective nature of specific data inputs into the calculation and the subjective judgements involved in both timing of recognition of impairment and the estimation of the size of any such impairment.

Accordingly, summarising the key areas relevant to the bank's measurement of ECLs would include:

- Allocation of loans to stage 1, 2, or 3 using criteria in accordance with IFRS 9;
- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;
- Completeness and accuracy of data used to calculate the ECL;
- Inputs and assumptions used to estimate the impact of multiple macroeconomic scenarios;
- Measurements of individually assessed provisions including the assessment of multiple scenarios; and
- The measurement and application of post-model adjustments designed to capture risks and data deficiencies not captured by the model.

Relevant references in the financial statements:

- Summary of material accounting policies: Note 3(b);
- Credit risk management: Note 4(b);
- Note on Change in expected credit losses and other credit impairment charges: Note 15;
- Note on Loans and advances to customers: Note 25; and
- Critical estimates and judgements: Note 52(a).

## How our audit addressed the key audit matter

Substantive procedures were performed on defaulted exposures in respect of the estimation of the size of the respective ECL provisions, as follows:

- Reviewed the credit files of a selected sample of corporate loans to understand the latest developments at the level of the borrower and the basis of measuring the ECL provisions and considered whether key judgements (such as market value haircuts and time to sell for gone concern assessments) were appropriate given the borrowers' circumstances.
- Challenged the appropriateness of the scenarios being applied for the exposures referred to above, particularly in respect of the extent to which they consider the potential impact of the current macroeconomic environment on the local property market, together with their respective probability weights, by forming an independent view of the market value haircuts and time to sell assumptions used by the bank under different scenarios in determining the recoverability of the selected corporate loans.
- Tested key inputs to and reperformed the impairment calculation used to derive expected cash flows under different scenarios.
- Assessed the appropriateness of a sample of property valuations securing impaired loans through our experts.
- Tested the perfection of security in line with the bank's policy.
- Assessed the reasonableness and appropriateness of reversals of ECL provisions effected during the year.

In the case of some impairment provisions, we formed a different view from that of management, but in our view the differences were within a reasonable range of outcomes.

## Valuation of insurance contract liabilities

The local group's insurance contract liabilities are measured as the total of fulfilment cash flows comprising the best estimates of future cash flows and risk adjustment and Contractual Service Margin ('CSM'). Determining these components involves significant professional judgement and interpretation, including the selection of accounting policies and the use of complex actuarial and accounting methodologies. The valuation also requires setting assumptions about future events, both internal and external to the business, giving rise to estimation uncertainty. The valuation of these liabilities is therefore complex and sensitive to changes in underlying assumptions.

We focused on this area due to its complex nature, its materiality and the subjectivity of the judgements made.

As part of our consideration of the entire set of assumptions, we focused particularly on expense assumptions, and mortality, morbidity and lapse assumptions as these are considered the most significant and judgemental. These are considered individually below.

Data used in the calculation of the insurance contract liabilities is sourced from a number of systems, including systems that are not necessarily used for the preparation of accounting records. This increases risk around completeness and accuracy of certain data used to create assumptions and operate the models. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

We performed the following audit procedures to test the valuation of insurance contract liabilities (including best estimate liabilities, risk adjustment and CSM), using our IFRS 17 and actuarial specialist team members:

- Assessed changes to the methodology applied since the prior year against IFRS 17 requirements;
- Tested the design and, where applicable, operating effectiveness of the controls in place over the determination of the insurance contract liabilities, including those relating to model inputs, model operation and extraction of results from the actuarial model, as well as controls related to the completeness and accuracy of policyholder data used in the valuation of insurance contract liabilities;
- Tested the accuracy of the underlying data used for the purposes of measurement by reference to its source;
- Applied our industry knowledge and experience to assess the appropriateness of the methodology, model and assumptions used against recognised actuarial practices;
- Tested management's controls in respect of the valuation and assumption setting processes;
- Performed testing over the actuarial model calculations, including consideration of the results of testing carried out by the actuarial function, and examination of the analysis of change in modelled results, to assess whether the model continues to operate as expected;
- Performed testing over the changes made by management to the CSM engine and the accounting logic, and validated that appropriate governance is in place over these changes. The testing procedures have focused on ensuring that any changes to the models during the year have been implemented appropriately and that there have been no unauthorised / inappropriate changes to the model, including the relevant IT environment and IT dependencies;
- Tested the inputs and outputs to/from the CSM model on a sample basis by inter alia testing controls and performing tests of detail (including over key reconciliations) in relation to completeness and accuracy of data flows, challenging whether the data properly aligns to the CSM model's data dictionary; and
- Tested the adequacy and compliance of the quantitative and qualitative disclosures in the financial statements.

# Independent auditor's report

## Key audit matter

### Valuation of insurance contract liabilities – expense assumptions

The valuation of insurance contract liabilities includes estimated future expenses that are expected to be incurred in the administration and maintenance of the existing policies to their maturity and include an allowance for future inflation. The assumptions used require judgement, particularly with respect to the allocation of expenses to future maintenance, the estimation of policy volumes and future cost inflation.

IFRS 17 requires the local group to analyse expenses between acquisition costs, directly attributable expenses and non-attributable (i.e. out of scope) expenses. The valuation of the insurance contract liabilities is sensitive to changes in allocations between categories and changes in assumptions.

### Valuation of insurance contract liabilities – mortality, morbidity and lapse assumptions

Insurance contract liabilities are sensitive to the choice of assumptions, with those relevant to mortality, morbidity and lapse highlighted as amongst those having the biggest impact. There is a risk that the assumptions are not appropriate given the variability in experience and the relatively small size of the local group's business, given the pool of data from which to assess experience. In setting mortality, morbidity and lapse assumptions, management utilises the local group's own historic experience, supplemented with additional external data in the calculation of the appropriate assumptions. In doing so there is a risk that mortality, morbidity and lapse assumptions are not appropriate.

IFRS 17 requires the local group to set assumptions on a best estimate basis (i.e. without margins).

Relevant references in the financial statements are:

- Summary of material accounting policies: Note 3(i);
- Note on Insurance business: Note 10; and
- Critical estimates and judgements: Note 52(b).

## How our audit addressed the key audit matter

In respect of the expense assumptions, we performed the following additional procedures using our IFRS 17 and actuarial specialist team members:

- We have understood and challenged the continued appropriateness of the expense allocations determined in the prior year, which were derived based on an activity based costing exercise;
- We have tested and challenged the appropriateness of the allocation between attributable and non-attributable expenses on a sample basis;
- We have reviewed, and where relevant, challenged the appropriateness of these cost allocations in the context of IFRS 17 requirements and actual costs incurred during the year (by inter alia obtaining an understanding of variances prepared by management);
- We have assessed the impact of the current inflationary environment on the assumptions. In this respect we understood and challenged the basis on which expenses are projected by reference to market observable data (inflation curve), and further understood the main drivers of the increase in per policy expenses (disclosed in Note 52(b)) and challenged management's intent to carry out certain future actions linked to attributable expenses by inter alia confirming that these actions were approved by the board; and
- We have assessed the reasonableness of the policy volumes used in the expense calculation.

In respect of the mortality, morbidity and lapse assumptions we performed the following additional procedures using our actuarial specialist team members:

- We understood and evaluated the processes and controls pertaining to the experience analysis and input of assumptions into the model;
- Tested the results of the most recent mortality, morbidity and lapse experience analysis against the judgements applied in setting the assumptions;
- Tested the appropriateness of the local group's experience analysis methodology by comparing against industry best practice;
- Tested the appropriateness of the assumptions in light of the specific characteristics of the business and industry practices; and
- Reviewed management's sense checks and performed internal reasonableness analytics over the impacts of any assumption changes.

In respect of all the assumptions referred to above, we have reviewed management's approach to setting the assumptions, assessed the assumptions' appropriateness based on internal and external data (where available), and tested management's governance and controls over the assumption basis review.

We also reviewed the modelled results and manual adjustments, and we assessed the reasonableness of management's analysis of the changes in the carrying amounts.

Based on the work performed we found the valuation of insurance contract liabilities (including best estimate, risk adjustment and contractual service margin) to be consistent with the explanations and evidence obtained.

## How we tailored our group audit scope

The local group is composed of three components: HSBC Bank Malta p.l.c. (the "Parent Company" or "the bank"), and its subsidiaries: HSBC Life Assurance (Malta) Ltd, which is determined to be of relative financial significance to the group financial statements, and HSBC Global Asset Management (Malta) Limited.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the local group, the accounting processes and controls, and the industry in which the local group operates.

The group auditor carried out a full scope audit on the Parent Company. The financial statements of HSBC Life Assurance (Malta) Ltd were audited by a component auditor within the same office as the group auditor and, in this respect, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements of the local group as a whole. The figures of HSBC Global Asset Management (Malta) Limited are deemed to be inconsequential in the context of the local group's results.

The group auditor performed all of this work by applying the overall materiality at the level of the local group's consolidated financial statements, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the local group financial statements as a whole.

## Other information

The directors are responsible for the other information. The other information comprises all of the information presented in the Annual Report and Accounts 2025 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the Report on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the local group's and the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the local group or the bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the local group's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the local group's and the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the local group's or the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the local group or the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the local group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

---

### Report on other legal and regulatory requirements

#### Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of HSBC Bank Malta p.l.c. for the year ended 31 December 2025, entirely prepared in a single electronic reporting format.

#### Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

# Independent auditor's report

## Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2025 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

## Other reporting requirements

The Annual Report and Accounts 2025 contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Financial Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the Other information section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

| Area of the Annual Report and Accounts 2025 and the related Directors' responsibilities   | Our responsibilities   | Our reporting  |
|---|--|--|
| <b>Report of the Directors</b>  |  |  |
| The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.   | We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.<br>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.<br>In addition, we are required to state whether, in the light of the knowledge and understanding of the bank and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.<br>With respect to the information required by paragraphs 8 and 11 of the Sixth Schedule to the Act, our responsibility is limited to ensuring that such information has been provided.               | In our opinion:<br>– the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and<br>– the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).<br>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the Other information section. |
| <b>Statement of Compliance with the Code of Principles of Good Corporate Governance</b>   |  |  |
| The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the bank has complied with the provisions of the Code, presenting the extent to which the bank has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles. | We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the bank and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements<br>We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97.<br>We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the bank's corporate governance procedures or its risk and control procedures. | In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.<br>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the Other information section.   |

# Independent auditor's report

## Area of the Annual Report and Accounts 2025 and the related Directors' responsibilities

|   | Our responsibilities   | Our reporting   |
|---|--|---|
| <b>Remuneration report</b>  |  |   |
| The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules. | We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.   | In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.   |
|   | <b>Other matters prescribed by the Maltese Banking Act (Cap. 371)</b>  |   |
|   | In terms of the requirements of the Maltese Banking Act (Cap. 371), we are also required to report whether: <ul style="list-style-type: none"><li>– we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;</li><li>– proper books of account have been kept by the bank, so far as appears from our examination of those books;</li><li>– the bank's financial statements are in agreement with the books of account;</li><li>– in our opinion, and to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law which may from time to time be in force in the manner so required.</li></ul> | In our opinion: <ul style="list-style-type: none"><li>– we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;</li><li>– proper books of account have been kept by the bank, so far as appears from our examination of those books;</li><li>– the bank's financial statements are in agreement with the books of account; and</li><li>– to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law in force in the manner so required.</li></ul> |
|   | <b>Other matters on which we are required to report by exception</b>   |   |
|   | We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion, adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.<br>We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.   | We have nothing to report to you in respect of these responsibilities.  |

## Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the bank's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

## Appointment

We were first appointed as auditors of the local group and bank on 22 April 2015. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 11 years.

### Norbert Paul Vella

Principal

For and on behalf of

**PricewaterhouseCoopers**

78, Mill Street

Zone 5, Central Business District

Qormi

Malta

25 February 2026

© Copyright HSBC Bank Malta p.l.c. 2025  
All rights reserved

No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Bank Malta p.l.c.

Published by HSBC Bank Malta p.l.c., Valletta.

Cover designed by Superunion (formerly Addison Group), London; text pages designed by Group Communications (Asia), The Hongkong and Shanghai Banking Corporation Limited, Hong Kong, and Global Finance, HSBC Holdings plc, London.

ISSN 1811-7570  
ISBN 978-99932-12-23-2

---

**Photography**

Pages 2, 13, 14: Claire Farrugia  
Pages 7 and 8: Robert Buhagiar

**HSBC Bank Malta p.l.c.**

116 Archbishop Street  
Valletta VLT 1444

Malta

[hsbcbank\\_malta@hsbc.com](mailto:hsbcbank_malta@hsbc.com)

Telephone: 356 2380 2380

[www.hsbc.com.mt](http://www.hsbc.com.mt)